



## Governing Body

312th Session, Geneva, November 2011

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Institutional Section

INS

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### FOURTEENTH ITEM ON THE AGENDA

## Chairperson's summary report of the Working Party on the Social Dimension of Globalization

### Introduction

1. The Working Party on the Social Dimension of Globalization met on Monday, 14 November 2011. Mr Vines (Australia) chaired the meeting. Mr Funes de Rioja and Mr Cortebeek were the Employer and Worker spokespersons.
2. The Working Party had before it a paper<sup>1</sup> on the latest developments and current outlook for employment and the social dimension of globalization.
3. The discussions were introduced by the Director-General, who highlighted features of the current global economic situation and drew attention to important decisions of the recent G20 Cannes Summit.
4. We were also honoured to welcome Mr Lázló Andor, European Commissioner for Employment, Social Affairs and Inclusion, who spoke about the European dimensions of the worsening economic situation and on the ways in which the European Union was responding.
5. A wide-ranging discussion ensued. Many delegates expressed serious concerns about the prospects for employment and social and working conditions. There were differences in experiences, with some countries managing to maintain a brisk pace of growth at least up to the end of 2011. Delegates differed in terms of emphasis of analysis and policy conclusions.
6. In this summary report, I will therefore highlight the main issues raised which constituents, the Governing Body and the Office will wish to take into account in our further work on countering the renewed crisis, forging a more robust recovery and furthering the goal of social justice for a fair globalization expressed in our 2008 Declaration. Most of the issues

<sup>1</sup> GB.312/WP/SDG/1.

I list below were widely shared but they do not reflect consensus rather a record of important and strongly expressed concerns.

## **Increasing concerns**

7. Many speakers shared the concerns set out in the background paper that the fragile recovery in a number of industrialized countries was weakening and the risks of renewed recession rising. Faster-growing emerging and developing countries could not expect to be immune from that slowdown.
8. In consequence, employment growth would slow or stop in many countries, leading to an increase in unemployment, involuntary part-time work and informal work. Already high long-term and youth unemployment were on the rise.
9. In developing countries experiencing a still rapid rise in the numbers of new entrants to the labour market, a slowing of employment growth would retard the pace of poverty reduction and the shift towards more formal employment.
10. Business confidence was at a low ebb, holding back investment and thus recovery in the labour market.
11. Trends towards widening inequality were highlighted.
12. Serious concerns about the undermining of worker and trade union rights were raised by some speakers.
13. The deterioration in the prospects for decent work could lead to increased social unrest, already evident in some countries, and even to a worsening of security risks. That in turn could affect the political environment adversely.
14. Particular concern was expressed by many speakers about the deteriorating economic, social and employment prospects for Europe, which was at the epicentre of the continuing financial crisis, and the high risks that a worsening of the situation would affect other regions through trade and finance links.
15. The view was expressed that in many countries the burden of adjustment to debt problems was falling on working people, whereas the financial institutions and their top management, which bore much of the responsibility for the crisis, seemed to be returning to pre-crisis patterns of behaviour. The finance sector was not adequately serving the interests of the real economy, of sustainable enterprise and decent work.

## **Decent work policy priorities**

16. Tackling high and rising youth unemployment was at the top of many speakers' policy priorities.
17. Similar urgency was felt with regard to the long-term unemployed at risk of permanent detachment from the job market.
18. The rise in precarious employment was seen by many to be a damaging development, not only for the women and men affected but also for society and the economy.

19. Skills development was regarded as essential to maintain and improve employability, especially for first-time jobseekers but also throughout working life.
20. The importance of action to create a conducive environment for sustainable enterprise was highlighted, with a specific focus on smarter regulation and support for smaller firms. Fostering entrepreneurship, including self-employment options, was seen as a key ingredient in restoring dynamism to economies and particularly useful for young women and men.
21. The need to avoid trade protection was mentioned by a number of speakers.
22. Emphasis was laid on measures to increase investment in the real economy and foster the transition to more environmentally sustainable growth patterns.
23. Financial regulations should be reformed as a matter of urgency and there was a need to reorient the sector's activities towards supporting the real economy, in particular small enterprises.
24. The construction of social protection floors (SPFs) reflecting national priorities, as advocated in the report of the Social Protection Floor Advisory Group (chaired by Ms Michelle Bachelet and entitled "Social protection floor for a fair and inclusive globalization"), was mentioned by many speakers, several of whom gave examples drawn from their own experiences. Such floors were seen as economic stabilizers that helped to sustain consumption and growth, as well as being powerful mechanisms for reducing poverty.
25. Well-designed social protection systems operating alongside employment policies should also aim to serve as a ladder into employment. Some speakers also saw minimum wage uprating or introduction as a further means of reducing inequality and rebalancing growth.
26. Social dialogue, collective bargaining and tripartism were all important in weathering the crisis and building recovery. Social pacts could provide a valuable way forward, depending on national circumstances. There was also a need to defend fundamental principles and rights at work.
27. The issue of the importance of decent work strategies for disaster response and reconstruction was also raised.
28. A very large number of speakers stressed the continuing relevance of the Global Jobs Pact and the framework of decent work policy priorities for crisis response and recovery.

