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Policy Development Section

Employment and Social Protection Segment

POL

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Recurrent discussion report on employment (2014)

Purpose of the document

The Governing Body is invited to comment on the issues presented to inform the preparation of the Office report for the recurrent discussion on the strategic objective of employment for the 103rd Session (2014) of the Conference (see draft decision in paragraph 31).

Relevant strategic objective: Employment.

Policy implications: A discussion on the issues presented will inform the preparation of the Office report for a recurrent discussion on employment at the Conference which will guide the strategic orientations for the Organization with respect to employment for 2014–18.

Legal implications: None.

Financial implications: None.

Follow-up action required: At its 103rd Session (2014), the Conference will hold a recurrent discussion on the strategic objective of employment.

Author unit: Employment Sector (EMPLOYMENT).

Related documents: ILO Declaration on Social Justice for a Fair Globalization; Resolution concerning the recurrent discussion on employment, ILC, 99th Session, 2010; Follow-up to the adoption of the resolution concerning the recurrent discussion on employment (GB.309/3/1); Resolution concerning the youth employment crisis: A call for action, ILC, 101st Session, 2012; GB.313/PV.

Introduction

1. Under the ILO Declaration on Social Justice for a Fair Globalization and its Annex, adopted by the Conference in 2008, follow-up action¹ includes a scheme of recurrent discussions at the International Labour Conference (ILC) designed to “(i) understand better the diverse realities and needs of its Members with respect to each of the strategic objectives, respond more effectively to them, using all the means of action at its disposal, including standards-related action, technical cooperation, and the technical and research capacity of the Office, and adjust its priorities and programmes of action accordingly; and (ii) assess the results of the ILO’s activities with a view to informing programme, budget and other governance decisions”.²
2. In March 2012 the Governing Body placed the second recurrent discussion on the strategic objective of employment on the agenda of the 103rd Session (2014) of the Conference.³ The first recurrent discussion on employment took place in 2010, and the 2014 session of the Conference will mark the first occasion for a strategic objective to appear for the second time in recurrent discussions.⁴ Thus, guidance from the Governing Body is timely on the best ways to ensure that the 2014 recurrent discussion deal with substantive problems and policy responses.
3. The 2014 recurrent discussion will provide the Conference with an opportunity to guide the strategic orientations for the Organization with respect to employment for the period 2014–18. To inform such discussion three elements are particularly important:
 - a sound and common understanding of current employment challenges and the main drivers of change;
 - a review of actions by the Organization and its Members to promote employment, including follow-up to the 2010 ILC conclusions concerning the recurrent discussion on employment;⁵ and
 - consideration of the implications of the evolving external context and ILO reforms on the work of the Organization on employment.
4. This paper highlights these key elements and proposed elaboration in the Office report to be submitted to the Conference for the recurrent discussion. The content will also draw upon ILC conclusions on recurrent discussions on the other strategic objectives, ILC general discussions, conclusions of Governing Body discussions on employment and social policy issues and findings and recommendations from relevant evaluations. The report will

¹ ILO Declaration on Social Justice for a Fair Globalization, Annex, (Geneva, 2008). The Declaration sets out in Part I(A) the four equally important strategic objectives of the ILO as: (i) promoting employment; (ii) developing and enhancing measures of social protection; (iii) promoting social dialogue and tripartism; and (iv) respecting, promoting and realizing the fundamental principles and rights at work.

² *ibid.*, Annex, Part II(B)(i) and (ii).

³ GB.313/PV, para. 18.

⁴ The subsequent series of recurrent discussions includes: social protection (2011), fundamental principles and rights at work (2012), and social dialogue (2013).

⁵ ILO: *Resolution concerning the recurrent discussion on employment*, ILC, 99th Session, Geneva, 2010.

focus on the impact of the crisis on youth and the ILO response, as requested in the Call for Action adopted by the Conference in 2012.⁶

I. Better understanding the employment challenge

5. The employment challenges confronting economies in the world today can be framed in terms of the continuing impact of the global economic and financial crisis on the one hand, and of a number of key long-term trends that affect each economy according to its level of development and structural characteristics on the other.

