



Governing Body

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THIRTEENTH ITEM ON THE AGENDA

Report of the Committee on Employment and Social Policy

1. The Committee on Employment and Social Policy (ESP Committee) met on 15 and 16 March 2011. Mr Shahmir (Government, Islamic Republic of Iran) chaired the meeting. Ms Goldberg (Employer, United States) and Ms Kelly (Worker, New Zealand) were the Vice-Chairpersons.

I. Unleashing rural development through productive employment and decent work: Building on 40 years of ILO work in rural areas (First item on the agenda)

2. The Committee had before it a paper entitled “Unleashing rural development through productive employment and decent work: Building on 40 years of ILO work in rural areas”.¹
3. The Chairperson noted with regard to the first item on the agenda that the objective was not to have a broad policy debate on rural development, as that had been done at the 2008 session of the International Labour Conference (ILC), but to discuss a strategy based on the priorities agreed to in 2008, as proposed in the paper before them.
4. All speakers expressed sympathy for and solidarity with the victims of the recent natural disasters in Japan, New Zealand and Australia. In addition, a number of speakers expressed condolences for the passing away of a German Government colleague. Both the representative of the Government of Japan and the representative of the Government of New Zealand expressed deep appreciation for the warm and sincere condolences and solidarity expressed.
5. A representative of the Director-General (Mr Salazar-Xirinachs, Executive Director, Employment Sector) introduced the agenda item emphasizing that the paper before them fulfilled several requests made in the conclusions adopted by the 2008 session of the Conference on promoting rural employment for poverty reduction, which called for “a

¹ GB.310/ESP/1.

comprehensive report analysing the impact of prior activities focused on rural employment and gaps in coverage and barriers to ratification and implementation of international labour standards in rural areas” and for reporting on progress made in the implementation of the rural action plan outlined in the conclusions, and called on the ILO to “develop and implement a strategy on rural development and rural employment”. That made for a complex but rich paper. He observed that work to implement the conclusions, prepare the paper and develop a strategy for future rural work was a truly multidisciplinary, collaborative and Office-wide undertaking, and showed clear consensus among the four sectors and at all levels with regard to the ILO’s potential in rural areas and to the need for coordination and support for the proposed strategy.

6. A representative of the Director-General (Ms de Luca) explained the need for ILO work in rural areas today, observing that ILO poverty reduction goals and the Millennium Development Goals (MDGs) made it crucial to address issues relating to rural areas, which hosted 75 per cent of the world’s poor, and tackle other serious decent work deficits. Recent concerns regarding climate change, food security and the economic crisis highlighted the role played by rural areas in both the issues and the solutions. She argued that the ILO had experience, expertise and numerous tools enabling it to operate effectively in rural areas. Having started in the 1920s, work had peaked in the 1970s and 1980s before declining in the 1990s, and had re-emerged strongly in the last decade, creating momentum for action. The ILO had a rich legacy of approaches, tools and key lessons. Those lessons included the need for: Organization-wide support of rural work; human resource capacity; approaches integrating multiple technical areas; participation of rural populations; support of national tripartite actors; ILO initiatives that reached policy levels; and long-term interventions.
7. She highlighted the importance of the 2008 Conference conclusions, which established a plan of action for the Office with priorities relating to all four strategic objectives, and a strong role for all ILO constituents. Follow-up action had included a rural “presence” in key ILO policy and planning documents; the setting up of an “informal” rural programme comprising a small nucleus and an Office-wide network of some 70 rural focal points; several rural initiatives involving headquarters and the field; and the extension of partnerships.
8. Ms de Luca presented a strategy that viewed rural areas as having potential for development and for creating more and better jobs. She stressed how rural issues were distinct from others, such as informality and local economic development, and required specific and direct attention. The proposed strategy emphasized capacity building and knowledge sharing, given the ILO’s abundant experience and relevant tools, but included technical cooperation, policy support and advocacy. It rested on shared, Office-wide responsibility for rural work and on coordination through a central nucleus and eight thematic clusters to strengthen focus, joint work and concrete delivery. She reiterated the need for strong external partnerships, resource mobilization and constituent support for rural development and ILO rural initiatives.
9. The Employer Vice-Chairperson expressed sympathy and solidarity following the tragic events mentioned by the Chairperson. She introduced Mr O’Reilly, an Employer member from New Zealand, who would speak on behalf of the Employers’ group on the present item.
10. Mr O’Reilly acknowledged the commitment of the Office to rural employment and thanked all sectors for working in a spirit of solidarity and consensus-building since the Conference discussions in 2008. He observed that the title of the document, particularly the term “unleashing rural development”, conveyed the potential and excitement for work in a challenging area, and the need for action. He delivered five key messages: (1) rural

development should not simply be about farming, and all opportunities for creating value needed exploring; (2) current discussions should focus on practical actions to implement the Conference conclusions of 2008; (3) rural development was an important part of overall development in countries, and should give people in rural areas greater choice in what they did for a living; (4) the role of the ESP should be to review progress towards the objectives set in 2008; and (5) the paper provided a good summary of Office activities, but needed far more focus on impact, i.e. tangible changes made in people's lives, in order to assess the effect of ILO policies. He acknowledged the weakness of rural statistics, and noted that anecdotal accounts could also be useful. He recalled that the Conference conclusions of 2008 explicitly highlighted the central role of enterprises in rural areas.

- 11.** Income transfer schemes, like employment guarantee programmes, should be stop-gap measures and recipients should be assisted to become net contributors to the economy. He thanked the Office for an informative paper and encouraged it to move ahead with practical work that made a real difference to the lives of rural people.

- 12.** The Worker Vice-Chairperson welcomed the paper and noted that tackling rural poverty through decent work must become an ILO work priority, particularly given that 75 per cent of the world's poor were in rural areas and that there had been an urban bias in development policy since the end of the Second World War. While the paper indicated considerable rural work by the Office, it would be important to know which aspects were most effective, and also which recent activities were direct results of the Conference discussions in 2008. She acknowledged the paper's excellent and important overview of gaps in coverage and barriers to ratification and implementation of international labour standards. The gaps resulted in serious and persistent transgressions in international law and should re-ignite the interest and commitment of all ILO constituents with regard to the work, moving from discussion to action in the particular spheres of freedom of association and collective bargaining (also crucial to many other areas), child labour and forced labour, occupational safety and health (OSH), minimum wages, cooperatives, and migrant worker rights. She noted that promoting labour standards must be central to the Office's rural work, and called for a promotional campaign, technical assistance and the involvement of ACTRAV and ACT/EMP. She noted the developments in India such as the National Rural Employment Guarantee Act and urged the Office to actively promote public employment guarantee schemes. Emerging policy challenges for the ILO work in that area were: food policy, security and prices; the impact of trade; and rural poverty and the predominant development model. She pointed out the need for strengthened labour inspection for remote areas. The finality of the ILO's rural strategy must not be economic growth but sustainable human development. It needed to contribute towards ending urban bias and models that viewed rural economies only as instruments of accumulation and transfer of surplus and cheap food to cities, rather than as vibrant economies. The Office must also promote the strengthening of farmers' and workers' organizations, including finding realistic models that supported collective bargaining and freedom of association. She also wished for greater emphasis on the role of governments as key players in ensuring rural decent work. Questioning support for global value chains since they rarely favoured smallholders or workers, she pointed out that the Workers' group had been calling for a Conference discussion on global supply chains. She also called for research on food policy and prices, trade-related aspects and rural poverty; for field work, including on freedom of association and collective bargaining as a priority, and on other areas such as health and safety, the extension of minimum wages, social protection, employment, child labour and cooperatives; for advocacy to promote Conventions; and for the work to place more emphasis on plantation workers, including the contribution they could make towards giving rural workers a voice. Institutionally, she supported an interdepartmental coordinating structure and Office-wide team work, including ACTRAV, ACT/EMP and SECTOR, backed by adequate resources and external partnerships.