## Means of action

29. Drawing on the opening remarks of the Director-General and the European Commissioner, a number of speakers reflected on the means of action available to the Organization through engagement with multilateral institutions. It was generally agreed that, in order to tackle the crisis, enhanced international policy coherence was required with the ILO playing a prominent role through its focus on employment, social protection, social dialogue and rights.
30. Many delegates welcomed the emphasis given to employment, social protection, social dialogue and fundamental rights at work by the G20 Cannes Summit, including the endorsement of the conclusions of the G20 Labour and Employment Ministers' Meeting in Paris. The holding of the Business 20 (B20) and Labour 20 (L20) Summits and their joint

statement to Leaders in Cannes constituted an important breakthrough. The efforts of the French Presidency were much appreciated.

- 31.** Several extremely important decisions had been taken at G20 Cannes Summit concerning further work on ILO policy priorities, including the establishment of a G20 Task Force on Employment, with a focus on youth employment, and a report on the employment impact of G20 policies for Finance Ministers, to be prepared jointly by the ILO, the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the World Bank.
- 32.** The G20 Cannes Summit had also encouraged increased dialogue and cooperation between international organizations. As had been examined in the earlier High-level Section Strategic Policy Segment discussion on “Policy coherence in the multilateral system”, the ILO had several opportunities to pursue such partnerships with a focus on creating decent work opportunities for recovery. It would, however, be vital for constituents as well as the Office to maintain pressure on G20 governments to fulfil the commitments they had made.
- 33.** Global coordination was made more complicated by significant differences in the trajectories of the various regions. Rebalancing within countries would, however, contribute to global rebalancing and sustainable recovery.
- 34.** A strategy of economic and employment diversification for productive employment and sustainable enterprises was key for less developed countries still overly-dependent on commodity exports, alongside the construction of social protection floors. Levels of official development assistance should be maintained or increased, with a greater focus on job creation and social protection.
- 35.** A number of emerging and developing countries had recovered quite strongly, in good measure because they had avoided the wave of financial deregulation and had acted to support low income groups through minimum wages and the extension of social protection coverage. That approach had resulted in more sustainable and balanced growth. It was vital to ensure that that growth pattern was not undermined by weaknesses elsewhere. Several speakers from countries pursuing such a policy strategy described its main elements.
- 36.** On the other hand, higher income countries, in particular European nations, faced major challenges in addressing large public and private financial imbalances, heightened tensions in financial markets and weakening output and employment. Several speakers expressed the concern that the European social model was under threat, with consequences for many countries that aimed to combine international competitiveness with social dialogue, strong labour market institutions and social protection. The ILO, the European Commission (EC) and other European institutions should work together to respond to the new challenges.
- 37.** The period leading up to the 101st Session of the International Labour Conference (ILC) in 2012, the G20 Summit in Mexico in 2012 and several other important opportunities to further international policy coordination was seen by many as critical to averting prolonged stagnation or, even worse, a double-dip recession.
- 38.** The agenda of the 101st Session of the ILC already contained three key issues: social protection floors, youth employment and fundamental principles and rights at work. It would, however, be necessary to consider how the Conference could be organized to ensure that delegates were able to focus on the central issues of shaping recovery through decent work and ensuring that that recovery was sustained by a new, more balanced and inclusive pattern of globalization.

**39. *The Governing Body is invited to note the report and request its Screening Group to take into account the discussion in its preparation of the agenda for the 313th Session in March 2012.***

Geneva, 16 November 2011