



FOURTEENTH ITEM ON THE AGENDA

**Report of the Committee on
Employment and Social Policy**

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1. The Committee on Employment and Social Policy (ESP) met on 6 and 7 November 2006. The Chairperson was Ambassador Fernando, Permanent Representative of the Government of Sri Lanka. The Employer and Worker Vice-Chairpersons were Ms Goldberg and Mr Patel, respectively.
2. The Chairperson drew the Committee's attention to the improved process of determining the order of business of the Committee in a predictable manner. She advised the members to be brief and specific in their interventions in view of the heavy schedule of work.

A. Implementation of past decisions taken by the Committee on Employment and Social Policy (Fifth item on the agenda)

3. The Chairperson invited the Committee to indicate their views on the point for decision in paragraph 9 of the Office paper,¹ and to give clear guidance to the Office on follow-up and implementation of past decisions.
4. In his preliminary remarks, a representative of the Director-General, Mr Salazar-Xirinachs (Executive Director, Employment Sector), indicated the high priority the Office attached to that paper. He recalled that in the "vision" document,² which had received strong endorsement by the Committee, he had emphasized the need to develop a more dynamic and interactive relationship between the Office and the Committee as the Global Employment Agenda (GEA) implementation was entering a new stage. His objective had been to start a continuous strategic dialogue, providing improved opportunities for the Committee to define its own work as well as the ILO's approach to employment strategies. He noted that the organization of the Committee's work according to the "three-basket approach" (policy approaches, country experiences, programmatic areas) presented at the last session had been endorsed subsequently by the Officers; the paper on youth employment represented the first programmatic area to be discussed under this new approach.
5. A representative of the Director-General, Mr Amjad (Director of Policy Planning, Employment Sector), presented the paper.
6. Out of the 41 Office papers that had been presented, 12 papers (and not 13 as incorrectly stated in the paper) had points for decision, in total adding up to around 30 specific requests for the Office to act upon. The detailed review contained in the appendix of the paper showed that follow-up action had been taken by the Office on most of them. He emphasized that where there had not been specific points for decision, the Office had been guided by the discussion in the Committee and the Chairperson's summaries. In several instances, related follow-up had been reflected in subsequent implementation reports provided by the Office. He recognized that the review had pointed to a few cases in which follow-up was lacking or had been insufficient. In conclusion, he stressed that follow-up work by the Office should be seen as an interactive process. The review showed that there was clearly scope for improvement, as suggested in the point for decision.

¹ GB.297/ESP/5.

² GB.295/ESP/1/1.

7. The Employer Vice-Chairperson explained that the paper had been requested as the Committee had come to an important turning point: some of the Officers had changed, the Employment Sector had a new Executive Director, and the review of the GEA core elements had come to an end. Her group felt that the linkage and communication between the Committee and the Office could be much improved and that the Committee meetings had become more of an academic debating forum. These developments provided the opportunity to discuss how future agendas could serve common objectives, including improved governance of the Committee process – the subject of that paper. She felt that the organization of the Committee’s agenda into three baskets for discussion was already helpful.
8. The Employers’ group agreed in principle to regular reporting on follow-up on guidance or decisions, but wanted to discuss further the exact modalities for this. To do so, she asked the Committee to reflect on a number of questions as to the usefulness of all the 41 papers the Committee had discussed in the last four years; what had been achieved from them; and how they had helped the Office and the Committee. Often the Office was asked to take account of opinions expressed in the Committee, but these were wide ranging or even diametrically opposed. She was interested in hearing what items Governments were interested in and what ideas they had taken back to their capitals. The Office was not a bottomless resource for producing papers on interesting issues; the Committee should also examine other ways of addressing issues. She called upon the Committee to be clearer when summing up what had been agreed in a discussion; and to put points for decision up front, if required, to guide both the drafter and reader.
9. The Worker Vice-Chairperson welcomed the paper; it was refreshing to get an overview after four years of Committee work and this should now be done on a more regular basis. The strength of the paper was that it set out the points for decision, which was helpful as a reminder and set a standard. However, in order to complement this audit, he called on the Office to take stock of the follow-up given to the 29 papers in which there had not been any point for decision, but on which the Committee had given guidance through its discussions. In the discussion of the paper on promoting technological change,³ for example, the Committee had pointed out that the paper failed to address one part of the GEA that dealt with physical and social infrastructure. This should have become the basis for Office follow-up. The question was then raised as to which ideas and proposals had in fact been taken from the various discussions and how they had been taken forward.
10. He found the implementation overview in the appendix useful, but raised some concerns regarding the full implementation of decisions. Follow-up to GB.286/ESP/1 only covered six out of the ten GEA core elements. He was further disappointed by the lack of follow-up to the decision on export processing zones and called on the Office to ensure that follow-up action was taken on an expedited basis and reported on.
11. To improve the situation, he called for more points for decision in order to take account of the Committee’s role as an oversight body. A more flexible approach was needed to capture decisions where there were no formal points for decision. In conclusion, he supported the idea of paragraph 9 in principle, but suggested a revised wording could be considered that would address the issue of formal points for decision, broad guidance offered by the Committee and key outcomes of previous meetings of the Committee.
12. The Chairperson invited the Committee to be proactive in suggesting points for decision during the debate, even where none were included in the Office papers.

³ GB.292/ESP/3.

13. The representative of the Government of France, speaking on behalf of IMEC, pointed out the need to reinforce the governance process of the Committee. He stressed the importance of the Office taking into account the debates and decisions taken by the Committee. He hoped the Office paper would facilitate the process of decision-making and formulation of follow-up activities. The IMEC group expressed its support for paragraph 9 of the document, since it would lead to improved governance.
14. The representative of the Government of Kenya expressed concern that the Office had not provided convincing reasons why action had not been taken on several occasions. Referring to paragraph 9(i), he regarded it as a routine task of the Office to prepare notes for the Committee. He supported the proposal in subparagraph (ii). With regard to the operational programmes in his country referred to in the paper, he asked the Office whether the social partners were involved and to what extent the programme was successful.
15. The representative of the Government of Pakistan noted the importance of the paper and endorsed its conclusions. There was room for improvement in follow-up activities of the Office. He suggested that focusing on selected areas such as youth and rural employment, and on country presentations, would increase the effectiveness of discussions. The guidance given to the Office should be more precise. He supported the suggestion made by the Chairperson in her introductory remarks regarding a possible rewording of the point for decision.
16. The representative of the Government of Sri Lanka noted the need to review past decisions in the light of the action taken by the Office. He also noted the low number of points for decision among the papers presented, and encouraged the Office to take follow-up actions where this was implied in the guidance. He endorsed the proposals in paragraph 8 and supported the point for decision in paragraph 9.
17. The Chairperson stated that everyone was in agreement with more regular reporting and follow-up. However, modalities and wording of the decision point required further discussion, and amended language for the point for decision would be submitted later, following formal consultations.
18. In his response to the debate, Mr Amjad noted broad consensus for a more interactive and dynamic relationship between the Committee and the Office. He invited suggestions for modalities for better follow-up to be reflected in an amended paragraph 9. In response to the point raised by the Worker Vice-Chairperson about the application of the GEA framework as an integrated approach, he pointed out that in the programme and budget cycle, a selected number of core elements were taken up for detailed analysis within a comprehensive approach.
19. Mr Salazar-Xirinachs acknowledged the importance of addressing the way the Committee worked on a regular basis. There was a need to focus on how to capture the policy guidance and strategic orientations given by the Committee and its follow-up by the Office; this was a useful direction for the Committee process. Some papers by their nature did not require points for decision. Therefore, he sought the Committee's views on whether to keep the current balance or have more points for decision.
20. Mr Diop (Executive Director, Social Protection Sector) welcomed the dynamic and interactive relationship between the Office and the Committee proposed for the future.
21. The Worker Vice-Chairperson was struck by the consensus in the response of the Committee. The point for decision proposed should be amended to incorporate the dimension of Committee guidance and informal consultation should take place on

appropriate wording. He re-emphasized the challenge of capturing that in the decision point.

22. The Employer Vice-Chairperson expressed appreciation for the consensus that had emerged in the Committee. Decision points helped to clarify why a discussion was being held, and increased the likelihood of useful interaction. The proceedings of the Committee should be focused, but not too formalized.
23. The Chairperson concluded the debate by recalling the request of the Employer Vice-Chairperson to keep the agenda as concise as possible. Amended text for paragraph 9 had been circulated to delegates. Following informal consultation with the members of the Committee, and noting that there was no objection to the amendment, the point for decision as amended was adopted.
24. *The Committee recommends that the Governing Body request the Office:*
 - (i) *in preparing documents for consideration by the Committee, to give due regard to identifying areas where guidance and/or points for decision are required; and*
 - (ii) *to report at each November session of the ESP Committee on progress made in giving effect to the general guidance of the Committee.*

B. Strategies and practices for labour inspection

(Third item on the agenda)

25. A representative of the Director-General (Mr Diop, Executive Director, Social Protection Sector) introduced the Office paper.⁴ Noting the basic responsibilities of labour inspectors, he explained how some inspectorates were now modernizing to take account of the many changes in the world of work and the call for improved governance. The Committee of Experts on the Application of Conventions and Recommendations⁵ had emphasized the role of labour inspection in promoting decent work and agreed that the Office needed a coherent approach to meeting the challenges. He thanked all those who had contributed to this paper.
26. A representative of the Director-General (Mr Albracht, Coordinator, Development of Inspection Systems, SafeWork Programme, Social Protection Sector) presented the Office paper. He described the major challenges facing labour inspectorates from changes in the world of work and the growth of the informal economy, and such factors as huge numbers of work-related accidents and diseases. However, there was a lack of resources for labour inspection in many countries, and he quoted widely differing ratios between the number of inspectors and the number of workers across the world. There were about 120,000 labour inspectors worldwide. The Office had a key role to play in strengthening labour inspection systems through decent work country programmes and sustainable poverty reduction strategies, by providing technical assistance and cooperation, training and information

⁴ GB.297/ESP/3.

⁵ *Labour inspection*, General Survey of the Committee of Experts on the Application of Conventions and Recommendations, Report III (Part 1B), International Labour Conference, 95th Session, Geneva, 2006, <http://www.ilo.org/public/english/standards/relm/ilc/ilc95/pdf/rep-iii-1b.pdf>.

systems. Two examples from developed countries were quoted, in which major investment in labour inspection had been very cost-effective. While many developing countries needed to strengthen their labour inspectorates, they lacked the capacity to do so, and the Office faced an overwhelming demand for technical assistance. The paper therefore recommended that the Office should develop a strategy to support the modernization and reinvigoration of labour inspection. At the enterprise level, inspectors could initiate improvements, but for changes to be sustainable there needed to be strong social dialogue, including independent and competent worker representatives.