- 13.** The representative of the Government of France, speaking on behalf of the group of 38 industrialized market economy countries (IMEC), thanked the Office for the analysis in the document. He welcomed the examination within the ESP Committee of the important potential and challenges for employment and decent work in rural areas. The group supported the proposed integrated approach, but called for the setting of priorities among the eight thematic clusters and for clarification of how the Office would manage them. He agreed on improving the employability of young persons and women, who were a priority with regard to unleashing rural development. He acknowledged the high degree of coordination required by the proposed strategy among ILO units and in the field, and urged the ILO to strengthen synergies with all relevant stakeholders, including the World Bank, regional development banks, the Food and Agriculture Organization (FAO) and the United Nations Development Programme (UNDP). He encouraged the Office to sketch a global strategy for Governing Body approval.
- 14.** The representative of the Government of Hungary, speaking on behalf of the European Union (EU), welcomed the Office's analysis of its rural development work in the past 40 years. The EU emphasized that rural development required investment in human capital through improved education, infrastructure, decent jobs and basic social coverage for all. As such, rural development policies must be core elements of national growth and development strategies, with improved synergies between top-down and community-based initiatives. She welcomed the proposed Organization-wide strategy for rural work involving all national and local stakeholders, and urged the Office to cooperate closely, divide labour and exchange lessons with other agencies. She agreed on the work areas and work organization proposed, and supported the focus on youth and women. She encouraged further coordination among ILO units, including a rural team to facilitate work; backing from top management; monitoring of activities and their impact; and information on progress.
- 15.** The representative of the Government of the United Republic of Tanzania, speaking on behalf of the Africa group, thanked the Office for its analysis of ILO rural development work, and noted that they shared similar views on the considerable potential within rural areas. He stressed that combating rural poverty remained a major challenge facing most African countries. As demonstrated by the United Republic of Tanzania's labour force (concentrated mainly in rural areas), significant reductions in overall poverty required raising agricultural incomes and enhancing rural development. He therefore urged the ILO to continue supporting member countries to implement strategies creating decent and productive rural employment. He further exhorted it to provide technical assistance on the effective implementation of ILO Conventions which were relevant to rural areas, including with regard to strengthening labour administration and inspection systems.
- 16.** The representative of the Government of Australia, speaking on behalf of the Asia and Pacific group (ASPAG), supported incorporating rural areas as core elements of ILO work, and the plan to work in clusters of themes within the ILO's core responsibilities. Welcoming the Office's recognition of enterprise development as a clear priority and the promotion of agribusiness value chains for rural growth and job creation, she called for complementary government measures supporting workers' rights. She supported public works, if based on economically sound arguments and designed within long-term strategies for sustainable employment as well as social protection programmes adapted to national and local specificities, and promoting basic social security transfers, services and income security to empower disadvantaged rural groups. She expressed particular interest in Conventions Nos 122 and 129, and also Nos 141 and 184, and in the Conference discussions due in 2011 on labour inspection and administration, especially the strengthening thereof in rural areas. Lastly, she welcomed rural decent work impact indicators to evaluate progress.

17. The representative of the Government of India commended the Office's enlightening paper. Current challenges, including food security, youth unemployment, poverty and MDGs, called for novel paths, political and economic will, and action and collaboration in sustainable rural development. The ILO's poverty reduction goals needed to be achieved at rural levels where poverty was deepest and most widespread. He explained India's Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), a programme reaching millions of rural poor. He also emphasized India's food security policy, its link with rural development and employment programmes, and India's proposed National Food Security Act providing the poor with legal entitlement to food. He called for an integrated, innovative and sustainable rural strategy incorporating the ILO's comparative advantages and those of member States for unleashing rural development through productive employment and decent work.
18. The representative of the Government of South Africa welcomed the paper with its analysis of ILO past work and of labour standards. He stressed that for many countries, including his own, rural development remained as relevant today as it had been 40 years ago. He thanked the ILO for reviving that work. He highlighted the steps taken by South Africa, including identifying obstacles to unionization of farm workers, efforts to ratify Conventions Nos 81 and 129, initiatives concerning minimum wages and working conditions in agriculture and forestry, and combating migrant worker discrimination. South Africa's Decent Work Country Programme (DWCP) included support to rural small and medium-sized enterprises (SMEs), and its industrial policy action plan and rural development strategy specifically targeted agro-processing, bio-fuels, aquaculture, cultural industries and tourism. He supported the ILO's increased focus on rural areas, including knowledge sharing, statistics and external partnerships, and emphasized the importance of coordination and policy cohesion.
19. The representative of the Government of Mexico welcomed the emphasis on rural areas as an important source of jobs and economic potential. The strategy required synergy within the Organization, and prioritizing among the eight thematic clusters based on relevance to the ILO mandate, selecting first skills, social protection, OSH and labour standards. He mentioned rural-relevant programmes in Mexico providing assistance to, inter alia, the landless, women starting businesses in animal farming, food production, textiles and ecotourism, and supporting youth entrepreneurship and farming through technical assistance, training, land rental and acquisition.
20. The representative of the Government of Argentina acknowledged the need to improve working conditions in rural areas and called for the promotion of effective relations between workers and employers, ensuring attention to production, as well as skills acquisition and decent wages. He highlighted various rural decent work challenges, including child labour, trafficking and forced labour, precarious work, lack of social protection and registration services. He referred to a draft bill in Argentina to create a new framework for agrarian work, recognizing freedom of association and other rights, as in other sectors.
21. The representative of the Government of Nigeria stressed the importance of rural development, as 60 to 70 per cent of Nigeria's workforce was in agriculture. Rural activities, often in the informal economy, were a source of economic growth if harnessed properly, and the best way to eliminate poverty and achieve the MDGs. He highlighted Nigeria's efforts, such as in rural skills development and in both farm and non-farm activities. Urging the Office to help Nigeria target labour inspection in agriculture, he also encouraged the ILO's collaboration with other UN agencies. Rural employment, including entrepreneurship, cooperatives and social dialogue deserved attention in the ILO.