Impact of the continuing economic crisis

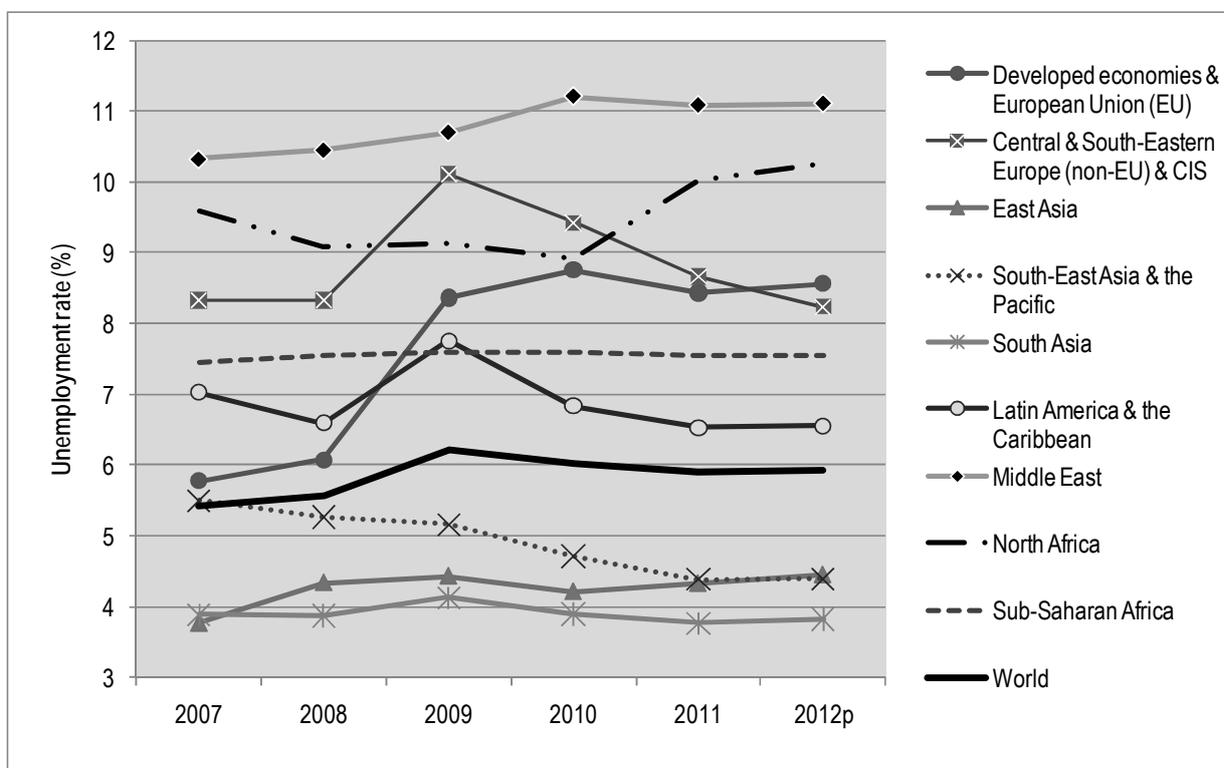
6. The financial and economic crisis that started in 2008 in developed countries and impacted growth and labour markets throughout the world has had several stages. A strong coordinated policy response in 2009 and resilience in many emerging and developing countries raised hopes of recovery. However, a strong turn towards fiscal austerity since mid-2010 reduced aggregate demand and growth prospects directly in several developed countries and also at the global level. Persistent and rising unemployment is putting downward pressure on real wages in many advanced economies, thereby lowering the support that private consumption could give to economic activity.
7. ILO constituents and the Office have closely monitored and discussed developments, increased research on policy responses to the crisis, strengthened partnerships with other multilateral and regional institutions and increased policy advice and technical cooperation on crisis-related issues.
8. The ILO has repeatedly called the attention of policy-makers in the G20 and the multilateral system to at least two types of policy incoherence in the macroeconomic framework that affect the pursuit of social justice: fiscal and monetary policies working at cross purposes, which in some developed countries has left monetary policy doing most of the heavy lifting; and insufficient attention to the serious deterioration of labour markets (as measured by unemployment, long-term unemployment, increase in involuntary part-time work, reduction in wages and alarming youth unemployment, among others) which has created a negative feedback loop affecting the growth of consumption and investment and exerted downward pressure on growth in countries still in crisis and, via trade, capital flows and investment links, also across the world.
9. The ILO *Global Employment Trends 2013* report released on 22 January 2013⁷ estimates that some 197 million people were without a job in 2012, about 4.2 million more than in 2011. The estimates by region show unemployment rates rising or stubbornly stagnant in many regions (see figure below). The report predicts unemployment to rise further, to 210 million, over the next five years.
10. The ongoing recession in labour markets is disastrous for young people. The unemployment rate of youth between 15 and 24 years of age is 12.6 per cent, more than double the global unemployment rate of 6 per cent. In developed countries, 35 per cent of