- 27.** The Worker Vice-Chairperson considered the Office paper helpful in taking the general discussion forward, following up on the debate at the International Labour Conference in June 2006 on the General Survey on labour inspection. He reiterated that the impact of labour inspection on sustainable development was undeniable. The ILO was uniquely placed to address the global challenges of labour inspection, so more of its resources should be allocated to meet them. He agreed that problems were numerous, particularly in developing countries, where systems of labour inspection were often dysfunctional, badly resourced and inspectors were poorly trained. He also pointed out that the low resource allocation and low profile of labour inspection meant that the most qualified persons were disinclined to join the labour inspection services.
- 28.** He agreed with paragraph 28, emphasizing that voluntary self-regulation complemented public regulation and inspection but was not an alternative to them. He also supported paragraph 23, noting that the Employment Relationship Recommendation, 2006 (No. 198), provided important guidance for national laws. However, he expressed concern about adding new tasks for labour inspectors, referring to paragraphs 25 and 18 that may be used to imply seeking out illegal migrant workers and acting as conciliator or arbitrator. National governments had an important role to play in establishing effective labour inspection systems, including appointing high-quality staff, making adequate resource allocations for salaries, providing substantial and practical training and protecting labour inspectors from physical abuse and attacks.
- 29.** He supported the idea of modernized and invigorated labour inspection systems, and suggested that the tools set out in paragraph 42(a) to (f), with some additions, be included in subparagraph (ii) of the point for decision in paragraph 44. These additions included the preparation of new ILO tools, namely: a guide to labour inspection for workers representatives, available through the portal mentioned in paragraph 42(c), a research and advocacy programme to address various areas such as the contribution made by labour inspectors to national development, an annual report on innovations and successes, tripartite oversight of labour inspection, possible standard reporting indicators for national inspection systems, improvements in labour codes and practices to facilitate more effective labour inspection, guidelines on best practice for national resource allocation for labour inspection services, and concrete tools (such as documentaries) to be used by public television stations across the world. He proposed coordination between the tax, social security and labour inspection authorities as envisaged in the Employment Relationship Recommendation, 2006 (No. 198). He called for acknowledgement and active support for the building of strong workplace representation as a necessary partner in effective labour inspection. He also suggested devoting an annual world day to promoting labour inspection, similar to the World Day for Safety and Health at Work, each year choosing a specific theme. He supported the points made in paragraph 43, provided that appropriate resources should come from the ILO's regular budget; reliance should not be placed on donors. He also endorsed the proposal in subparagraph 44(iii).
- 30.** The Employer Vice-Chairperson noted firstly that, while it was important for employers to have effective and well-resourced labour inspectorates to promote compliance with the law and to help create a stable business climate, it was also important for the law itself to be

well framed and appropriate. The issue would come up again in the discussion of the paper on business environment, labour law and micro- and small enterprises. With regard to compliance, investors were not attracted by weak enforcement. Capacity building by the ILO and by donors was therefore important so that effective enforcement should be mainstreamed within national administrations and become sustainable. Social partners also had a key role to play in this process; however, the vast majority of enterprises in the world were not unionized, suggesting that the influence of labour inspectors was even more important there. It was also not possible to reduce the size of the informal economy simply by expanding numbers of labour inspectors, but other means were also necessary. As for labour inspectors' powers, some checks and balances were needed so that employers had some recourse to the courts in case of alleged breaches of the law; labour inspectors were after all part of the labour administration system and should therefore not act as judges.

- 31.** She stressed the ILO's key role in providing technical advice and training, and in supporting nationwide campaigns such as those on safety and health at work. The Office could usefully help to identify external donors who could address countries' structural challenges, noting that labour inspection was an ongoing government responsibility. However, she questioned whether the proposed international meeting of labour inspectors was cost-effective, suggesting that smaller focused meetings might be more so. She also questioned the meaning of the concept "international strategies" in the point for decision.
- 32.** The representative of the Government of France, speaking on behalf of IMEC, welcomed this clear and comprehensive paper. He was convinced that the main elements of a strategy, as outlined in paragraph 42, should contribute to the improvement of efficient labour inspection as part of an integrated approach, but he requested further definition of the links between labour inspection, poverty reduction and sustainable development. The development of the business environment, including micro- and small enterprises (MSEs), was very important for IMEC, and ILO standards needed to be appropriate to MSEs. As regards the funding (paragraph 43) the group wished to have the first indications of the results of the internal working group examining potential synergies between planned activities in different parts of the Office. It also wished that consultations should be held to determine the structure whereby labour inspection would be incorporated within the Office. The IMEC group supported the point for decision in paragraph 44, with the proviso that the word "evaluate" should be added after "develop" and the word "international" should be omitted in subparagraph (iii).
- 33.** The representative of the Government of Spain supported the comments of the previous speaker, adding that a major impulse had just been given to the Spanish labour inspectorate, coinciding with its centenary. Staff numbers had been significantly increased (from 1,473 in 2000, to 1,632 at present). The ratio of number of workers per inspector had improved, and was now below the ILO recommendation of 10,000 workers per inspector. As part of this modernization process information technology and budgetary resources had also grown, and greater coordination between the State Administration and the autonomous communities had been encouraged. In particular, the creation of tripartite and joint consultative bodies had led to close participation by workers' and enterprise representatives in planning objectives. While fully respecting other systems, she supported an integrated system, such as that established in Spain, to face the new challenges posed by changes in the world of work. To this end, she suggested that, within the organizational structure of the Office, the unit responsible for labour inspection should be established in the department for labour administration, given the logic of decent work, the multidisciplinary character of inspection and the content of the November 2005 independent evaluation of the InFocus Programme on Social Dialogue, Labour Law and Labour Administration. She also suggested that the debate on the Programme and Budget for 2008–09 would provide the occasion for taking up, and definitively resolving, this issue. She considered it fundamental that the function corresponding to inspection in

Decent Work Country Programmes should be examined by a meeting of experts, as proposed by the Office.

- 34.** The representative of the Government of Mexico agreed with the Office paper, mentioning the lack of resources for labour inspection as a particular challenge and the need for innovation. The Mexican labour inspection system had developed considerably in recent years and it now emphasized a preventative approach, promoting compliance through a range of modern tools and techniques, information systems, etc. She thus favoured a global strategy for labour inspection that was built upon the experiences of member States, referring in particular to those of the two developed countries mentioned by Mr Albracht earlier in the discussion.
- 35.** The representative of the Government of Finland endorsed the views of the IMEC group, adding that the paper thoroughly described the issues and presented some good proposals. He supported paragraph 42 of the paper, believing that all the elements of the strategy were important, but that it could probably be expanded in future. Labour inspectorates faced new challenges from the fragmentation of work and the transient nature of workplaces, including mental stress caused by the uncertainties in flexible working arrangements. Such issues were difficult to manage through regular inspection processes, but they should nevertheless be addressed, probably through a wider role for labour inspectorates, including guidance and advertising good practice.
- 36.** The representative of the Government of India complimented the Office on the paper and spoke of the key role that labour inspectors played in promoting decent work and implementing labour standards, affirming that an effective labour inspectorate made a positive impact on productivity and improving working conditions. India had been one of the first member States to ratify the Labour Inspection Convention, 1947 (No. 81), and had passed legislation that provided for labour inspection in many economic sectors, but the structure of the agricultural sector was such that India was unable to ratify the Labour Inspection (Agriculture) Convention, 1969 (No. 129). Recently, globalization had resulted in many changes in labour markets, with flexible working arrangements and new employment relationships, and traditional methods of labour inspection were now inadequate. It was thus appropriate for the Office to address the issue of labour inspection within this wider context and to develop a strategy for modernizing labour inspection systems that benefited workers but was not counterproductive as far as employment generation and economic growth were concerned.
- 37.** The representative of the Government of Côte d'Ivoire congratulated the Office on the paper, saying that his country could readily identify with the challenges that labour inspectorates generally faced. However, Côte d'Ivoire had recruited and trained an additional 210 labour inspectors over the last three years, so that inspection services now covered all 58 departments in the country. He welcomed the concept of the Integrated Labour Inspection Training System mentioned in the paper, but deplored the lack of information about it and about how member States might benefit from it. Côte d'Ivoire approved the point for decision contained in paragraph 44.
- 38.** The representative of the Government of the United Kingdom welcomed the paper and its coherent approach to labour inspection within the global decent work framework, and supported the IMEC position. Inspection in the United Kingdom targeted those employers, premises or industries where risks were highest, and enforcement was expected to be consistent and proportionate, avoiding unnecessary burdens on those regulated. A mix of different interventions, including media campaigns and accessible advice, was also important in delivering improvements in occupational safety and health. The United Kingdom believed that labour inspectors should be properly trained and supported the paper's emphasis on this point. The people best placed to make workplaces safer, however,

were the managers and those who worked with them, and this was best achieved by working together to reduce injuries, ill health and absences from work. Labour inspectors had a crucial role to play in supporting employers and workers in making the necessary changes to safety and health culture in their workplaces.