22. The representative of the Government of Brazil, acknowledging the quality of the paper and the importance of rural employment, expressed appreciation for the ILO's rural work, emphasizing the importance of a social protection floor, labour standards for rural workers, and social dialogue opportunities for rural employers and workers. He highlighted several activities, such as the creation of a Ministry of Agricultural Development, national rural programmes targeting small-scale farmers and agri-businesses, youth, women, and also for land acquisition, skills updating and modernization. He strongly supported the Office's proposed work on rural development, and offered to arrange a presentation by Brazil's Ministry of Agricultural Development for further advice and support.
23. The representative of the Government of China appreciated the ambitious and comprehensive report and supported the ILO's proposed future strategy. He highlighted China's initiative for coordinating urban and rural development, such as the employment promotion law establishing a labour market unifying rural and urban areas; a rural medical cooperative scheme; and a social insurance scheme now covering 125 million persons and extending to all by 2015. He stressed the importance of the ILO's rural expertise and comparative advantages and suggested focusing on entrepreneurship, skills development, employment, social inclusion and social security, calling for attention to environmental issues when developing tourism in rural areas. He approved of a team to coordinate rural work on an Office-wide basis.
24. The representative of the Government of the Bolivarian Republic of Venezuela encouraged increased efforts by the Office to reduce poverty and promote employment and social inclusion by supporting rural areas in realizing their potential. He cited, inter alia, a successful national initiative to empower rural producers and improve food security and working conditions in agriculture, and also an agricultural inspection programme.
25. The representative of the Government of the Islamic Republic of Iran noted that rural issues constituted a large part of the Government's socio-economic work, including the strengthening of rural infrastructure, developing IT capacity in rural areas, providing training, and supporting rural cooperatives and SMEs. Efforts were made to promote ecotourism and provide decent rural housing. She supported the eight thematic clusters and stressed the need for the ILO to develop a more comprehensive rural labour inspection scheme.
26. Ms de Luca appreciated the support and guidance expressed by delegates and noted emphasis on Office-wide and Organization-wide collaboration for coherence. She indicated that a detailed historical review was available for further information on the ILO's work and impact. She acknowledged the persistent lack of rural statistics to be a major challenge, noting that, following a request by the Director-General, the ILO was intensifying efforts in collaboration with the FAO and other partner agencies. She explained that impact evaluations had been weak in the past, and had not been undertaken systematically, or had been limited in scope. She fully agreed with the present need to focus on implementation and practice. The intention behind eight thematic clusters was to involve the whole Office in a balanced way. She mentioned that work in virtually all the eight themes was ongoing, including, for instance, on tourism. She stressed the core role of external partnerships, including with the FAO, the International Fund for Agricultural Development (IFAD), UNDP and the World Bank, with which the ILO shared important objectives based on comparative advantages. She emphasized the rural team's intention to rely mainly on external resource mobilization, noting that the current momentum for rural development made it timely for the ILO to offer its experience and expertise to potential donors to become partners in development.
27. Mr Salazar-Xirinachs appreciated the substantive and constructive comments and guidance. He acknowledged the Employer representative's valuable key concepts, and the

consensus between Employer and Worker representatives on the importance of implementation and practical action, indicating that the strategy was very much in line with such action. He indicated that the ILO was working to improve impact assessment, but that even in the “heyday” of ILO rural work, such assessment had remained scant. Highlighting difficulties in linking policy debates to actual outcomes, he added that the Office would integrate the rural dimension systematically into employment policies and DWCPs. He also acknowledged the Worker representative’s call for increased work on labour standards, including a promotional campaign, and agreed that emphasis now needed to be on implementation rather than more policy talk. Lastly, he confirmed that different units were working on each thematic cluster, and that the themes chosen were realistic inasmuch as they fitted the ILO’s financial and human resources.

28. A representative of the Director-General (Mr Dragnich, Executive Director, Social Dialogue Sector) noted the Director-General’s success in securing ILO participation in the High-level Task Force on the Global Food Security Crisis (HLTF) in 2009. He emphasized the importance of the ILO’s participation in food security debates as employment and decent work were not considered in those debates, which focused instead on smallholder farmers and agricultural production. The ILO placed an emphasis on employment and commercial agriculture, bringing workers and employers to the fore. He appreciated the collegial atmosphere in the HLTF, and the contributions by Mr O’Reilly (Employers) and Ms Longley (Workers), along with Mr Nabarro (HLTF Coordinator). He mentioned that food security was not only a rural issue, noting ongoing efforts with the World Bank on urban and peri-urban agriculture.
29. The Worker Vice-Chairperson emphasized the need to prioritize improving outcomes for rural workers, such as employment, income, freedom of association and collective bargaining. She reiterated that the 2008 session of the Conference had outlined clear strategies in rural areas for extending rights, but now there was a need for implementation, and she re-emphasized her point regarding the priorities for research, field work and advocacy. She reinforced all the calls made by governments for strengthened labour inspection, standards promotion, social protection and social dialogue. She concluded with a request for regular reporting on ILO rural work and successful approaches and outcomes.
30. Mr O’Reilly, on behalf of the Employers, supported calls by Worker colleagues for future rural work based on “real outcomes” and “things that work”, noting distinct consensus on the need for the ILO to address rural issues and for the Office to move decisively on them, given such clear support. He reiterated the central role of sustainable enterprises and entrepreneurship in that regard.

II. Giving effect to the Global Jobs Pact: Interactive panel discussion and presentation of selected country scans, and their relationship to furthering the objectives of the Global Jobs Pact

(Second item on the agenda)

31. A representative of the Director-General (Mr Torres, Director, International Institute for Labour Studies) introduced the agenda item with respect to special assignment (iii), crisis-related research. He confirmed that the Global Jobs Pact was instrumental in establishing a coherent policy response for the recovery and helped to avoid the worst of the crisis. He added that the response was uneven and weaker countries had less fiscal space to promote recovery. New challenges were added through high increases in commodity prices, and import countries saw trade losses with repercussions on income growth and imbalances. This had led to internal redistribution effects, aggravating income inequalities for the poor, especially in poorer countries. Intensification of labour markets, growing youth

unemployment, long-term unemployment particularly for women, increases in temporary jobs and potential social exclusion were among other highlighted factors.