⁶ ILO: *Resolution concerning the youth employment crisis: A call for action*, ILC, 101st Session, Geneva, 2012, conclusions, para. 51.

⁷ ILO: *Global Employment Trends 2013: Recovering from a second jobs dip*, Geneva, 2013.

unemployed youth have been without work for six months or longer, raising the spectre of growing discouragement and justifying the concern expressed at the first recurrent discussion on employment that “a generation may be left behind”.⁸

Unemployment rate, globally and by region, 2007–12



Source: ILO: Trends econometric models, October 2012. Figures for 2012 are preliminary (p = projection).

11. Prior to the crisis, many developing countries were succeeding in moving workers from low- to higher productivity activities. This beneficial structural change was a key element behind the favourable trend to curb vulnerable employment and working poverty, but has lost momentum during the crisis. Jobs are no longer moving at the same pace out of agriculture and into higher value added areas, while productivity within agriculture has stagnated and continues to trap large segments of populations in poverty.
12. A major consequence of the prolonged recession in several countries is the increase in long-term unemployment, which further complicates recovery: the longer a worker is unemployed, the weaker their attachment to the labour market, the higher the risk of their skills becoming out of date and the lower their employability in the eyes of employers. This risks turning cyclical unemployment into structural unemployment, because of a mismatch between jobs on offer and those available to fill them and skills obsolescence.

Long-run trends

13. While the dire situation in some labour markets demands responses in the near term, other forces are exerting major long-run impact on labour markets and shaping employment challenges. They will continue to demand response even when job growth recovers.

⁸ ILO: *Resolution concerning the recurrent discussion on employment*, op. cit., para. 13.