- 39.** The representative of the Government of South Africa welcomed the Office paper, supporting the Committee of Experts in recognizing the vital contribution that an efficient and adequately resourced labour inspection service made to economic development and social cohesion. South Africa had adopted an integrated approach to the inspection and enforcement of occupational safety and health and compensation issues, strengthening its emphasis on prevention. Workplace safety and health representatives and committees were legally required, while designated agents promoted compliance with sectoral collective agreements, both of which provided a basis for partnership with labour inspectors. An occupational safety and health accord also provided a framework for cooperation between social partners. He endorsed the team approach to child labour as set out in paragraph 32, and supported the main elements of the strategy contained in paragraph 42 and the point for decision in subparagraph 44(iii).
- 40.** The representative of the Government of Kenya welcomed the paper as a thorough discussion of the importance of labour inspection for effective labour administration. In transition economies, the under-resourcing of labour inspectorates was a particular cause for concern, as were the challenges posed by the growing informal economy. Changes in legislation were often needed, both to cover the informal economy more effectively and to redefine the concept of the “workplace”, given the transient nature of many of them. He supported the point for decision in subparagraph 44(iii).
- 41.** The representative of the Government of Sri Lanka thanked the Office for the paper, agreeing with previous speakers about the need for well-organized labour inspection services in promoting decent work and economic and social development. While the traditional emphasis of labour inspection on enforcement and penalties would remain, modern labour inspection systems were increasingly being driven by the objectives of prevention, protection and improvement of working conditions. More efforts should also be made on promoting compliance through workplace cooperation, collective bargaining and social dialogue, all of which would help to strengthen labour inspection. In Sri Lanka, a study had shown that well-trained general inspectors could handle 80 per cent of inspections; this might help address future resource constraints. He welcomed the proposed elements of the new strategy in paragraph 42 and supported the point for decision in paragraph 44.
- 42.** The representative of the Government of Nigeria echoed the views of previous speakers, commenting in particular on the under-resourcing of inspectorates. He supported the need for appropriate strategies and tools for labour inspectorates, as stated in paragraph 41, and also those proposed in paragraph 42 and the point for decision in paragraph 44. The Nigerian Government had already taken steps to strengthen its labour inspection system, training inspectors and providing them with vehicles and other tools to improve efficiency. Nigeria supported the point for decision in paragraph 44.
- 43.** The representative of the Government of the Bolivarian Republic of Venezuela thanked the Office for the paper, adding that it dealt with many of the preoccupations of his own country, such as the lack of inspectors and resources. Since 1999, the Bolivarian Republic of Venezuela had made several improvements to their labour inspection system, including a significant increase in resources and the appointment of specialist inspectors and child labour officers, so that the number of inspectors had increased by 70 per cent. Other recent improvements included revising the national legislation on occupational safety and health, emphasizing prevention. He underlined the importance of political will in implementing

international standards and allocating sufficient resources for labour inspection, with better working conditions for inspectors and adequate salaries.

44. The representative of the Government of China affirmed that labour inspection was an important part of labour administration and a means of action towards decent work. He also agreed with the need to provide adequate financial resources, offices and means of transportation for inspectors, and to give greater emphasis to the preventive role that labour inspectors could play. There was also a need for greater cooperation between ministries. He concluded by endorsing paragraphs 42 and 43 and supported the point for decision in paragraph 44.
45. The representative of the Government of the United States supported the IMEC statement and the proposed amendment to subparagraph 44(iii). He noted that his Government was very interested in compliance assistance as an inspection strategy, so that comments endorsing prevention in Mr Diop's remarks, and those of many of the other Government delegations, were most welcome. He agreed with the additions to paragraph 42 made by the Employer and Worker Vice-Chairpersons, but wished to note that the task of developing an ILO strategy was a work-in-progress that would need to be further refined. The implementation process should therefore be based on the evaluation of various actions with the objective of refining the strategy. The role of the Committee should be to ensure clear, concise and substantively correct information and analysis of the programmes within its mandate, since the Committee was not in a position to decide the optimal balance of work and resources within the Office. He felt that this Committee served a very important role in providing substantive assessment of programmes and policies within the Committee's mandate, so that the Programme, Financial and Administrative Committee and the Governing Body were well prepared to assess proposals involving expenditures.
46. The representative of the Government of Pakistan considered that the overall policy guidance provided in the paper matched the particular conditions and constraints of developing countries, but the applicability of the guidance should be further examined. The conclusions of the International Labour Conference in 2006, which followed the General Survey, might be used as a reference point for launching initiatives in training and for restructuring labour inspection systems in developing countries. He provided examples of innovations introduced by his Government, including the extension of labour protection services to cover the informal economy. He supported paragraph 42 and the point for decision in paragraph 44.
47. The representative of the Government of Cuba thanked the Office for the paper and affirmed the fundamentally important role of labour inspection in securing workers' rights. Many of the issues highlighted in the paper were relevant to Cuba, but his Government had recently introduced several changes to improve occupational safety and health and the labour inspection services. The number of accidents had started to fall in 2005, as the number of labour inspectors had increased by 9 per cent. He supported the idea of modernized and reinvigorated labour inspection systems, as described in paragraph 42, and endorsed the point for decision in paragraph 44.
48. The representative of the Government of the Republic of Korea thanked the Office for an important paper and welcomed the overall strategy presented in it, but questioned how sufficient resources could be secured for labour inspection activities in relation to the Decent Work Agenda. In that regard, he asked the Office to specify activities where extra-budgetary support could be needed, including its view on the possibility of securing the additional resources.
49. The representative of the Government of Germany welcomed the paper and supported the IMEC statement, including the amendments made. She also supported the additions made

to paragraph 42 by the Workers and the representative of the Government of Finland. Strengthening labour inspection could also be appropriately funded through technical cooperation projects, such as the ones funded by Germany in Bulgaria and Viet Nam. She also welcomed the idea of creating closer relationships with the World Bank, UNDP, EU and other donors. Referring to the preview of the 2008–09 Programme and Budget proposals,⁶ she pointed out that according to paragraph 22 of the PFAC document, workplace improvement was one of the proposed outcomes under Strategic Objective No. 3, implying a strengthening of the regular budget resources for work in this area.

- 50.** The representative of the Government of France elaborated on the recent plan to modernize the labour inspection system in France, which was also celebrating its centenary. Regarding the Office paper, he questioned whether the links between labour inspection and occupational safety and health were sufficiently well articulated, referring also to the recently adopted Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187). He also questioned how a single global strategy on labour inspection could be flexible enough to apply to the numerous different inspection systems existing around the world.
- 51.** Mr Albracht explained in his response that the strategy referred to in paragraph 42 could be developed in close cooperation with social partners and be targeted particularly at developing and transition countries, and would include, in particular, the labour inspection portal, tripartite audits and training. In reply to concerns raised by the representative of the Government of France, he clarified that occupational safety and health was indeed a key component of the proposed ILO labour inspection strategy.
- 52.** Mr Diop believed that the amendments made by IMEC did not pose a problem for the Office. He also confirmed that he would make efforts to mobilize resources for labour inspection. He recalled that the Employers' group said "prevention pays", but that prevention could also represent a burden on the development of small and medium-sized enterprises (SMEs). For example, if SMEs could collaborate in creating "prevention groups", they might be in a stronger position to implement prevention strategies and comply with legal requirements. In response to concerns about applying a single strategy to all countries, he explained that tools like the web-based portal and databases would provide access to a wide range of information and good practice, thus enabling countries to select appropriate tools and information to suit their own requirements, permitting diversity within uniformity.
- 53.** The Employer Vice-Chairperson considered the intervention made by IMEC to be very useful and agreed to support subparagraph 44(iii) including the changes they proposed. She accepted that multinational enterprises (MNEs) could play a role in supporting labour inspectorates by sharing good practice, but they only covered a small percentage of workers globally, so their role would therefore likewise be limited. She reiterated the concerns of the Employers about the cost-effectiveness of some of the items listed in paragraph 42 – in particular, the proposed international meeting of labour inspectors.
- 54.** The Worker Vice-Chairperson appreciated the Office's commitment to resource mobilization. He noted the high degree of consensus between the Employers and Workers on such matters as the problem of weak enforcement and the need for labour inspection systems to be self-sustaining. He also endorsed the importance of education and training for prevention purposes, noting, however, that the threat of penalties in the case of non-compliance was still a necessary component of the "tool kit". The appropriateness of labour legislation was a topic for separate debate and should not be confused with the

⁶ GB.297/PFA/1/2.

needs both to comply with it and to address a culture of non-compliance. He questioned the Employers' suggestion that the informal economy arose from inappropriate regulation, and emphasized the importance of promoting compliance with the law wherever it applied.

55. He agreed with the Employers about the need to use resources wisely, but considered that meetings such as the one proposed by the Office had immense value in helping to develop a global profile, in enabling experiences and ideas to be shared and in encouraging networks. He believed that such meetings could help to energize the profession of labour inspection, giving it a sense of purpose and encouragement, and he therefore supported the proposal. He also supported the Office's proposal for further consideration by the MNE Subcommittee of the role of the ILO in respect of private systems, concurring with later comments of the Employers. Briefly summarizing the comments of Government delegates, he noted in particular the experiences of successful reforms of labour inspection services in some countries, adding that it was important to record and learn from them. These included the proposal by the Governments of Finland (to examine the challenges, such as mental stress, created by new forms of work), Germany (to add guidelines for best practice and common databases) and Cote d'Ivoire (for stressing site visits). Accepting the inclusion of the word "evaluate" and deletion of the word "international" in subparagraph 44(iii) proposed by IMEC, he also suggested adding the following wording at the end of subparagraph 44(iii) "... and promote international collaboration to achieve the goals of effective labour inspection". Such a strategy would benefit from including the main elements described in paragraph 42, such as the development and maintenance of a web-based labour inspection information portal. He called for reports to the Committee on follow-ups to the guidance offered.
56. The Chairperson proposed a revision to the subamendment to the amendment suggested by the Worker Vice-Chairperson. She noted that there was no objection to this proposal, and the point for decision was adopted as amended and subamended.
57. *The Committee recommends that the Governing Body invite the Office to develop, evaluate and implement a strategy for the support of the modernization and reinvigoration of labour inspection, with international collaboration as required to achieve these goals.*

C. (i) Implementation of the Global Employment Agenda: An update
(Sixth item on the agenda)

(ii) Youth employment
(Fourth item on the agenda)

58. As preliminary remarks to the Office's introduction of papers GB.297/ESP/6 and GB.297/ESP/4, Mr Salazar-Xirinachs informed the Committee about what the Office had been doing to put into effect the "vision" document presented to the Committee at its last session. While the focus of GB.297/ESP/6 was to update the Committee about activities in the field – in countries and regions – he also wanted to relate what had been done at headquarters to improve and operationalize the GEA implementation more broadly. The Employment Sector had turned the "vision" into a concrete management plan, a ten-point plan of action, containing the following elements: (1) better packaging and communication of the integrated approach to employment policies; (2) definition of priorities and delivery on these priorities; (3) stocktaking and improvement of employment policy tools and instruments; (4) increase of the knowledge base and refinement of the policy advice and

messages; (5) assessment and evaluation; (6) enhanced knowledge management, publications and web sites; (7) resource mobilization; (8) upgrading of human resources; (9) improved global engagement and networking; and (10) development of a dynamic relationship with the tripartite constituents, including in the Committee. Some of these challenges were not exclusive to the Employment Sector but were Office-wide. The Director-General had recently convened a very useful Decent Work Global Management Team meeting as part of the ongoing process to improve the effectiveness of the Office to respond to constituents' needs in the context of decent work country programmes.