- 32.** He confirmed that, rather than continuing with the same policies or moving towards a counterproductive competitive approach, the “middle of the road” Global Jobs Pact approach – promoting inclusive growth through rebalancing – was a key component in promoting employment recovery and rebalancing the economy. He introduced a strategy based on four pillars to respond to the various challenges: (1) promoting domestic sources of growth in emerging and developing countries; (2) averting long-term unemployment and social exclusion; (3) promoting balanced income developments between job-rich recovery and satisfying medium-term fiscal growth; and (4) highlighting the new opportunities for social dialogue and the importance of promoting social cohesion in countries undergoing political transition, citing the examples of Egypt and Tunisia. He then noted the role of social dialogue in managing the rise in commodity prices, and stressed the importance of sharing the benefits in rich countries and the burdens of income losses in poorer countries.
- 33.** He summarized the role of the ILO as: (1) providing evidence-based identification of labour and social policies that work, through research and policy briefs based on good design consistent with the Global Jobs Pact; (2) promoting job-friendly macro-policies reinforcing policy coherence through analytical and modelling capacities and working with partners such as the International Monetary Fund (IMF); and (3) providing a connection with country-level implementation. He concluded his presentation by giving examples of the role of policy coherence through the preliminary findings of a new model looking at both labour and macro-policies developed by the ILO, complementing the IMF’s model.
- 34.** The Worker Vice-Chairperson highlighted the need to have policies to tackle the root causes of the crisis and lamented the fact that there was no regulation of the financial sector. The austerity measures and cuts in public spending could have a “double whammy” effect on wage and job growth. She asked whether research had been carried out on the benefits of public spending overall in relation to the crisis and asked what policy work had been done on income-led growth strategies.
- 35.** The Employer Vice-Chairperson thanked Mr Torres for his presentation and for sharing with employers the papers and outcomes of the internal office research conference. She noted that the economic recovery, albeit uneven, highlighted in the Office presentation could be jeopardized in some regions by unfolding exogenous events.
- 36.** She agreed that youth unemployment and informality should be given high priority.
- 37.** She questioned the pejorative connotation given to competitiveness in Mr Torres’ presentation, given that it was an essential element of innovation, efficiency and economic growth. With regard to the emphasis on rebalancing, she asked what that meant in practice for policy-makers.
- 38.** She asked how the ILO approached the issue of investor and employer confidence, given that it lay at the heart of investment and job creation.
- 39.** The representative of the Government of Hungary, speaking on behalf of the EU, delivered messages on recent economic and labour market trends and thanked Mr Torres for a comprehensive and useful presentation. In particular, she highlighted the need to address vulnerable groups and the four pillars of the Decent Work Agenda and underlined the need to put social policies at the centre of actions through inclusive growth and development. She commended the Office for its quick response in meeting countries’ demands for guidance on job recovery, with a view to strengthening decent work, balanced growth and

development. She confirmed that Global Jobs Pact scans could help in elaborating and implementing DWCPs, building on country-specific features. Welcoming the role of the ILO in future scans, she recognized the international support that the Global Jobs Pact had received from the IMF, the World Bank and UNDP, and encouraged further cooperation.

40. The representative of the Government of France supported the statement made by the EU. He highlighted the fact that, through its presidency of the G20, his country had requested contributions and work to be undertaken, providing a platform for the meeting of labour ministers on economic and social policy coherence and activities with other international organizations in delivering products. The exercise would build a bridge with the development of policy briefs. He added that an interactive panel was the best way of holding such discussions and should be replicated at future sessions of the Governing Body.
41. The representative of the Government of Singapore questioned policy coherence. She highlighted the fact that, although Mr Torres had shown strong correlations between labour and macro policies, further elaboration was needed on the ILO's influence on IMF work to promote job-friendly macro policies.
42. Mr Torres responded that it was difficult to address the root causes of the crisis, partly because it required international policy coordination, but also due to the time dimension. He stressed that the ILO could play a role in making sure long-term benefits were taken into account through good analysis and international cooperation.
43. Regarding the impact of austerity measures on public spending, he confirmed that the slowdown from 2010 into 2011 had to do with the adoption of austerity measures. He stressed that fiscal measures should take into consideration employment issues, as it would be more costly to try to incorporate them later. Mr Torres confirmed that youth unemployment was worse in those countries with little economic growth and limited job creation. The need for those programmes should be stressed; they should be seen as an investment for the future. Social cohesion and tensions in some countries had political dimensions, but the underlying issues had to do with youth unemployment and growing inequalities. The instruments developed by the ILO should be appropriate to address those problems.
44. He then explained that competitiveness was a shortcut for measures that tended to promote lower wages, less protection, and less employment. Brazil was a vivid recent example of rebalancing at country level. On the issue of confidence, he acknowledged the psychological element, but mentioned that confidence would be supported by a long-term strategy. The ILO's agenda for social dialogue could provide the necessary medium- to long-term vision, taking into account Global Jobs Pact measures.
45. Mr Torres concluded by confirming the importance of policy coherence, as mentioned by the representatives of the EU and Singapore. Macroeconomic policy scenarios based on Global Jobs Pact measures by the IMF could be used in the mutual assessment process at G20 level, and also in collaboration between the G20 and others in the United Nations, including the United Nations Department of Economic and Social Affairs (UNDESA). He confirmed that the ILO was about a real economy agenda going beyond the use of exchange rates.
46. A representative of the Director-General (Mr Salazar-Xirinachs, Executive Director, Employment Sector) introduced the agenda with respect to special assignment (i). He described the great efforts that had gone into activities at the global, regional and country levels. At global level, he highlighted work to support the G20, along with dialogue on policy coherence with multilateral organizations such as the IMF and the World Bank. At

regional and country level, he mentioned the many conferences held and work with regional development banks, along with support to constituents, which had been mainstreamed in the outcomes and indicators of the programme and budget. He added that, for knowledge generation and dissemination, 20 policy briefs had been developed. He then gave an overview of the Global Jobs Pact scan methodology, mentioning that the scans for Bulgaria, Indonesia and South Africa had been selected for presentation as they reflected different levels of development and national crisis response policy packages. Scans had been produced for El Salvador and Jordan, while others were being prepared for Argentina, Mali, Mongolia and Nigeria.

47. He described the scans as a comprehensive policy review document adequately covering the four areas of the Decent Work Agenda, including a review of the institutional settings in which policies were embedded. Mr Salazar-Xirinachs explained the innovations around the Global Jobs Pact and described how the scans were produced by a multidisciplinary team under a tight template and a strict managerial structure. He stressed that, although the constituents were closely consulted, the scan remained a document produced under the responsibility of the Office. He added that elaborating the scans was just one step in the broader, challenging and politically sensitive process of social dialogue and policy development at the country level. They had provided input into national policy dialogue and they had been used in capacity-building activities and as a major input to the development of DWCPs and outcome-based workplanning.
48. A representative of the Director-General (Ms Hoffmann, Regional Director, Europe and Central Asia) described how the Bulgaria country scan had been developed as a response to mitigate the effects of the crisis in that country. She noted that the Global Jobs Pact scan allowed for an integrated approach developed on a tripartite basis and provided an in-depth assessment of anti-crisis measures, providing coherent policy recommendations for strong recovery and sustainable development. She highlighted the fact that, with increasing youth unemployment of up to 16.2 per cent, recommendations included the allocation of more funds to labour market policies, in particular vocational training and programmes directed towards young people and the Roma minority. She noted that the scan procedure allowed the social partners to reach a tripartite agreement to provide measures to restore the financial sustainability of the pension system and the poverty alleviation function of social assistance. She noted that wages were already below productivity and that there was a need for better wage-fixing systems and for labour standards to be strengthened. Another main finding was that policy coherence and cooperation between line ministries was indispensable. She concluded by highlighting contributions to social dialogue, capacity building and policy development, noting that future technical policy support would be decided in consultation with constituents. Overall, she expressed satisfaction at the benefits brought by the Pact in offering an integrated, coherent set of policies of relevance for all countries.
49. A representative of the Director-General (Ms Yamamoto, Regional Director, Asia and the Pacific) described progress on developing a national jobs pact with strong ownership by the constituents, which started with national commitment through a coordinated, multidisciplinary approach that produced a Global Jobs Pact scan, providing technical inputs, building capacity of constituents, enriching evidence-based tripartite policy dialogue and providing technical support for policy formulation, thereby demonstrating the ILO's capacity to conduct research and to place employment at the centre of government investment and spending. She noted that, as a G20 member, Indonesia's commitment to the Global Jobs Pact was significant and promoted balanced and inclusive growth for the future. Confirming that all the above was being integrated into its DWCP, she concluded that work in Indonesia showed that the Global Jobs Pact was a valuable policy instrument to promote balanced and sustainable growth at country level. It was also an important contribution to the United Nations Partnership for Development Framework 2011–15.