- (i) ***Growing income inequality*** threatens social cohesion and reduces economic dynamism. This can in part be traced to a declining share of GDP going to labour compared to capital at the global level and in most countries. Diverging prospects between high- and low-skilled workers provide another source of growing inequality. In some countries, the generational aspects of income inequality may become acute, as younger workers face difficult entry into the labour market. In others, growing income disparities are exacerbated by the unravelling of social protection systems, rising shares of non-standard forms of employment, weakened institutions of social dialogue and weak or absent minimum wage policies. These changes have weakened the contribution of household demand to aggregate demand in many countries, leading to less job creation.
- (ii) A new wave of ***technological change*** is revolutionizing the nature of jobs in manufacturing, changing the relative proportion of job creation away from manufacturing in favour of the service and knowledge sectors, and to so-called “interaction jobs” in management, engineering, retail, health care and other services.
- (iii) A ***new geography of growth*** characterizes the new phase of globalization, where rising demand from growing middle classes in emerging economies is becoming a driver of global demand and where rising education levels in many developing countries are changing the nature of global competition for talent and skills. Emerging economies are increasing the number of high-skilled workers who compete successfully for high-tech, high value added jobs, shaping global value chains and changing location patterns of production and employment.
- (iv) ***Demographic transitions*** are increasing the ratio of old-age to working-age population, particularly in some European countries, Japan and China, which creates challenges for pension, social security and health-care systems (including family and community institutions for caring for the elderly) and for migration policy.⁹ Other countries are confronting the challenge of creating jobs for a bulge in the youth population.
- (v) ***Skills mismatch*** results in the paradoxical coexistence of high unemployment and job vacancies. Fast-paced changes in technologies and markets accelerate skills obsolescence, requiring more investment in lifelong learning in order to ward off long-term unemployment, as well as requiring greater flexibility and accountability of training systems to labour market needs, better labour market information systems and more effective institutions connecting employers and trainers.
- (vi) The growing global consensus for shifting towards environmentally sustainable, ***low-carbon, energy-efficient*** growth paths will boost investment and lead to accelerated job creation and destruction, through a combination of job losses in energy-dependent industries, growth in new industries and transformations of many businesses. Enterprises’ ability to adopt new technologies, workers’ ability to access appropriate training and consultations with the social partners will be required for an efficient and just transition.¹⁰

⁹ ILO: *Employment and social protection in the new demographic context*, Report IV, ILC, 102nd Session, Geneva, 2013.

¹⁰ ILO: *Sustainable development, decent work and green jobs*, Report V, ILC, 102nd Session, Geneva, 2013.

14. In addition to these new trends, persistent labour market *gender gaps* mean that many barriers remain for women to enter and participate in labour markets.¹¹ The convergence in unemployment- and employment-to-population ratios between men and women seen before the crisis has been reversed in the hardest-hit regions.

II. Action to promote employment including follow-up to the 2010 ILC conclusions concerning the recurrent discussion on employment

15. When the first recurrent discussion on employment took place in 2010, the world was in the midst of the worst global recession in 70 years, but many countries were also recovering from it. The emphasis was on enabling a job-centred recovery, following the guidance of the Global Jobs Pact agreed at the previous Conference,¹² and on avoiding repeating history where “recovery in employment lags well behind the pick-up in economic activity”.¹³ Unfortunately, as evidenced by the *Global Employment Trends 2013* report, this expectation proved overly optimistic and unemployment challenges continue.
16. The Governing Body may wish to consider the manner in which actions taken by governments and the social partners called for in the conclusions will be reported to the Conference in 2014. The following paragraphs describe the nature of the work undertaken by the Office in response to the priorities set for its work in those conclusions.
17. In November 2010, the Governing Body discussed the plans of the Office to implement the guidance and recommended actions of the conclusions concerning the recurrent discussion on employment adopted by the Conference in six thematic areas.¹⁴
- (i) ***Macroeconomic policy frameworks to promote full, decent, productive and freely chosen employment.*** The ILO has scaled up research on the extent to which the prevailing macroeconomic framework helps or hinders durable and productive employment, including country and thematic studies. Research and advocacy work has also been stepped up in a number of forums, including the G20, pointing out the negative impact of policy incoherence, such as the negative feedback loops between aggregate demand, distressed labour markets and wage deflation, and the negative impacts of policy uncertainty on investment and consumer confidence. Article IV consultations of the International Monetary Fund (IMF) were analysed for some 80 countries and the findings have been incorporated in national employment policy frameworks in a number of cases. The ILO has increased its engagement with the IMF on research regarding macroeconomic frameworks and employment, and ILO work on “pro-employment macroeconomic frameworks” has been well received by IMF researchers. However, it has not been sufficiently reflected in IMF operations at the country level. Symbolic steps have been taken, such as the template to integrate

¹¹ See ILO: *Global Employment Trends for Women*, Geneva, 2012, for information on the gender gap in unemployment, employment, labour force participation, vulnerability and occupations.

¹² ILO: *Recovering from the crisis: A Global Jobs Pact*, Geneva, 2009.