59. The two papers were presented and discussed jointly.
60. Two representatives of the Director-General, Mr Amjad (Director, Policy Planning, Employment Sector) and Ms Rossignotti (Coordinator, Youth Employment Programme, Employment Sector) introduced the Office papers.⁷
61. Mr Amjad provided an overview, highlighting key activities at the global, regional and national levels that have supported GEA implementation and some of the key lessons learned. Ms Rossignotti provided an update of the recent activities of the ILO's programme on youth employment. She elaborated on some of the key lessons learned from the Office's youth employment work in each of the five policy areas identified in the checklist of the GEA implementation "vision" paper. For each area, she pointed to selected issues where the Office was suggesting undertaking work to expand the knowledge base and improve policy advice on youth employment.
62. In her preliminary remarks, the Employer Vice-Chairperson noted that, due to the fact that the agenda was very full, there was very little time for debate. A further difficulty was that the Committee was being asked to respond to a presentation on youth employment which differed in many respects from GB.297/ESP/4.
63. The Employer Vice-Chairperson put forth the PFA Committee's paper GB.297/PFA/2/1 as an excellent example of programme evaluation. It had had input from people working outside of the programme, identified elements for improvement, and proposed very specific next steps. It should have been cross-referenced to relevant documents before the Committee, as members could learn from both its content and its methodology.
64. The Employer Vice-Chairperson, referring to GB.297/ESP/6, stated that, while the material was comprehensive overall, it had widely different levels of detail. She posited that national governments must play a key role in setting priorities and that there was a need to look at the relationship between the decent work country programmes (DWCPs) and other initiatives (e.g. Poverty Reduction Strategy Papers, or PRSPs) so as to avoid duplication. She questioned whether it was necessary to set up a regional employment forum or design a matrix to strengthen linkages between the DWCPs, the African Union Summit Plan of Action and the GEA, when networks and facilities were in place. She applauded Burkina Faso's efforts to bring different initiatives together.
65. Referring to GB.297/ESP/4, the Employer Vice-Chairperson emphasized that youth employment was important for social stability in developing and developed countries alike. Today's youth were tomorrow's adults, and the issue of a work-ready labour force was central to employers' organizations. She welcomed the reference in the paper to the *Promoción del Empleo Juvenil en América Latina* (PREJAL) project as an example of public/private partnerships being able to leverage resources. Companies of all sizes had

⁷ GB.297/ESP/6 and GB.297/ESP/4.

much to bring to the ILO, and the Committee on Technical Cooperation was looking at the issue of public-private partnerships.

66. The paper was long and discursive, and only really got to the point in paragraphs 45 and 46. It should have focused more on the delivery of outcomes, what was going well and not well, and on the evaluation of projects. The presentation was more pointed and concise. However, some of the lessons in the presentation were in fact assertions, objectives and observations, rather than agreed ILO positions. She pointed out that there was consensus on many issues, but queried the statement that lowering the wages of young people was not likely to be effective in combating youth unemployment. She also questioned the statement on the lack of conclusive evidence concerning the relationship between increased flexibility for youth and decent employment outcomes. The assertion in paragraph 36 concerning minimum wages contradicted that of paragraph 22 suggesting that higher payroll taxes tended to increase youth unemployment rates.
67. A better way forward would have been to implement the plan of action to promote pathways to decent work for youth adopted at the 93rd Session of the International Labour Conference, as the means through which the ILO could maximize its comparative advantage. She also asked for clarification on the amount of resources devoted to youth employment in the Employment Sector.
68. The Worker Vice-Chairperson noted the management plan presented by the Executive Director. Regarding the structure of the paper on the GEA, he suggested that it could be used to focus and report on the work of the Office. He reminded the Committee that the GEA must of necessity have a global dimension. He expressed concern that, despite the increased consensus at the United Nations World Summit and the United Nations Economic and Social Council (ECOSOC), there remained a disjuncture with the global family of institutions, with the Bretton Woods institutions in particular finding it difficult to consistently support decent work and international labour standards. He stressed that the GEA was intended to be part of an inter-agency dialogue.
69. The Worker Vice-Chairperson wondered whether the European initiatives were coincidentally linked to the GEA, or whether the ILO had shaped them. He welcomed the decision to have an Asian Decent Work Decade. He expressed concern at reported important divergences between the ILO and the World Bank on labour market policies (as reported in paragraph 30 of GB.297/ESP/6) and sought details of this and of the ILO involvement and impact in preparing the Burkina Faso PRSP.
70. The Worker Vice-Chairperson welcomed the honest assessment of the African Union (AU) Finance Ministers made explicit in paragraph 49 on the slow implementation of the African Union Extraordinary Summit Plan of Action for Promotion of Employment and Poverty Alleviation, 2004 (AU Summit Action Plan). He repeated a proposal, previously supported by African governments in the Committee, to establish an ILO regional employment team with experts in industrial policy, trade, labour markets and macroeconomic policy. He supported the call for the establishment of a regional employment forum for Africa set out in paragraph 51.
71. The Worker Vice-Chairperson supported strengthening the ILO's technical capacity and asked for clarity on the nature and extent of Office work in strengthening workers' organizations' capacity in economic policy areas. He noted that the statement in paragraph 6 about making employment creation a specific concern in macroeconomic and social policies should refer to *employment* so as to embrace the quantitative and qualitative dimensions. In paragraph 55, a reference to decent jobs should be included. In paragraph 46, an explicit reference to international labour standards in rural employment would have

been useful. Regular updates on the GEA implementation were important, and he looked forward to the next report in a further improved format.

72. In commenting on governance issues, he suggested that, for the Committee to adequately perform its oversight role, it needed to consider all items on the agenda. He supported the proposal that relevant papers before other Committees be cross-referenced in documents presented to the Committee.
73. The Worker Vice-Chairperson introduced the Workers' delegate, Ms Burrow, remarking on her recent election as President of the newly formed International Trade Union Confederation.
74. Ms Burrow welcomed the Office paper, noting that it represented the beginning of a plan of action for the Office's work on youth employment and reflected the conclusions on promoting pathways to decent work for youth adopted at the 93rd Session of the International Labour Conference. Two central observations concerning youth employment should be recalled. On the one hand, youth unemployment and underemployment imposed heavy social and economic costs including underutilized investments in education and training, erosion of the tax base, lost opportunities for economic growth and, potentially, increased levels of social instability, poverty, crime and substance abuse. On the other hand, investment in youth reaped considerable social and economic rewards: decent work for youth contributed to boosting investment and consumer demand, ensured stable and cohesive ties across generations and helped young people to escape poverty and lead full and productive lives.
75. The Worker member emphasized that an employment-friendly macroeconomic framework needed to be coupled with policies for employment expansion. She referred to public infrastructure investment programmes as one proven means of facilitating long-term job opportunities for youth. Investment in education and training was central to employment opportunities for young people. She recalled Recommendation No. 195 on human resources development and also stressed the value of collective bargaining in promoting youth employment and training.
76. She cautioned against placing too much emphasis on the orthodoxy that small enterprise development was the primary, sustainable engine of job growth, citing recent studies indicating that firm size was not a good predictor of labour intensity. Especially in the informal economy, firms that were too small fell into a poverty trap and were less able to grow and create jobs compared with larger firms. In relation to active labour market policies, she highlighted the importance of positive strategies but cautioned that subsidies must be linked to training and should not be used simply to create a source of cheap labour through creating short-term arrangements and employment "churn". She recalled the conclusions adopted at the 93rd Session of the International Labour Conference indicating that a tool for the promotion of labour rights among young people should be developed, and suggested the title of "Know Your Rights" for this tool. She emphasized recent research by the Organisation for Economic Co-operation and Development (OECD) and the World Bank that overturned the notion that lower labour standards – for example, lower minimum wages – promoted employment growth.
77. In conclusion, she noted the wide range of useful technical and advocacy work on youth employment outlined in the paper contributing to the Global Employment Agenda and encouraged the promotion of coherence between ILO activities and those of ECOSOC.
78. The representative of the Government of Mexico welcomed the Office paper on the GEA and took note that during the Committee meeting next March the Office would present a detailed report on the informal economy. The report before the Committee was well

structured and presented a good summary of progress. However, she stressed the need to analyse in more detail the results that had been achieved. Regarding youth employment, she congratulated the Office for the excellent presentation and stressed the need for a more thorough discussion of the policy priorities regarding building the knowledge base and improving policy advice. Referring to paragraph 9, sixth numbered point, she expressed the support of her Government for cooperation between the public and private sectors and for the PREJAL project, which followed such an approach. Regarding the PREJAL project, she noted that, in 2004, the Government of Mexico and the ILO had agreed on the terms of reference, although the project had come to a halt. In 2006, work had resumed, but her Government was waiting for the ILO to supply the necessary resources to implement the project. Finally, she expressed the support of her Government for the continuation of the Office's work in this area.

- 79.** The representative of the Government of Japan referred to the youth employment situation in Japan. He presented the recently established Vocational Museum in Kyoto as a long-term measure which targeted mainly high school and junior high school students and offered, inter alia, trial job experience, a database covering some 700 vocations, and a vocational aptitude test. He also expressed his hope for future collaboration between the ILO and the Vocational Museum.
- 80.** The representative of the Government of Cuba noted that the information provided by the Office in the youth employment document was very useful, and was in favour of continuing work in this area. She presented the situation in her country and noted that, in Cuba, there were the necessary conditions to facilitate the participation of young people in education and employment. She also mentioned several programmes that were helping young people enter the labour market. Finally, she recommended that the Office continue to undertake comparative studies in this field.
- 81.** The representative of the Government of the United States expressed the concern of his Government regarding the increasing time allocated to this Committee. In future, no more than three sessions should be allocated. Referring to paragraph 46 of the youth employment paper, he noted that that was the only one that really dealt with an assessment of the impact of the ILO work on youth employment, and that, therefore, the primary area for future work should be the development of monitoring and evaluation mechanisms.
- 82.** Referring to the GEA paper, the representative of the Government of Pakistan noted that while decent work was becoming central in global and national agendas, as seen in the last ECOSOC High-level Segment, the real challenge was its implementation. She especially drew attention to the recent Employment and Skills Forum that was held in Islamabad in April 2006 and noted that the conclusions were being incorporated into a national employment policy. Pakistan was among those countries which had launched their decent work country programmes in collaboration with the ILO, and the Government hoped that the Decent Work Country Programme would complement the Poverty Reduction Strategy Paper. She gave an overview of her Government's initiatives regarding active labour market policies and the recently established National Technical Education and Vocational Training Commission. Finally, she urged the ILO to enhance its efforts through technical assistance regarding capacity building of the social partners, particularly in vocational and technical training, accelerating employment and productivity growth.
- 83.** The representative of the Government of the Islamic Republic of Iran referred to the global youth employment situation. The Islamic Republic of Iran was a lead country in the Youth Employment Network and attached significant importance to the application of policies and instruments to promote youth employment. He reviewed some of his Government's efforts to promote youth employment which included, inter alia, major public investment programmes, vocational education and training and strengthening links between education

and training and the world of work. He expressed the willingness of the Government to share experiences with the ILO youth employment programme and the Youth Employment Network and to host the forthcoming Youth Employment Summit.