- 50.** A representative of the Director-General (Mr Van Vuuren, Director, ILO Pretoria Office) introduced the Global Jobs Pact country scan for South Africa. He started by pointing out that the process of producing the scan had been an interesting exercise, which had clearly identified the strengths and weaknesses of South Africa in terms of crisis response and would prove to be a valuable tool for other countries finding themselves in similar situations. He summarized how South Africa had experienced high unemployment, mostly among men and women in uneducated fields. He pointed to the fact that, since social dialogue was already in place, South Africa had been able to quickly align its tripartite parties and engage in crisis response, and that the more challenging side had been to advance the crisis strategy and policies and put them into practice. He noted that, over the last month, there had been regular debate on the Decent Work Agenda and social dialogue. He stressed the important factor that all initiatives had been linked to the recently signed DWCP for South Africa, which would remain the focus point for further engagement and discussions. Alongside the Government's New Growth Path plan, he suggested that the scan would be a valuable knowledge tool for future use and would be helpful in the preparation or revision of a DWCP to identify focal points and areas of technical priority.
- 51.** Mr Salazar-Xirinachs concluded the panel presentation by adding key lessons and opportunities regarding the Global Jobs Pact. He explained how the scans would serve to further the objectives of the Pact by: (1) being focused on an integrated and balanced policy approach; (2) being a good knowledge product; (3) contributing to capacity building among constituents; (4) providing a better rationale for the technical support needed; (5) allowing the Office to be more responsive to new opportunities; and (6) being an important knowledge-sharing tool. In order for the scans to be of high quality, he stressed that their preparation required a multidisciplinary team, comprising headquarters and field specialists, and needed to be factored into outcome-based workplans. Managerial investment for coordination of the work was essential. He finished the presentation by highlighting how the Office was adapting its institutional practices and governance to achieve that. A US\$4 million proposal submitted to the Governing Body to adjust the Global Jobs Pact methodology to engage in decent work country scans was currently being debated.
- 52.** The Employer Vice-Chairperson expressed her group's appreciation for the presentation. She welcomed the fact that the Office was working in a multidisciplinary manner and the increased collaboration between headquarters and the field. She reminded the Committee that the Global Jobs Pact was a product of crisis, created for a particular purpose, and that the Employers' group did not see it as something to become a permanent reference for policies.
- 53.** The scans provided a useful baseline or launching point for constituents to consider their policy response, set priorities and learn from the experiences of others. They should therefore be objective and fact-based, prepared to the extent possible by independent experts in the field. She welcomed the transition from Global Jobs Pact scans to decent work country scans. She noted an interesting difference in tone among the three scans, in part due to the degree to which they came across as factual reports or advocacy. She raised the question of whether the scans should justify or explain the policy responses of governments, and reiterated the Employers' view that the scans should be fact-based and objective, and should offer policy options as well as identifying what the ILO could do to support those options. She questioned the use of Committee on Freedom of Association cases in the scans of Bulgaria and Indonesia, as they were based on allegations and derived from circumstances pertaining before the crisis.
- 54.** The Worker Vice-Chairperson thanked the panel for a satisfying and interesting presentation and agreed that the scan should be a comprehensive framework for viewing the crisis and working on facts-based information. She did not object to the scans

advocating policy outcomes that had been successful, as that was within the ILO Constitution. She expressed concern regarding the impact of EU regulations and restrictions in terms of fiscal space for the Government of Bulgaria to operate and how the follow-up, continued socialization and resourcing of the scans would be maintained using the tripartite infrastructure set in place. She reiterated the Workers' support for scans to be used for DWCPs.

55. The representative of the Government of Bulgaria expressed appreciation for the scan and highlighted future plans as a result of Global Jobs Pact work.
56. The representative of the Government of Belgium raised the issue of how the scan took into account the impact of, and responses to, gender in employment before and after the crisis.
57. The representative of the Government of South Africa expressed his gratitude to the Office for the Global Jobs Pact work undertaken and stressed that the scan represented a constructive input into ongoing policy dialogue.
58. The representative of the Government of Bangladesh raised the questions of whether country scans would be the only tangible outcome of the Global Jobs Pact over time and what was envisaged for countries with limited resources that were not currently supported in applying the Global Jobs Pact, but were in their second adaptation of the DWCP. He further asked how dynamic and alive the scan documents were and how they responded to emerging challenges, such as the acute problem of a rise in migrant workers from the Middle East.
59. The representative of the Government of the Republic of Korea welcomed the Global Jobs Pact and raised the question of the possible implications of the Global Jobs Pact framework in terms of planned future applications.
60. Ms Yamamoto replied to the question concerning the use of cases before the Committee on Freedom of Association in the Indonesia scan. The scan was a product of tripartite consultations; during the consultation process there had been a strong request for such information to be included. On the issue of gender concerns, she explained that the Indonesia scan did refer to the impact on women's employability and discrimination, along with some policy options to overcome those barriers. Concerning the question regarding countries working on new DWCPs with no plan of producing scans, she responded by saying that more technical support could be offered, including information regarding the baseline and policy options.
61. Referring to the question on policy recommendations in the scan, Ms Hoffmann stressed that the main purpose of the scan was to have a third section consisting of recommendations. In the case of the Bulgaria scan, the language used was purposely cautious. Reflecting on the use of cases from the Committee on Freedom of Association, she emphasized that, despite ratification of many Conventions on social dialogue, there could still be cases for the Committee on Freedom of Association that were factual and should not be ignored. She furthermore answered the question on how the austerity measures and guidelines of the EU had impacted and limited policy recommendations by explaining that, even though there was limited fiscal space for counter-cyclical policies, there still existed enough space for the Bulgarian Government to form its own policies.
62. In response, Mr Van Vuuren explained that scans would always differ in content but not in structure, demonstrating their strength for comparison and analysis between countries.