¹³ ILO: *Resolution concerning the recurrent discussion on employment*, op. cit., para. 5.

¹⁴ GB.309/3/1.

employment and labour markets in IMF country reviews.¹⁵ The ILO has advanced work, as requested, on methodologies for employment targeting and a new manual on the subject is soon to be published.

- (ii) ***Employment and labour market policies to promote full, decent, productive and freely chosen employment.*** A global database on national employment policy documents has been developed and an inventory of crisis response measures produced with the World Bank.¹⁶ Case study reviews of national employment policies including the effects of structural adjustments, labour market institutions and policies in different regions have informed policy advisory services. Several resource guides on policy design and implementation have been published, including one tailored to the needs of trade unions and another on employment targeting, and training courses on employment policy have been offered. This work implements recommendations of the ILO's Evaluation Unit.¹⁷
- (iii) ***Improving employability, productivity, living standards and social progress.*** Support for sound wage policies, including on minimum wages, and for better and more equitable working conditions has drawn on a substantial expansion of the knowledge base (for example, through Global Wage Reports, the Maternity Protection Resources Package and reports on domestic workers¹⁸). The Global Public–Private Knowledge Sharing Platform on Skills for Employment has been improving dissemination of the experience of Members and the Office in connecting skills development to productive decent work, including by pooling knowledge products with UNESCO, the Organisation for Economic Co-operation and Development (OECD) and the World Bank. Global reports on employment and environmental sustainability have included a state-of-the-art report ahead of the Rio +20 Conference¹⁹ and a global study on “Skills for green jobs”.²⁰ The ILO has helped Members assess and implement practical responses to the employment impact of measures to green economies, including on skills and enterprise development, private and public investment and social protection, often with a focus on youth employment.

¹⁵ See reports to the Governing Body discussing international policy coherence, GB.313/HL/1: *Staving off renewed crisis: The role of the ILO* (Mar. 2012); GB.316/WP/SDG/1: *Global economic prospects and the Decent Work Agenda* (Nov. 2012).

¹⁶ The ILO and the World Bank produced a joint survey of policy responses to the crisis in 77 countries, based on the structure of the Global Jobs Pact. The measures reported span a wide range of policy areas across the four strategic objectives.

¹⁷ Annual evaluation report, Nov. 2012 (GB.316/PFA/7/1).

¹⁸ ILO: *Domestic workers across the world: Global and regional statistics and the extent of legal protection*, Geneva, 2013.

¹⁹ ILO–IILS: *Working towards sustainable development: Opportunities for decent work and social inclusion in a green economy*, Geneva, 2012.

²⁰ ILO: *Skills for green jobs: A global view – Synthesis report based on 21 country studies*, Geneva, 2011.

- (iv) ***Trade and investment policies to promote full, decent and productive employment.*** Social and labour market policies that contribute to job-rich and inclusive growth to complement openness to global markets have been promoted through research²¹ and national conferences, and development and testing of assessment tools (Effects of trade on employment; Skills for trade and economic diversification). These tools have in turn generated new training courses with the International Training Centre of the ILO in Turin and helped mobilize resources for country technical cooperation programmes. Support in the pilot countries has strengthened inter-ministerial collaboration and policy coherence and institutionalized social dialogue on trade and investment policies.
- (v) ***Standards-related action around the strategic objective of employment.*** Employment promotion is grounded in various international labour standards,²² among which the Employment Policy Convention, 1964 (No. 122), continues to be a priority and is actively promoted.²³ The ILO has continued to focus on the quality of jobs created, incorporating the broader range of international labour standards principles. In particular, the Sustaining Competitive and Responsible Enterprises (SCORE) and the Better Work programmes have helped companies integrate fundamental principles and rights at work into their management practices. The ILO Helpdesk for Business has advised companies of all sizes on what they can do to respect international labour standards principles in their operations, including through their supply chains, and is among the ways that the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy is promoted.
- (vi) ***The interrelationship of the four strategic objectives and their impact on the strategic objective of employment.*** Through delivery of employment policy advice, the ILO has advocated policy coherence at different levels and among different policy realms and objectives: in the macroeconomic realm, between fiscal, monetary, investment, productivity, wage and other aggregate demand determinants; between the role of employment and social protection policies and macroeconomic policies; and in the development realm between trade, productive transformation and industrial policies. As part of the Knowledge Management Strategy, the GATEWAY project is building a portal for easier access to the statistical, legal and policy databases across the Office, aggregated by country and knowledge products.