- 84.** Referring to the youth employment paper, the representative of the Government of the United Kingdom particularly welcomed the commitment that the review made to better understanding the relationship between specific policy interventions and decent work outcomes, as well as the commitment shown to knowledge sharing and cooperation. He expressed some concern regarding the reference in paragraph 21 to the need to design macroeconomic policies that ensured a balance between the objectives of macroeconomic stability and employment generation, that it should not be represented as an “either/or” option. In his view, macroeconomic stability and employment growth should not be mutually exclusive. He also made reference to several initiatives of his Government to promote youth employment. Finally, he stressed the importance of developing effective and committed peer partnerships through the Youth Employment Network.
- 85.** The representative of the Government of South Africa welcomed the report on youth employment and expressed his satisfaction with the efforts of the Office and the Youth Employment Network secretariat to promote youth employment. He provided an overview of various interventions of the South African Government to address the youth unemployment challenge. Regrettably, the desired impact had not been achieved. This was not unique to South Africa; most countries were having difficulty making an impact in this field. Equilibrium between demand and supply in the economy was the key to the youth employment problem. He also noted the need to review the coordination of programme and policy. He thanked the Office for the good work and noted the importance to consider the aforementioned challenges. He supported paragraph 46 as an area for future work.
- 86.** The representative of the Government of Nigeria, referring to GB.297/ESP/6, acknowledged the initiatives outlined in paragraph 6 and adopted at the ECOSOC meeting, adding that these initiatives had been incorporated into Nigeria’s national employment policies and programmes. She welcomed the Comprehensive and Integral Convention on the Protection and Promotion of the Rights and Dignity of Persons with Disabilities. With regard to the ILO follow-up to the African Union Summit, she expressed appreciation for the intention of the ILO to link to the 11 areas of the AU Summit Action Plan, and hoped that the ILO would continue to work with the African Union Labour and Social Affairs Commission (AULSAC) to develop a framework. She voiced support for the need for an operational framework for the Global Employment Agenda that was adaptable to national situations, as specified in paragraph 55. She urged the ILO to play a greater role in encouraging institutions such as the World Bank to adopt a more employment-friendly framework for programmes and policies in order to prevent repetition of situations whereby implementation of World Bank reforms resulted in increased pools of unemployment.
- 87.** Referring to GB.297/ESP/4, she commended the ILO’s efforts to work with the United Nations and the World Bank through the Youth Employment Network. She expressed interest in the development of a methodological “tool kit” for school-to-work transition surveys, mentioned in paragraph 7. She supported the paper’s call for the development of sectoral approaches to promoting youth employment, adding that Nigeria had made special efforts in recent years to focus attention on the development of the agricultural sector and labour-based infrastructure development, where the youth employment potential was high. She made reference to Nigeria’s efforts to improve youth employability through the establishment of job centres that focused on skills upgrading. She agreed with paragraph 34 on the importance of financing young entrepreneurs and mentioned the Small and Medium Enterprise Development Agency of Nigeria as an example of an institutional means of facilitating microcredit to SMEs. She highlighted as well the country’s first

electronic labour exchange, which should help to facilitate matching young labour to demand. Finally, she urged the ILO to engage in developing effective mechanisms to monitor and evaluate the impact of policies as outlined in paragraph 46.

- 88.** The representative of the Government of the Republic of Korea agreed with the view that the ILO should strengthen its capacity in the field of youth employment and allocate greater resources in order to further work on the plan of action adopted by the 93rd Session of the International Labour Conference, so as to better help constituents tackle the issue in their countries. With reference to paragraph 20 of GB.297/ESP/4 and the fact that companies tended to increase working time or use peripheral labour in order to increase output without impacting costs, she urged the ILO to undertake more research on ways to boost job-rich economic growth and ways to reconcile the quality and quantity aspects of employment. In addition, she proposed that the ILO review in greater detail the issue of employment protection legislation with a view to evaluating its impact on marginal labour market groups, such as youth. Macro- and microeconomic policies should address both supply and demand factors in the economy, and, in implementing such policies to improve youth employment, governments might need to be prepared to face opposition from certain circles.
- 89.** The representative of the Government of India, referring to GB.297/ESP/4, welcomed the ILO's involvement in youth employment issues. In light of the youth unemployment situation in developing countries in general, and India in particular, the priority should be on enhancing the employability of youth through creation and strengthening of vocational education and training systems, as was currently done in the case of the Indian Industrial Training Institutes. The training modules of the vocational institutes were being upgraded with the active involvement of industry, which should help to ensure that the changing requirements of the economy were met. More could be done in the informal economy to improve employability. For example, India had developed a new framework for skills development for school dropouts and workers in the informal economy – the Skills Development Initiative – through a public-private partnership modality. Finally, he suggested that the ILO take the lead in the development of an international skills development fund to which developed economies could contribute and developing countries could utilize to supplement efforts at increasing the skills base of their labour forces. He also urged the ILO to play a more active role in facilitating the free movement of labour across borders through the development of regional or global competency standards.
- 90.** Another representative of the Government of India, speaking on GB.297/ESP/6, noted that a long-term development strategy would be contingent on employment growth accompanied by productivity growth. Productivity improvements in the agricultural sector, such as improvements to infrastructure, could go a long way toward promoting development. He noted the launch of a public investment programme for creation of new rural infrastructure as a positive move in that area. He mentioned as well the National Rural Employment Guarantee Act, which aimed to generate employment in rural areas through infrastructure development programmes. Such programmes offset poverty in lean agricultural seasons. Two other main focuses of the Government were skills upgrading and improving the welfare and security of unorganized workers. With regard to the latter, he mentioned the establishment of the National Commission for Enterprises in the Unorganized Sector, set up as an advisory body for the informal economy. Finally, he remarked that employment policies must address both quality and quantity issues and reiterated the willingness of his Government to work closely with the ILO to promote the Global Employment Agenda.
- 91.** The representative of the Government of China emphasized the great importance of the Global Employment Agenda as a mechanism for the international community to reduce

poverty. He remarked that the ILO should give consideration to the fact that the majority of populations in developing economies were based in rural areas, and that issues of the mobility of the rural labour force as well as their skills development should therefore be further addressed. Turning then to GB.297/ESP/4, he noted that a multidimensional approach to youth employment required strengthening tripartite dialogue within countries, greater collaboration across departments of the ILO, and an increased commitment of governments to address youth employment within their overall strategies. He commended the ILO's work on youth employment in countries like Viet Nam and Egypt and hoped that the ILO would seek to expand its work and impact to other countries. Finally, he stressed the need for more assistance from the ILO in the area of evaluating the impact of policies and programmes.

- 92.** The representative of the Government of France welcomed the ILO focus on knowledge development in the area of youth employment and expressed his contentment with the production of indicators aimed at measuring decent work outcomes for young people. Likewise, he applauded ILO efforts to collect the youth employment experiences of all countries, noting that one must bear in mind the particularities of demographic influences, and urged the ILO to continue to promote forums for exchanging youth employment experiences and best practices.
- 93.** In his response, Mr Amjad thanked the Committee for the rich discussion. He noted the points made by the representatives of the Governments of India and China, and acknowledged the general support for the Global Employment Agenda. He highlighted that the ILO's key message, relevant at the international, national and regional levels, was embodied in its Decent Work Agenda, for which there was a groundswell of support. The Global Employment Agenda was the employment pillar of the Decent Work Agenda and emphasized both the quantity and quality of employment.
- 94.** The update before the Committee focused on where results were achieved, flagging, for example, its efforts to mainstream the issue of disability into the work of the ILO. The ILO was aware already of the need to coordinate within the Office on policy coherence, and had also worked with the United Nations in making contributions to the PRSP process. There had also been close cooperation between headquarters and field units to increase support for the follow-up to the African Union Summit, but there was a need for additional resources.
- 95.** Mr Amjad emphasized that since such a large percentage of the world's population was in agriculture, both productivity and decent work in this sector must figure prominently in the GEA. He also noted the importance of focusing on labour-absorbing sectors. With regard to the Workers' question on how the ILO's Global Employment Agenda-related work had shaped European initiatives, the value added of ILO initiatives had been to raise the capacity of the social partners and to draw attention to gender issues, for example. He acknowledged that there were differences in the approaches of the World Bank and the ILO, particularly on the issue of labour flexibility – differences on minimum wage regulation in Burkina Faso was an example – but these arguments were rooted in empirical evidence that spoke for itself.
- 96.** Referring to some concerns raised by the Employers' group, Ms Rossignotti noted that there was indeed no agreement on the controversial issues of minimum wages and the impact of flexibility measures on decent employment outcomes; these issues warranted greater attention, and, therefore, the lessons in part II of the Office's presentation were carefully worded. There was evidence, for example, that lower wages for young people were justified when combined with training, but this required a discussion with the social partners on how much lower the wage level should be, and it also required monitoring to ensure that training eventually translated into appropriate compensation for young people.

The point on minimum wages did not conflict with evidence that higher payroll taxes tended to increase youth unemployment rates because this example merely drew attention to the fact that certain incentives for employers could facilitate the hiring of young people. On the flexibility issue, while flexible contractual agreements had, in some cases, increased the hiring of young people, it was not clear that such jobs were a stepping stone for better future employment.