63. Mr Salazar-Xirinachs concluded with remarks on how the process had been and remained a learning curve for the Office. He appreciated the Worker Vice-Chairperson's comment that the ILO had mobilized quickly and integrated headquarters and field collaboration, which he fully supported. He emphasized that the scans were both factual and advocacy reports and, as such, offered good analysis and a checklist based on an integrated approach. He furthermore explained that there was an element of policy vision behind them, which was the beauty of the Global Jobs Pact as an instrument. He raised the concern that the scans could not be conducted fully by independent experts, as suggested by the Employer Vice-Chairperson, but should be conducted and owned by the multidisciplinary teams in the Office. In future, the idea and instructions from the Director-General were to mainstream the methodology into DWCPs, and current Global Jobs Pact documents would therefore not be the only legacy. However, transforming the Global Jobs Pact into decent work country scans was a long process in which consultations should be held with the constituents in order to ensure the correct outcome. He concluded by stressing that the future relationship between decent work scans and DWCPs should be part of a natural cycle, so the revision of a DWCP would be done through the scan framework.

III. Global wage trends and wage policy developments in selected countries – Wage policies, productivity growth and employment (Third item on the agenda)

64. The Committee had before it a paper² entitled “Global wage trends and wage policy developments in selected countries – Wage policies, productivity growth and employment”.
65. A representative of the Director-General (Mr Diop, Executive Director, Social Protection Sector) introduced the agenda item. He noted that the global economic and financial crisis had led to a slowdown in wage growth and pointed towards the importance of wages and wage policies in the future recovery of aggregate demand. He also thanked the Committee and its members for the constructive comments over the course of the past years that had led to a more robust *Global Wage Report*. He highlighted the collaboration of the Office with national statistical offices in compiling data, the expert advice it had sought from national research institutions on the methodology used to calculate global and regional wage trends, and the fact that the report underwent a comprehensive peer review. To compile and analyse statistics on the wage share, the Office had worked closely with the OECD.
66. A representative of the Director-General (Ms Tomei, Chief, Conditions of Work and Employment Branch) presented the paper. She explained that the document was largely based on the *Global Wage Report 2010/11* and also followed up on the 2008 Declaration on Social Justice for a Fair Globalization and the 2009 Global Jobs Pact. She presented global trends in wages and explained that, over the previous decade, wage growth in advanced countries had fallen behind productivity growth. She then presented some policy options to strengthen the links between wages and productivity, presented work done by the Office on wages and sought guidance from the Committee on future directions.
67. The Employer Vice-Chairperson expressed appreciation for the efforts made by the Office to improve the methodology underlying the *Global Wage Report* in response to earlier

² GB.310/ESP/3.

concerns raised by her group, and welcomed the external peer review process. She looked forward to continued collaboration concerning definitions, methodology and concepts. However, she remained sceptical of the utility to policy-makers of generalized recommendations based on global data. She then turned to the three broad trends addressed in the *Global Wage Report*. First, the slowdown of wage growth during the crisis was not unexpected, given the magnitude of the crisis. However, job losses had not materialized on the scale forecast, many employers had maintained employment, and recovery had been rapid in many countries. Second, while the decline in the wage share observed over past decades was significant, no clear policy implications could be drawn as the underlying reasons for the changing wage share and what it actually illustrated had not been established. Third, with regard to rising wage inequality, the report did not consider the redistributive function of taxes and transfers, or the overall incomes of low-wage earners. The greatest income inequality was between those in work and the unemployed, an issue that the ILO should address.

68. Turning to wage policies, she emphasized that centralized wage bargaining was not the practice in most countries, and could run counter to linking wages to productivity at the enterprise level. The material presented on minimum wages and collective bargaining in the report was interesting, and she agreed with the Office that minimum wage setting should involve the social partners and must be based on good data. However, she sounded a cautious note on the role that minimum wages could play in stimulating domestic demand and warned that inflated minimum wage increases could hurt employment. With respect to “wage-led growth”, she stressed that her group remained highly sceptical of the concept and questioned whether it was based on solid, empirical foundations.
69. In conclusion, the Employer Vice-Chairperson invited the Office to work in two areas: first, her group would welcome further work exploring in greater depth the array of factors that determined the wage share and presenting different perspectives on their implications; second, her group was interested in the interaction between minimum wage, taxation and social security systems in augmenting the incomes of low-paid workers. She also regretted that the concept of sustainable enterprises was entirely absent from the *Global Wage Report 2010/11*.
70. The Worker Vice-Chairperson welcomed the paper and congratulated the Office on the latest edition of the *Global Wage Report*. The feedback from trade unions in many countries and the great resonance in the media showed that it was a useful report of great interest to many, because of its relevance, quality, uniqueness and clarity. Turning to the substance of the document, she considered that workers had not been getting a fair share of productivity growth, even before the crisis, and expressed concerns about the massively growing wage inequality represented by the decline in wage share reported in the document. The problem was not just one of equity, but also of sustainability and growth, as a continual lag between wages and productivity reduced aggregate demand, resulting in debt-fuelled consumption and large export surpluses in some countries. She asked the Office to investigate why some countries were so much better at distribution, given that the paper showed that countries with similar levels of productivity had very different levels of wages. She noted that countries with high levels of collective bargaining had higher wages. She also expressed concern about the erosion of workers’ bargaining power shown in the paper, the rise in non-standard forms of employment, the use of arguments based on competitiveness to obtain wage concessions from workers that effectively subsidized companies, and pressure on public sector wages. She pointed out the challenge it presented to the ILO, given the central purposes of its Constitution. She made the point that centralized wage policies were needed to avoid unfair competition on wages. She called for work in the next report to identify the most effective institutional arrangements for wage setting through collective bargaining.

71. She questioned the rationale for including the role of skills development and small enterprise development in enhancing labour productivity as a point for discussion in paragraph 32 of the document before the Committee. It wrongly implied that slow productivity growth was the problem, rather than translating existing productivity growth into wage increases. She pointed out that promoting small enterprises did not contribute to productivity growth, and that countries with large informal sectors and many small enterprises had not been strong performers. While she agreed with the discussion of the German work-sharing scheme discussed in paragraph 22 of the paper, she pointed out that the success of that instrument was in sharp contrast to the highly dysfunctional wage developments in Germany before the crisis. Over the past decade, German wages had fallen by more than 4 per cent despite rising productivity. Turning to the so-called “competitiveness pact” agreed by the member States of the Eurozone,³ she expressed concern that the proposals would curtail the role of social partners in wage setting, and called on the ILO to voice its opposition to a document that stood directly against ILO principles and standards. Calling for substantial cuts in real wages in deficit countries and imposing a convergence with German unit labour costs would deepen the crisis. She used Japan as an example of failed wage deflation policies.
72. She pointed to the interesting analysis in the paper of in-work benefits and the impact they could have on wages. She noted the importance of a minimum wage and pointed out that the paper highlighted the lack of correlation between low pay and low unemployment. She called for increased promotion of the Minimum Wage Fixing Convention, 1970 (No. 131). She highlighted the important role of governments as employers, procurers and policy-makers in determining and influencing successful wage policies.
73. Looking towards the future, the Worker Vice-Chairperson considered that a priority area of research for the next *Global Wage Report* should be an analysis of the most effective institutional arrangements for wage setting and how to avoid “beggar thy neighbour” policies through deflationary wage setting through collective bargaining. Other highly relevant questions included how to reverse the trend of growing wage inequality, how to prevent wages from falling behind productivity growth, how to strengthen the role of collective bargaining in wage determination, guidance on minimum wage setting, the potential of the public sector as an employer and procurer, and guidance on wage-led recovery strategies. Finally, she urged the Office to support member States in developing their statistical capacity.
74. She pointed out that the wage report represented a core challenge to the ILO and its purpose, and that the ILO Constitution itself demanded that the issues highlighted in the report be addressed urgently.
75. The representative of the Government of France, speaking on behalf of IMEC, expressed appreciation for the Office’s analysis of global wage trends, which he considered to be part of its mission. The global slowdown in wage growth during the crisis could be attributed, in large part, to downward trends in the countries on whose behalf he spoke. However, even before the crisis, a disparity between slow wage growth and higher productivity growth could be observed in advanced countries, with a negative impact on the wage share. He supported the conclusion that effective wage policies could strengthen the linkage between wages and productivity in the long term if they were well designed and properly implemented. Moreover, collective bargaining and social dialogue had proven effective tools during the crisis. The value added by research done by the Office was first and foremost to draw attention to experiences with adequate wage policies, rather than