Efforts to improve international policy coherence on employment promotion have included successfully influencing the development of the World Bank's *World Development Report 2013: Jobs*, the G20 training strategy linking skills to employment, ILO policy and country briefs prepared for G20 employment and labour

²¹ Key recent publications include: *Trade and employment: From myths to facts* (2011), *Making globalization socially sustainable* (2011), and *Trade and employment in the global crisis* (2010). See also GB.317/POL/2.

²² Key international labour standards guiding this work of the Office include: the Employment Policy Convention, 1964 (No. 122), and Recommendation (No. 122); the Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169); the Human Resources Development Convention, 1975 (No. 142), and Recommendation, 2004 (No. 195); the Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159), and Recommendation (No. 168); the Private Employment Agencies Convention, 1997 (No. 181), and Recommendation (No. 188); the Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189); the Termination of Employment Convention, 1982 (No. 158), and Recommendation (No. 166); and the Employment Relationship Recommendation, 2006 (No. 198).

²³ There were five additional ratifications of Convention No. 122 in the period 2010–12, bringing the total, as of end-2012, to 106.

ministers meetings and contributions to the Rio +20 Outcome Document. In the G20 process the ILO has consistently advocated increased policy coherence to achieve its mandate of social justice.²⁴

18. The Call for Action adopted by the Conference in 2012²⁵ to combat the unprecedented global youth employment crisis underscores the urgency of immediate and targeted action. The Office presented an implementation plan to the Governing Body in 2012²⁶ and the Office report to the Conference will cover progress in the implementation of the Call for Action.
19. The Office report will also refer to the areas of critical importance²⁷ most directly related to the strategic objective of employment. It will also discuss integrated methods of work with the other strategic objectives and field operations.
20. Lessons may be drawn from the experience of other international organizations in undertaking policy reviews and how such reviews can be effective tools for sharing experience, including South–South knowledge-sharing, and for making improvements in the impact of the ILO in the world of work.

III. Setting priorities for work on the strategic objective of employment in the next phase

21. As suggested above, both the economic crisis and long-term structural changes frame today's employment challenges, felt differently across countries according to level of development and structural characteristics. The challenges facing many developing countries, which the ILO called "the crisis before the crisis", remain, particularly in least developed and conflict-afflicted countries.
22. The diversity of development experience during the last two decades and the 2008 financial and economic crisis and the policy responses to it have taught many lessons about growth and job creation and led to strong calls for new policy paradigms and rebalancing. For instance, in developed countries, the crisis has led to a review of the conventional wisdom about the self-regulating nature of markets and the principles of economic management, in particular demand management; as well as to a new appreciation of the role of social protection and labour market policies and institutions in influencing not just labour market performance but macroeconomic outcomes.
23. In developing countries, a new policy vision or paradigm is evolving. This is reflected, for example, in the World Bank's *World Development Report 2013: Jobs*, which recognizes that growth is important but not enough for inclusive development; that "jobs drive

²⁴ Documents produced for G20 discussions pertaining to policy coherence include: OECD, ILO, WTO and World Bank: *Seizing the benefits of trade for employment and growth*, 2010; and ILO contributions to the Development Working Group on investment and jobs, for the Cannes Summit (2011) – *Employment intensity of growth in developing countries* – and Los Cabos Summit (2012) – *The jobs challenge*.

²⁵ ILO: *Resolution concerning the youth employment crisis: A call for action*, op. cit.

²⁶ GB.316/INS/5/2.