- 97.** Ms Rossignotti pointed out that the resolution of the 93rd Session of the International Labour Conference called for an integrated and coherent approach to expand youth employment and that GB.297/ESP/4 attempted to elaborate on the action that had taken place and how it had taken place. She recognized, in agreement with a comment from the Workers' group, that national action plans were not the only solution, but she highlighted that the ILO, within the framework of the Youth Employment Network, was increasingly called upon to help with the development of such plans. The guides referred to in the paper had been developed to support efforts in this area and embodied the spirit of the Global Employment Agenda. She noted the suggestions made by the Workers on the need to better integrate elements on the rights of young people and collective bargaining into ILO work on youth employment, and also acknowledged the request that greater attention be given to areas where higher labour intensity was prevalent with regard to enterprise and cooperative development. Finally, she thanked the Government representatives for sharing their experiences. Several delegates had reminded the Office that paragraphs 45 and 46 of the paper merited greater focus, and the Office would follow up on this suggestion.
- 98.** Mr Salazar-Xirinachs acknowledged that the work of the Committee was running behind schedule, but pointed out that the agenda of the Committee was decided upon by the Officers and that the Office was ready to work with them to have a more realistic workload at the next session. Regarding the Employers' suggestion to use the independent evaluation of the ILO's strategy for employment-intensive investment as a model for other programme evaluations, he stated that, while these evaluations were very important, the intended focus of the suggested programme or implementation evaluations was somewhat different. He confirmed the need for coherence at national and international levels and noted that the Director-General had clearly asked the technical sectors and the field to increase such coordination; the Decent Work Global Management Team meeting that the Director-General had convened recently was a key step in the Office's efforts to increase coordination on design and implementation of the decent work policy framework at the national level. At the regional level, in Africa, the Office was helping build a network of employment specialists in different areas to enhance its capacity to respond to constituents' requests for assistance in facing employment challenges.
- 99.** In response to the question raised by the Workers' group regarding the usefulness of the Global Employment Agenda in shaping the European experience, he pointed out that the ILO was engaged, through the efforts of the Office, in a broad dialogue on the Decent Work Agenda and the GEA with the European Commission and its member countries. Many workshops and conferences had dealt with the issue of "flexicurity", for example. The Office's efforts also underscored the importance of workplace practices, notably innovation and productivity in the workplace. The Decent Work Agenda and GEA had also influenced European Commission (EC) positions on development cooperation, trade-related issues and the EC communication, *Promoting decent work in the world*. In addition, the Office had commented on the employment report of the European Commission.
- 100.** Regarding youth employment, the Office's intention was to refine the knowledge base and the key policy messages. As the ILO did not have the same amount of resources as the World Bank, the value added and capacity to influence of the ILO rested in conveying clear policy messages and appropriate policy advice.

- 101.** In his concluding remarks, the Worker Vice-Chairperson stressed that the Global Employment Agenda must be supported by the Office at international, regional and national levels, that there was consensus for continued emphasis on Africa as a priority, and that there was support for the Asian Decent Work Decade. He underscored the need for the Committee to have the benefit of cross-references to papers being considered by other Governing Body Committees and to be further informed concerning the nature of relations between the ILO and the World Bank, citing, for example, the discussion concerning the impact of minimum wages on the rate of employment growth. He requested that a future meeting of the Committee be given a report on the steps taken to build capacity of trade unions in economic policy areas.
- 102.** Ms Burrow (Workers' delegate) pointed to three interventions by Government representatives that illustrated the positive focus of initiatives concerning youth employment. The representative of the Government of the Islamic Republic of Iran, for example, had stressed that youth employment was a concern equally for developed and developing countries. The representative of the Government of the United Kingdom had noted that macroeconomic stability be combined with public investment in infrastructure, education and training and active labour market policies. The representative of the Government of India had emphasized the need to achieve a balance between the quantity and quality of employment. These interventions were reasons to view the work of the Office with optimism. She concluded by stressing that the Youth Employment Network (YEN) should remain a forum for the sharing of ideas, while the Office must remain the vehicle for delivery of technical assistance and promotion of international labour standards in support of youth employment pathways within the GEA.
- 103.** Mr Anand (Employer member) thanked the Office for its support for the forthcoming Subregional Tripartite Meeting in New Delhi on Growth, Investment and Jobs that should benefit youth employment.
- 104.** In order to illustrate the vital role of small business in employment growth, the Employer Vice-Chairperson referred the Committee to the 2004 UNDP Report to the United Nations Secretary-General entitled: *Unleashing Entrepreneurship: Making Business Work for the Poor*. She stated that, while it was important for young people to know their rights, youth also needed to have individual responsibility, to have a strong work ethic and to take on a spirit of entrepreneurship. She concurred with the Worker Vice-Chairperson that the Committee needed to be better informed regarding working relations between the ILO and the World Bank, particularly in the area of research concerning the role of labour standards in promoting employment. Finally, she called on the Office, in light of its limited resources and its mandate to collaborate with the Bretton Woods institutions, to make a greater effort to better reflect the diversity of views among the international community with a view towards developing clear policy messages in support of youth employment.
- 105.** In summary, there was broad support for the format of presentation of Global Employment Agenda (GEA) implementation updates i.e. reporting at the global, regional and national level. What was important was to demonstrate the contribution and value added by the GEA framework and its implementation strategy ("vision" document) to the DWCPs and to link and integrate this contribution with major policy frameworks (PRSPs, the United Nations Development Assistance Framework (UNDAF) and the African Union Summit Plan of Action) to achieve policy coherence and maximize impact. There was need to build the capacity of the social partners to actively participate in and contribute to this process.
- 106.** Furthermore, there was consensus that youth employment was a critical subject, relevant to both industrial and developing countries alike. In the effort to expand youth employment, delegates recognized that both the quantity and quality of employment should be taken into account. There was general agreement on the work modalities of the Youth Employment

Programme (YEP) within the framework of the GEA, along with the need to continue its activities along the lines of the 2005 International Labour Conference resolutions and its plan of action. Looking ahead, it was widely agreed that the YEP should expand its knowledge base, including in the suggested priority areas, and develop mechanisms to monitor and evaluate the impact of policies and instruments on youth employment outcomes, as well as engage in an assessment of the impact of the Office's work on youth employment.

107. *The Committee took note of the Office papers and the views expressed thereon.*

D. Implementation of decent work country programmes: Checklist of policy areas on social protection (Seventh item on the agenda)

108. A representative of the Director-General (Mr Diop, Executive Director of the Social Protection Sector), gave an overview of the programmes and areas of intervention of the Social Protection Sector, at the heart of the Decent Work Agenda. He also presented the Sector's wide-ranging framework, illustrated his presentation with examples of specific country experiences, drew on lessons learnt and pointed out the challenges ahead. He emphasized how the existing comprehensive strategies, the global approach and the available tools contributed to meeting those challenges and stressed that special attention was given to the informal economy and HIV/AIDS.

109. The Worker Vice-Chairperson congratulated and thanked the Office for the excellent paper and the presentation. In his view, the document was a telling snapshot of the social deficit, a comprehensive picture of the mandate and ambition of the Sector and a solid foundation for future work. He highlighted three points he believed to be particularly noteworthy: its treatment of overarching strategies, which drew connections between policies and strategies; the emphasis on social protection as a valuable goal in itself and a fundamental part of programmes to combat poverty and inequality; and the focus on synergy between social protection and employment, including the point that the absence or neglect of such synergy carries significant social and economic costs.

110. He also identified issues of growing concern for many workers, including, in particular, the portability of social security entitlements; the role for general promotional activities on health and safety, which should not be at the expense of ratification of international labour standards; the importance of migrant work, including the abuse of worker rights and the need for work by the ILO in this area; and the rapid ageing of most developed and many developing societies.

111. He also suggested that the striking social deficit figures presented in the document be made into a poster and entitled "Tasks of the ILO" for useful reference and requested additional information on the Campaign on Social Security and Coverage for All and on the ILO's activities to defend the rights of migrant workers. He expressed concern regarding the ILO's knowledge base and research, particularly on public health services, ageing populations and pensions and concluded that the ILO needs to strengthen its authority in this key area, in the interest of the well-being of millions.

112. The Employer Vice-Chairperson thanked the Office for the useful and comprehensive presentation. The propositions made in the document were widely accepted and understood. She agreed that approaches needed to be different in each country. She appreciated that at country level, social protection work was a cross-cutting issue in ILO's

activities. However, though the Employers agreed with the goals and objectives presented in the document, they did not concur with all the statements and observations including those on the suggested links between social protection and productivity. That subject had been debated at length in a previous session. She concurred with the Worker Vice-Chairperson that, more broadly, the ILO's knowledge base and expertise needed to be perfected to remain a reference, and be subjected to peer reviews to avoid being self-referential. Working relations with other institutions in the same field needed to be developed.

- 113.** The representative of the Government of China, speaking on behalf of the Asia-Pacific group (ASPAG), expressed the view that a sound checklist would certainly facilitate implementation of decent work country programmes. Social protection policy was an indispensable prerequisite for people to enjoy decent work and a decent life. She urged the ILO to make concerted efforts to enhance social protection in all member States. Social dialogue should be exercised in the process of formulating and implementing policies on social protection. She emphasized that it was necessary to bear in mind different national and local circumstances when designing and applying policies.
- 114.** The representative of the Government of Cuba underlined the importance of promoting decent work by way of policies ensuring a wide national coverage of the population. She mentioned the ongoing national programmes for promoting employment opportunities, notably in the field of social services, and emphasized national policies ensuring labour protection, particularly for women, youth, the military, prisoners and special programmes for HIV/AIDS-affected people. She emphasized the importance of giving priority to integrating social protection in decent work country programmes.
- 115.** The representative of the Government of Japan supported the ASPAG statement. He considered in particular that occupational safety and health was a crucial issue that should be at the heart of social protection strategies. He mentioned that the Government of Japan was considering ratifying Convention No. 187 as early as possible. He also reiterated the commitment of his Government to enhancing occupational safety and health (OSH) in the workplace by exchanging experiences with other ILO constituents.
- 116.** The representative of the Government of Senegal welcomed, in particular, the objectives of enhancing social protection through social dialogue, inscribing social protection in National Poverty Reduction Strategies and taking into account the specific needs of vulnerable groups, such as women, in the informal economy, people affected by HIV/AIDS and children. In his country, social protection had become the second pillar of the national PRSP document as of July 2006, which considered both the formal social security system and the extension of coverage to those populations not currently covered. As a part of the national budget, the Government included specific support for the social security systems for the road transport sector and for rural workers as a result of the work of the ILO.
- 117.** The representative of the Government of Australia welcomed the comprehensive overview of the work of the Office in the area of social protection. However, the paper referred to particular policy approaches as being optimal without evidence to support these claims, such as in paragraph 16, which stated that social protection policies were more likely to be effective if they involved the tripartite constituents. She felt this to be a strong statement that was not applicable to all situations. The report also emphasized promoting ratification of social protection Conventions, without questioning whether they needed to be reviewed. Finally, she emphasized the need to provide measurable outcomes, arguing, in particular, that continuous monitoring was needed to ensure the sustainable financing of the Office's activities.