³ Conclusions of the Heads of State or Government of the Euro Area, of 11 March 2011. Available at: http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/119809.pdf.

promoting a “one size fits all” approach. He encouraged the Office to continue building a well-documented knowledge base in that sphere.

- 76.** The representative of the Government of the United Republic of Tanzania, speaking on behalf of the Africa group, expressed appreciation to the Office for the well-researched and analytical document. He concurred that collective bargaining and minimum wage fixing institutions were important tools for improving terms and conditions of employment, raising living standards of workers, enhancing productivity and economic growth, and promoting industrial harmony. The trends presented in the report confirmed that effective application and implementation of the Global Jobs Pact and vibrant growth-based policies remained crucial. He noted that the document contained regional trends for Africa which were tentative, and called on the Office to produce more definitive findings on the impact of the crisis in relation to wage developments and labour productivity within the region. He also urged the Office to provide technical assistance to African countries in relation to wage policies.
- 77.** The representative of the Government of Hungary, speaking on behalf of the EU, considered that the *Global Wage Report* provided a comprehensive overview of recent global and regional wage trends and some policy developments. She drew attention to a recent high-level conference on inequalities in the world of work that had been held in Brussels as a collaborative effort between the Office and the European Commission. Wage policies played a key role in economic growth and the welfare of the population. They should take into consideration the interests of workers and employers in a balanced way. Well-functioning and effective collective bargaining, based on the autonomy of social partners had a key role to play in finding win-win solutions. She underlined that the increase of wages should be broadly in line with labour productivity growth. Productivity could be enhanced, inter alia, through education, training and skills development, while quality jobs were also needed for low-skilled workers. She considered that making work pay was a key element and underlined that effective use of wage policy tools could contribute towards sustainable economic growth and social cohesion. Against that background, the EU encouraged the Office to continue its analytical work on wage policies, highlighting their economic and social effects, the relationship between productivity and wages, and wage policies in countries with a large informal economy, taking also into account the gender dimension.
- 78.** The representative of the Government of Mexico emphasized the importance of social dialogue in all contexts, but particularly in times of economic crisis. Social dialogue could contribute to the implementation of measures to avoid massive job losses by strengthening collective bargaining, the right to strike and trade union autonomy. In Mexico, tripartism had become a cooperation strategy on the road to achieving national objectives, without the parties losing their identity or abandoning their individual goals. She also pointed out that, as part of an agreement to promote productivity schemes to benefit workers, enterprises and the national economy, trade unions and employers had agreed on the view that workers’ training was an investment, not a burden.
- 79.** The representative of the Government of India expressed appreciation for the Office document, which would serve as a basis for providing the necessary policy tools and guidelines to Member States for a sustainable and broad-based recovery. He felt that the 2008 Declaration on Social Justice for a Fair Globalization and the 2009 Global Jobs Pact had underlined the importance of wage policies so that the fruits of progress could be shared by all. He considered that any improvement in labour productivity should be accompanied by proportionate increases in average wages. He encouraged pro-active measures to promote active minimum wage policies, to strengthen the linkage between collective bargaining and minimum wages, and to ensure minimum income for vulnerable

workers and their families. Progressive and phase-by-phase measures were more appropriate and realistic.

- 80.** The representative of the Government of South Africa found the Office's report extremely useful. He agreed that wages were a key issue at the core of many disputes and industrial actions. In his country, wage demands had to be seen in the context of racial discrimination, increasing food and fuel prices, and a declining wage share. Several initiatives had been taken to support vulnerable workers, including sectoral determinations and measures such as wage and productivity gain sharing policies. It was important for the ILO to strengthen the capacities of social partners in collective bargaining and to enhance the capacity of the constituents to produce more and better decent work statistics. An important consideration was also the stepping-up of skills development in SMEs, particularly in the areas of production and financial and management skills.
- 81.** The representative of the Government of Kenya supported the statement of the Africa group. He agreed that wages were a core subject of collective bargaining, especially in Africa. In his continent, the labour market was characterized by a high share of casual and informal work. Statutory minimum wages were crucial, especially for improving the situation of the working poor. He emphasized that labour productivity was an important determinant of wages. However, many African countries lacked reliable productivity indicators that were agreeable to all partners. Kenya was in the process of developing an integrated income and wage policy, with benchmarks based, inter alia, on productivity, and he looked forward to collaborating with the Office on that subject.
- 82.** The representative of the Government of Zambia also supported the Africa group's statement. He commended the Office on the work done in analysing wage trends during the crisis period. Indeed, wage data were crucial for informing wage policy, and he deplored the lack of adequate wage data for Africa. In his country, poor wage data had hindered the development of a focused wage policy. His Government therefore appreciated the assistance provided by the Office with the aim of improving the wage module of the forthcoming Labour Force Survey. Assistance in the areas of wage data collection and productivity measurement was an important element in addressing decent work challenges.
- 83.** The representative of the Government of Japan expressed support for the IMEC statement. His Government regarded increases in the minimum wage as one of the most important pillars of Japanese labour policy. Higher minimum wages enabled hard working people to make a living, and contributed to domestic demand-led growth. In order to promote the planned minimum wage increase of about 25 per cent smoothly and effectively, cooperation with the social partners was indispensable. In Japan, the minimum wage rate was therefore set by a minimum wage council that included representatives of employers and workers. The council took into consideration both the level of workers' living expenses and employers' capacity to pay. The Government planned to provide particular support to SMEs, which were likely to be most affected by the increase, to enable them to increase their productivity.
- 84.** The representative of the Government of Germany thanked the Office for its insightful analysis. He concurred with the assessment made in paragraph 22 of the paper before the Committee, namely that functioning social dialogue was an important explanation for Germany's success in dealing with the consequences of the global economic crisis. Despite a 4.7 per cent fall in GDP, enterprises had retained their highly specialized workforce, enabling them to respond rapidly to the recovery in global demand during 2010. He asked the Office for its assessment of whether past German wage moderation had been appropriate, or whether it could be considered too restrictive.