²⁷ GB.317/PFA/1.

development” and are the key link between growth and poverty reduction; that not only the quantity but the quality of jobs matter; that some forms of work are unacceptable; and that employment priorities vary by level of development, but that they are central everywhere and cannot be achieved through single dimension “growth agendas”. These are policy lessons and messages that the ILO has been articulating and advocating for years, with some success, such as the 2005 adoption of the objective of productive employment and decent work by the UN General Assembly and Economic and Social Council and the adoption of an employment-related target in the Millennium Development Goals (MDGs).

24. Therefore, it can be argued that the main change in the strategic policy context for the ILO since the last recurrent discussion on employment is that employment and social protection issues have become central in the policy challenges and debates in both developed and developing countries, in the former as part of their demand management and jobs recovery debates, and in the latter as part of their development and productive transformation agendas. The ILO has been strongly engaged on the key issues in both debates.
25. Dramatic events such as the Arab Spring or the Occupy movement, protests in the economically depressed countries of southern Europe and alarming rates of youth unemployment have also become central policy challenges, threatening social cohesion and political stability. An important new development is that European countries are now increasingly requesting policy advice and other ILO services on the four pillars of decent work.
26. These developments have translated into a change in the nature and urgency of constituents’ needs in many countries. The challenge for the Office is to support constituents in meeting these needs.
27. Well before 2015, major thought is being given to the development agenda that will follow the end of the MDGs. The ILO, at the direction of the Governing Body, is working to make decent work a cornerstone of the post-2015 agenda.²⁸
28. The Rio +20 conference on sustainable development in 2012 put forward the related concept of sustainable development goals, to focus attention beyond GDP toward more embracing measures of well-being, environmental sustainability, poverty eradication, food security and decent work.

Proposed coverage of the Office report for the recurrent discussion

29. Following the substance above, the Office report may cover the topics illustrated below:

<p>Introduction (purpose of the report and objectives of the recurrent discussion)</p>
<p>1. Better understanding of the employment challenge:</p> <ul style="list-style-type: none"> (i) Impact of the continuing economic crisis and the policy coherence challenge. (ii) Key trends: <ul style="list-style-type: none"> ■ income inequality; ■ technological change; ■ the new geography of growth;

²⁸ GB.316/INS/6.

- demographic transitions;
 - skills mismatch;
 - environment sustainability; and
 - gender gap.
2. Action to promote employment, including follow-up to the first recurrent discussion on employment:
 - (i) Progress by Governments, Workers' Organizations and Employers' Organizations, including bipartite and tripartite actions.
 - (ii) Progress by the Organization to support its Members, including on:
 - policy coherence for employment promotion at the international and national levels;
 - the "Call for Action" on youth employment;
 - Governing Body and other Conference decisions; and
 - the mutually supportive and integrated nature of Office activities.
 3. Setting priorities for work on the strategic objective of employment.
 4. Future priorities for pursuit of the strategic objective of employment (taking into account current employment situation and challenges, the strategic context, lessons from previous work and thematic evaluations ¹ and ILO reforms including the areas of critical importance).

¹ Employment policy, 2012; Sustainable enterprise (forthcoming 2013).

Proposed points for discussion

30. The Governing Body may wish to comment on the issues presented in order to inform the preparation of the Office report for the recurrent discussion on the strategic objective of employment (2014), including in particular:
 - (i) the proposed scope, key elements and possible other points;
 - (ii) the balance in discussing employment challenges and policy responses in member States with reporting on the results of ILO activities;
 - (iii) ways to further improve the effectiveness of the ILO in promoting policy coherence;
 - (iv) how the tripartite constituents would contribute information on the results of their national and regional efforts to promote employment, including to give effect to the conclusions concerning the recurrent discussion on employment adopted by the Conference in 2010; and
 - (v) options for country employment policy reviews.

Draft decision

31. *The Governing Body invites the Director-General to take into account the views expressed during the discussion in the preparation of the Office report for the recurrent discussion on employment (2014).*