- 118.** The representative of the Government of China stated that his Government gave top priority to ensuring social protection for people in flexible employment in order to have sustainable and socially harmonious development. Improving working conditions had been a long-standing preoccupation of his Government, and China had ratified the Occupational Safety and Health Convention, 1981 (No. 155) on 31 October 2006. He commended the Office for prioritizing social protection for vulnerable groups. He mentioned the ongoing cooperation with the ILO with a view to implementing preventive HIV/AIDS policies in the workplace. Finally, he stressed the need to enhance assistance to developing countries to devise appropriate policies suited to different levels of development. The ILO should also further promote the exchange of experiences.
- 119.** The representative of the Government of the Netherlands stated that the document constituted a good complement to the paper presented by the Employment Sector in March 2006. Social protection was one of the ILO's strategic goals. He emphasized that policy interventions needed to be adapted to suit the specific development context. He also expressed the importance of relevant and up to date social protection standards that coped with the problems of today. For example, HIV/AIDS in the workplace was a relevant and alarming issue, for which a strong standard was missing. The low level of ratification of social security standards could reflect the inadequacy or outdatedness of those standards. It was crucial to address that issue.
- 120.** The representative of the Government of the Republic of Korea stressed that social protection was an essential component of decent work, noting that ageing populations and low fertility rates were compelling many countries to adapt their systems of social protection and labour markets. As indicated in the Office paper, the ILO should acquire a more comprehensive picture of the current state of social protection in its member States in order to have a policy approach and specific tools that contributed to achieving decent work objectives. She expected the Office to continue to collate and analyse data on changes to and current features of the labour and social systems, especially regarding social insurance, active labour market policies and employment-oriented social policies.
- 121.** The representative of the Government of the United Kingdom welcomed the paper as a useful summary of the ILO objectives and strategies in this important area. Adequate social protection was an essential public service and vital to making faster progress towards the Millennium Development Goals. He informed the Committee of his Government's commitment to increased spending on development assistance including specific funding for social protection.
- 122.** The representative of the Government of Kenya applauded the ILO's commitment to promoting the Social Security (Minimum Standards) Convention, 1952 (No. 102), including by initiating a global Campaign on Social Security and Coverage for All in 2003. He emphasized the need for social protection in the informal economy and the agricultural sector. Social protection was not a stand-alone objective, but contributed to and reinforced other goals, including the quest for quality jobs, productivity and competitiveness, and poverty reduction. The social partners should be involved in designing social protection systems. The commitment of governments was needed to allocate funding, but the state of economies in developing countries meant that they required technical assistance to build social security systems.
- 123.** The representative of the Government of Germany supported the focus on the need to protect the most vulnerable sectors of society and felt that the Office report contributed to the debates on decent work country programmes. Social protection should also be understood as a development goal in the context of combating poverty and creating conditions for long-term social stability and economic growth. She also noted that her Government intended to make a significant contribution to the development of the social

dimension of globalization and stressed the need to continue dialogue with the ILO's Social Protection Sector. She believed that further attention should be directed towards reinforcing, adapting and applying the ILO's social security standards.

- 124.** The representative of the Government of Spain said that social security benefits should be considered as an individual right, in accordance with each legal system. If not, social protection might be reduced to “good works” or charity. The legal system established the right, the labour inspection ensured respect for the law and the law courts applied the rule, where complaints were filed. This was the model that existed in Spain, and also that promoted by the European Social Model.
- 125.** The representative of the Government of Nigeria underlined the importance of seeing policy interventions in the area of social protection within a broader development context. She supported the view that sustainable improvements in social protection required political will and commitment. African countries urgently needed assistance in putting in place effective social protection programmes for disadvantaged groups in particular and the poor in general. Social security measures were also essential for those who had lost their jobs as a result of the privatization and downsizing of enterprises.
- 126.** The representative of the Government of France agreed that social protection was at the heart of the decent work strategy and increasingly important as globalization affected the world of work. He observed that social protection systems were often jeopardized in industrialized countries, although they should be fundamental to their economic and social models, and stressed the need to examine how the most vulnerable sections of the population were faring. He noted, in particular, that the ageing of the population involved substantial costs, was of vital importance and should be a priority of the ILO. In addition, new health and safety risks should also be a focus of the Organization. In developing countries, basic social protection systems were needed, which were adapted to their conditions; humanitarian assistance was not a substitute. His Government intended to work at the international level towards these objectives and would host a conference in February on access to health care, with the ILO being invited to be involved.
- 127.** An observer from the European Commission expressed support for decent work country programmes, which he felt facilitated both a coherent policy approach and consultation with the social partners. He referred to the European Commission communication entitled “Promoting Decent Work in the World”, and noted that the Office report mentioned cooperation with the European Union (EU) on social protection within the Union and beyond. Social protection was a key element of the EU social agenda, the European Consensus on Development and the “Investing in People” programme, which offered opportunities for cooperation with the ILO. The Commission planned to take measures to promote the ratification of ILO standards, taking into account the competencies of the EU and its Member States.
- 128.** Mr Diop responded by thanking the Committee for its strong support for the work of the Office and noted that he was hopeful that it would permit the ILO to make substantial progress on advancing social protection. He reassured the Worker Vice-Chairperson that advancing the database of knowledge was a goal of the Social Protection Sector and the Office as a whole, and that he intended to respond to the Workers' concerns. He agreed with the Employer Vice-Chairperson that the question of productivity was central to social protection. He stressed that he was interested in all views on this issue and hoped to reach a minimum consensus, at least on all relevant issues.
- 129.** Mr Diop congratulated Japan and China on their efforts towards ratification of the occupational safety and health Conventions and the Government of Senegal on the extension of its social protection system. He agreed with the representative of the

Government of Australia on the need for monitoring and evaluation, and with the representative of the Government of the Netherlands that standard setting should be discussed more intensely. He assured the representative of the Government of the Republic of Korea that the Office would continue to collect and analyse data on labour and social protection systems. He thanked the representative of the Government of Kenya for pointing out the need to take account of social protection in the informal and rural economies and agreed with the representatives of the Governments of Kenya, Nigeria and Spain that political will was vital in building and reinforcing social protection systems. He concluded by suggesting that the challenges of social protection were substantial but could be overcome, and stressed that the commitment to protection had been intrinsic in the work of the ILO since its foundation and continued in its current work.

- 130.** The Worker Vice-Chairperson noted that, with the exception of the Government of Australia, with which he did not agree and whose views he did not accept as accurate, there was a strong consensus on the direction of the work of the Office. He associated himself with the statements made by the representatives of the Governments of Nigeria on the vital role of social protection to combat poverty and Spain on the value of promoting decent conditions of work as being at the heart of the ILO mandate.
- 131.** In summary, the Committee welcomed and supported the Office report. There was a broad consensus that social protection was a vital element of decent work and that the report provided a strong foundation for future work by the Office, including better adapted tools.
- 132.** *The Committee took note of the Office paper and the views expressed thereon.*

E. Business environment, labour law, and micro- and small enterprises (First item on the agenda)

- 133.** A representative of the Director-General, Mr Henriques (Director of the Job Creation and Enterprise Development Department (EMP/ENTERPRISE)) introduced the paper.⁸ He drew the Committee's attention to the challenge of seeking to minimize the cost of regulatory burden on micro- and small enterprises (MSEs) without compromising the protection of those who work in MSEs or, preferably, finding the means of achieving both objectives at the same time. Currently, a large proportion of MSE workers lacked protection. He pointed towards the centrality of well-drafted legislation that also took into account the impact on MSEs and identified a number of important reasons for deficient compliance, and finally outlined a number of possible strategy elements to address the challenges.
- 134.** The Worker Vice-Chairperson welcomed the opportunity to discuss the relationships between business environment, labour law and MSEs. He pointed out that it was crucial to distinguish carefully between own account workers and wage workers in small enterprises; in this regard, some of the figures of the paper might be misleading.
- 135.** Regarding the points for discussion and guidance outlined in paragraph 52 of the paper, the Worker Vice-Chairperson stressed the need to determine the ILO's general orientation toward MSE development. Enterprise promotion should not focus only on promotion of entrepreneurs but also on rights of workers in MSEs. In particular, he said that decent work applied to MSE workers inasmuch as to those in larger enterprises, which meant that they should be able to access the full protection of national labour laws and international labour

⁸ GB.297/ESP/1.

standards. He stressed that to attain this goal, MSE workers often relied more on legal protection than workers in larger enterprises because they had less opportunity to make effective use of collective bargaining. The Workers' group challenged the standard theory that there was a trade-off between rights and growth, a view at odds with research findings and the GEA framework that advocated the linkages and the positive benefits of rights on economic performance.

136. The Worker Vice-Chairperson then commented upon the four areas in which the Office sought guidance from the Committee:

- (a) Regarding the challenge of the representational gap, he tabled a number of proposals to address these, including centralized collective bargaining, with sectoral wage agreements as a possible solution, advocacy of national rather than enterprise-only unions, union security arrangements, removal of legislative restrictions and affirmative provisions in law to facilitate accessing rights to association and collective bargaining. He noted the public interest benefits of closing the representational gap and called for public resources for trade unions in carrying out this responsibility. He was disappointed with the statement in paragraph 27, that limitations to unionization "would appear to be problematic"; the paper should have stated they were contrary to ILO core Conventions.
- (b) Regarding experiences in labour law and enforcement in MSEs, he recalled that regulations were intended to serve a public interest be it to prevent food poisoning, unsafe public transport or underpaying of workers. The Workers' group agreed that poorly drafted or outdated regulations that added no value to workers or society should be reviewed and could point the way to a common programme of ILO constituents, but he noted that in many cases calls for reducing the rights of workers were disguised as calls for better drafting or legal reform. These often emanated from organized lobby groups, including from larger businesses which subcontracted work to smaller enterprises. Examples of a common approach of constituents could include efforts to simplify laws, use plain language to draft laws and reduce reporting requirements that introduce high transaction costs. He called on Office work to use the Employment Relationship Recommendation, 2006 (No. 198), to help workers establish the existence of an employment relationship and combat disguised and multiple contracting arrangements which deprived workers of the rights they are entitled to in law. The discussion on labour inspection that took place in the Committee should inform enforcement efforts in the MSE sector.
- (c) Regarding priorities for assessing compliance costs and the impact of regulatory reform, he supported the ideas outlined in paragraphs 29 to 31 of the paper, and added to those small business advisory services including on marketing, workplace upgrading and innovation promotion. Programmes to simplify and streamline laws and regulations should be done without reducing workers' rights, and be complemented with information and awareness campaigns including booklets on regulations and public advertisements on national television and radio. The Workers supported the paper's comment that there should not be a general exemption from labour standards by MSEs. He referred to the reference to sound macroeconomic policy as a basis for MSE development and noted this included the need to increase aggregate demand as a driver of economic growth, retain policy space for governments in international agreements, ensure trade policies that allowed for the development of MSEs, particularly in developing countries, strengthen public investment in education, health and other social and physical infrastructure. The disruptions caused by volatility of international capital flows undermined sound macroeconomic policy.