- 85.** The representative of the Government of Austria supported the statements of the EU and IMEC. She stressed that Austria's strong institutions for collective bargaining had stood the test of time, and led to a sustained increase in the real wages of workers. The system of sectoral wage bargaining also provided for the necessary flexibility to align wages to the specific economic and social conditions of individual sectors. In her Government's view, statutory minimum wages would infringe on the autonomy of the social partners to set wages through collective bargaining. For that reason, she remained sceptical about the rationale for introducing a general minimum wage in Austria, which would fundamentally change her country's wage setting mechanism.
- 86.** The representative of the Government of the United Kingdom fully supported the IMEC and EU statements. Making reference to the Employers' concerns about potentially negative effects of minimum wages on employment, he stated that his country's minimum wage policy aimed to provide support to low-paid workers, while avoiding risks to businesses and jobs. He clarified that the Low Pay Commission was an independent body with representation of employers and workers, and had carried out a substantial amount of research on the effect of minimum wages on pay and employment. His Government had recently accepted the Low Pay Commission's recommendation of a modest increase in the minimum wage. In spite of austerity measures, the Government would continue to invest in in-work benefits to reintegrate unemployed workers into the labour market. He called on the Office to investigate which policies were most effective in sustaining both wages and employment.
- 87.** The representative of the Government of Brazil noted that, in the case of his country, increases in the national minimum wage had contributed substantially to the radical reduction in inequality and poverty during the past decade, without negative consequences for employment growth. He stressed that Brazil's minimum wage policy was complemented with continuous investment in infrastructure and the reinforcement of social protection. Finally, he stated that in developing countries, such as Brazil and the rest of Latin America, income increases of low-paid workers translated into higher consumption, rather than savings or speculation, thereby supporting domestic demand.
- 88.** The representative of the Government of Argentina pointed out that his Government had used wage policies intensively during the recent international crisis, as well as during its own national crisis at the end of 2001, as a key instrument to propel recovery and economic growth. He added that wage and income policies constituted crucial elements in the regulation of economic cycles and, in turn, in determining the rhythm of job creation. He also stressed the relevance of the increase in the minimum wage during 2009 in mitigating the impact of the international crisis on the local economy. Finally, the Government, employers and workers had fostered collective bargaining in recent years in order to improve working conditions, to increase productivity and the competitiveness of firms, and to resolve the struggle over income distribution.
- 89.** The representative of the Government of the Russian Federation pointed out that his country had implemented a national minimum wage designed to cover workers' subsistence level. He acknowledged that the national minimum wage was currently set at only about 70 per cent of subsistence level, but emphasized that the objective was to progressively raise it to subsistence level, taking into consideration the state of the economy and the level of unemployment. He also reported that regions in the Russian Federation had the ability to set regional minimum wages that reflected regional differences in the cost of living. In many instances, the regional minimum wages were set at a higher rate than the national subsistence level.
- 90.** The representative of the Government of China thanked the Office, as the report was informative and useful in assisting policy decisions. He encouraged the ILO to actively

continue its work and highlighted three points. First, the strong growth in wages in China was due to a combination of strong economic growth, the development of the so-called wage consultation system among stakeholders, and pressures from the labour market. Second, there was now a broad consensus that the gap between high- and low-wage earners was increasing in many countries, and that this was a threat to economic and social harmony. In response, the National People's Congress had just decided to prioritize the issue of wage and income disparities in its new five-year plan for 2011–15. Third, he encouraged the Office to help strengthen member States' ability to generate better wage statistics.

91. The representative of the Government of Nigeria supported the conclusions of the report prepared by the Office. He emphasized that, in order to enhance economic progress, a coherent and consistent wage policy was needed. Minimum wage benchmarks were to be adopted for consistent pay determination. He stressed the positive impact of properly designed skills development on overall productivity. He noted that Nigeria had recently concluded negotiations on a new national minimum wage, which he expected to be a positive change for Nigeria.
92. Mr Diop thanked the members of the Committee for its appreciation of the *Global Wage Report* as relevant, useful and stimulating. He welcomed recognition of improvements to the methodologies used in the report, and thanked national statistical offices and social partners for their precious collaboration. In light of the limited resources available to the Office, he emphasized the need to identify priorities among the many proposals for future research and technical cooperation activities that had been formulated by members of the Committee.
93. Ms Tomei addressed some of the specific questions raised, and offered to follow up others in more detail after the Committee's session. In response to the Employer Vice-Chairperson, she welcomed the proposal to prepare a technical paper on the calculation and interpretation of the wage share, and pointed to the existing collaboration with the OECD, which had proven expertise in that regard. She also agreed with the proposal to look more closely into the interaction between minimum wages, taxation and social security systems and the redistributive role of taxes and transfers in augmenting the incomes of low-paid workers. She also clarified that, in times of crisis, the role of minimum wages was not to boost domestic demand, but rather to avoid wage deflation risks, as highlighted by the Global Jobs Pact. She concurred with the observation made by the Worker Vice-Chairperson that competitiveness was a relative concept, and that not all countries could simultaneously raise their competitiveness. The influence of labour market institutions in shaping the link between wages and labour productivity was an area that warranted further investigation. In response to the interventions by several Government representatives regarding the need for adequate data on wages at national level, she pointed out that the Office was working with several countries on that topic, but faced considerable resource constraints.
94. The Worker Vice-Chairperson thanked Government members for their universal recognition of the need for collective bargaining and minimum wages as instruments of wage policy. She reiterated her call to link wages to gains in labour productivity. In response to the remarks by the Employer Vice-Chairperson on declining wage shares, she stressed that the Office's analysis was in line with research and data produced by academics and other institutions. A decline in the share of wages in total income was unjust and had implications for poverty, as most people were reliant on wage income and did not have pensions and shares. She supported calls for more research on the role of minimum wages, collective bargaining and tax policies for increasing aggregate demand, and encouraged the Office to continue its work on wage data.

- 95.** The Employer Vice-Chairperson looked forward to further collaboration with the Office on wage questions. She noted, however, that the subject would remain difficult in view of the gulf in perspectives between Employers and Workers. She reminded the Committee that her group represented private sector actors of the capitalist market economy, who were ultimately those who created wealth, jobs and prosperity around the world by making productive investments. The role of competitiveness and of employment creation by SMEs should not be dismissed, and she noted that it was small business people who largely applied minimum wage increases, took risks and created jobs. She also stressed that her group was not against the existence of minimum wages or collective bargaining per se, but reiterated her concerns about excessive centralization.
- 96.** The Chairperson, summing up, said that wages had been a much debated issue throughout the history of the ILO, and that mechanisms and institutions, such as collective bargaining, held the key to reaching agreement between the parties concerned. He ended on a personal note as his tenure as Committee Chair was coming to an end after three years that had proven extremely insightful to him. He extended his sincere appreciation to the Employer Vice-Chairperson and the Worker Vice-Chairperson for their collaboration, and thanked Mr Diop and Mr Salazar-Xirinachs, along with the secretariat, for their outstanding support.

Geneva, 19 March 2011