(d) Regarding possible cooperation with other institutions, he supported collaboration with public and private research institutions and universities, as well as with policy units of ILO constituents and international organizations such as the United Nations Development Programme (UNDP). He had, however, strong reservations regarding the impact of existing cooperation with the World Bank and expressed his concern that the methodology used in the Bank's "Doing Business in 2006 – Creating Jobs" initiative did serious harm to efforts to promote a global commitment to decent work. He noted that, in respect of the labour market indicator, the most "business friendly" score was given for the least application of labour standards in areas that had been chosen on an arbitrary basis, resulting in the "best-performing" countries being the Marshall Islands at number one, with the top 12 countries including Tonga, Maldives, Georgia, Palau, Samoa and Micronesia. Countries received a low rating because they followed such business-unfriendly rules as "the employer may not terminate employment contracts without cause".

137. The Employer Vice-Chairperson stated that the Employers had requested that paper and welcomed that the Office had taken up these important questions for the first time. She suggested keeping the focus on regulations rather than broadening the debate to include unionization and macroeconomic policies. She pointed out that economic development and protecting workers' rights should not be conceived of as a zero-sum game and that more regulation was not an end in itself. In this sense, smarter regulation rather than just more compliance was the key to success. She noted that implementation and compliance were important, but the question that had to be addressed was why lack of compliance was so high amongst micro- and small enterprises. Why was it that in so many countries only a tiny percentage of workers were protected, and what was done about that situation? Additionally, a good regulatory environment for business did not mean no legislation. Places with an excellent business climate were not characterized by a lack of rules, any more than heavier business regulation was simply associated with better social outcomes.

138. She pointed out that all enterprises, regardless of size, needed a supportive business environment, but that indeed there were important differences in the impact of regulations between smaller and larger enterprises. A number of steps could be taken to improve the quality of regulations, such as exposing drafters of laws to international experience and good practice. What was sometimes required was not just a simplification of laws and regulations, but changing them or in some cases dismantling them – something she felt the paper seemed to be afraid to say. If the issue was ineffective and largely non-applicable labour law, then the solution was not "more law". If labour law was not providing effective coverage to most workers, especially in developing countries, then clearly the legislation was not working effectively. There was also increasing evidence that more vulnerable groups such as women, the young and low-skilled workers were hurt most by such legislation. In terms of impact of labour legislation on firms, size mattered. MSEs simply did not have the capacity of larger firms to deal with the complexities of labour legislation.

139. Regarding the ILO's role, she supported the work as outlined in paragraph 7 of the paper and encouraged the Office to use its position as chair of the Business Environment Working Group of the Donor Committee for Enterprise Development to develop tools and research in this area. She agreed that core labour standards were a non-negotiable floor. However, some international labour standards were outdated or had low ratification rates. She encouraged the Office to work with the World Bank and other actors to measure and compare the quality of labour law and the optimal level of regulation. Employers' organizations had a crucial role in channelling small enterprise concerns at the national level, and further close cooperation between the International Organisation of Employers (IOE) and the ILO was required in this area.

- 140.** The representative of the Government of France, speaking on behalf of IMEC, considered the analysis and the recommendations of the paper to be globally pertinent. It was indispensable that the Office should work in an integrated manner in order to provide effective support to constituents. The body of ILO instruments, although it favoured employment creation, could become a hindrance if their application was not adapted to MSEs. His group requested to be kept informed of contacts established between the Office and the World Bank on this subject.
- 141.** The representative of the Government of Germany supported contacts between the Office and the World Bank, particularly in relation to the “Doing Business” initiative. Expressing her surprise at the rather neutral reference made to this report in the Office paper, instead of commenting upon its results and methodology, she urged the Office to strengthen its relationship with the Bank. Such relationships should ensure the World Bank’s future reports and its indicators on labour market, employment and social policy issues were in line with the ILO’s strategic objectives.
- 142.** The representative of the Government of the Bolivarian Republic of Venezuela described his country’s achievements in reducing unemployment through the promotion of MSE growth without compromising the protection of workers. The Venezuelan experience confirmed the soundness of the strategy proposed in the paper. It also showed the complementarities between protection and productivity. He emphasized the importance of closing the “representational gap”, giving a voice to the MSE sector. In this respect, he suggested that the ILO should allow participation of MSE representatives in International Labour Conferences.
- 143.** The representative of the Government of Argentina expressed his agreement with the strategy proposed in the paper. He stressed, in particular, the importance of giving participation to MSE employers and workers in the design of regulations affecting them. In relation to the “Doing Business” initiative, he agreed with the Worker; the labour indicator of the report was wholly inappropriate; it gave Argentina a very low ranking despite significant achievements in enterprise creation, job growth and simultaneous improvements in social protection. He supported dialogue between the ILO and the World Bank on this matter.
- 144.** The representative of the Government of Morocco encouraged the Office to continue its work in the field of promoting the creation of an enabling business environment, putting special emphasis on the needs of MSEs. She shared with the Committee the experience of a recent project, supported by the ILO, to promote decent work in MSEs in the textile and garment sector. A lesson learned from this project was precisely the importance of a regulatory environment that took into account the special needs of MSEs.
- 145.** The representative of the Government of Spain considered appropriate the way the paper portrayed the challenge. However, reducing the regulatory burden on enterprises without compromising workers’ protection was difficult to achieve. A possible solution was to accord flexibility, in which core labour standards were, however, non-negotiable. He also referred to ILO research proving that international labour standards and competitiveness were not incompatible, and urged the Office to share that evidence with the World Bank in its dialogue on “Doing Business”.
- 146.** The representative of the Government of Mexico underlined the importance of awareness raising regarding the positive links between labour law compliance and enterprise performance. She urged the Office to share examples of good practices in this respect. Some programmes in Mexico, in the area of health and safety, were successfully using such an approach.

- 147.** The representative of the Government of the United States thanked the Office for what he considered to be a good paper. In terms of future research, he recommended that the Office give priority to the following questions: (a) When and why was an open and democratic political process not enough to ensure that MSEs and their workers were sufficiently included in the legislative process? (b) What strategies had been tried, and by whom, for outreach to these stakeholders? (c) How well had these strategies worked, and what were the reasons for success or failure?
- 148.** The representative of the Government of Sri Lanka stated that, for most countries, MSEs were the backbone of their economies, offering enormous potential for job creation. Yet, in most countries this potential was not fully realized. He agreed with the need to promote the organization of MSE employers and workers. For this purpose, he invited the Office to assist constituents, using tools such as “Reaching out to SMEs”. He also supported the adoption of systems in line with the “Pyramid of Enforcement Strategies” proposed in the paper. Finally, he urged the Office to strengthen collaboration with the World Bank, as well as with other donors interested in MSE development.
- 149.** The representative of the Government of South Africa confirmed that South Africa shared many of the experiences echoed in the report and that learning from each other was the only way to enhance best practice. He shared the view that solutions in this area could not be achieved at the expense of core labour standards and that enforcement was the biggest challenge.
- 150.** The representative of the Government of the United Kingdom welcomed the key messages in the paper. He supported the IMEC statement made earlier during the debate. He stressed the need to reconcile effective protection with flexibility and asked the Office to carry out more work to develop guidance in this field.
- 151.** The representative of the Government of Nigeria noted that there was a need for the ILO to undertake activities of advocacy and technical cooperation to contribute to improvements in the business environment for MSEs. She pointed out that governments should provide protection for these enterprises against harassment by security and regulatory agencies due to poorly articulated and misunderstood regulations; in this context, the Nigerian Government had reviewed the labour law and other relevant laws with a view to facilitating compliance.
- 152.** The representative of the Government of Pakistan reported on the activities of her Government to broaden the scope of labour inspection in her country, which used to be largely confined to registered enterprises in the formal economy. She mentioned the establishment of labour extension services to provide advisory services to improve working conditions for workers not traditionally covered by national labour laws. She also informed the Committee about Pakistan’s efforts to consolidate its labour laws and requested the ILO to provide technical assistance in the field of labour legislation.
- 153.** In his response, Mr Henriques concluded that the ILO’s work should focus on the “win-win territory”, where it was possible to reduce compliance costs for MSEs and simultaneously improve effective protection for workers in those enterprises. He noted general agreement with many of the proposed strategy elements for future work. Concerning the issue of collaboration with the World Bank, he replied that the Office did not work directly with the Bank in this area beyond informal conversations and contacts. He took note of the message that any collaboration with other institutions should be carried out from a distinctive ILO perspective. Finally, he stressed that future ILO research in this area must integrate approaches across the Office and draw upon the practical experiences of constituents.

- 154.** In conclusion, the debate in the Committee showed a broad agreement concerning the need for further work by the Office to provide guidance to constituents in this area. Committee members gave a clear mandate for a broad intersectoral research programme. While divergent positions arose as to the exact nature of collaboration with the World Bank on measuring and characterizing the quality of labour law, Committee members agreed that any cooperation with other institutions should take place based on a distinctive and well-articulated ILO position.
- 155.** *The Committee took note of the Office paper and the views expressed thereon.*
- 156.** In view of time constraints, the Committee agreed to postpone the debate on the agenda item on “Collective bargaining and the Decent Work Agenda”.
- 157.** The Chairperson thanked all delegates for the fruitful debates and good cooperation and expressed her appreciation for the work of the interpreters.

Geneva, 13 November 2006.

(Signed) Ambassador Fernando,
Chairperson.

Points for decision: Paragraph 24;
Paragraph 57.