



United Nations Economic and Social Council

Informal Preparatory Meeting on the Theme of the 2006 High-Level Segment of ECOSOC

"Creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development"

*4-5 April 2006
United Nations Headquarters
New York*

~~~

---

#### **Issues Note for Roundtable 1 on: "Growth and Employment: Creating a National Environment Conducive to Full Employment and Decent Work"**

##### **Introduction**

Ten years ago, the World Summit on Social Development sent out a powerful message that a sustained generation of productive and remunerative employment was the most effective means of reducing poverty, overcoming social exclusion and achieving equitable and sustainable development. The Social Summit also sent out a strong message that job creation must be promoted simultaneously with full respect for rights at work.

These powerful ideas that emerged from the Social Summit were to crystallize in the ILO into the concept of "decent work" for all women and men. Decent work, with its emphasis on both the quantity and quality of employment, reflected a new development paradigm and captured more fully the state of the changing global labour market where most people work under conditions of poverty, insecurity and lack voice and representation.

The Special Session of the General Assembly in 2000 requested the ILO to develop a coherent and coordinated international strategy for the promotion of freely chosen and productive employment. This resulted in the development and adoption of the Global Employment Agenda, the employment pillar of decent work, through tripartite consensus in the ILO in March 2003.

The continuing grim employment and labour market situation in most parts of the world, with one third of the world labour force either unemployed, underemployed or belonging to the

working poor<sup>1</sup>, has led to the realization that many of the MDGs, especially in Africa, may not be met. Against this backdrop the UN World Summit in 2005 identified decent work as a national and global goal. The placing of Decent Work at the centre of economic and social policies both nationally and at the international level defines a clear new direction. It is now imperative to initiate a dynamic process of implementation.

## **1. Analytical framework: Key policy areas and issues**

Some of the critical challenges and questions that need to be addressed for creating a national environment conducive to “full and productive employment and decent work for all” relate to the following issues:

(i) *How to ensure a stable macroeconomic framework that spurs economic and employment growth?*

Though the relationship is far from automatic a high rate of economic growth can be an engine to expand the demand for labour and create a more favourable environment to achieve full employment and poverty reduction objectives.<sup>2</sup>

Economic stability as reflected in key macroeconomic indicators is important for attracting investment and generating economic growth. The question is how best to stabilize.<sup>3</sup> Stabilization “at all costs” can prove to be economically inefficient and socially inequitable. Many countries need to break away from the “low level stabilization trap” where stringent stabilization measures have led to low levels of inflation, fiscal deficits and manageable balance of payments, but failed to spark the much needed economic growth vital for job creation and poverty alleviation. Fiscal space for critical public expenditures should be preserved especially in situations of economic and employment stagnation and downturn that may often warrant anti-cyclical policies.

(ii) *How to reconcile the need for productivity growth and competitiveness with sustained employment growth*

The labour absorption capacity of the economy can be influenced by a number of factors acting simultaneously and sometimes in opposite directions: technological change and higher productivity; the sectoral mix in the pattern of growth of an economy between labour-intensive and capital-intensive sectors; labour market duality between a growing number of workers with excessively low productivity (informal economy) and those with high productivity.

The employment route to poverty reduction means in many cases adopting a sectoral approach, in a competitive environment, that allows balancing policies and incentives across

---

<sup>1</sup> See the ILO’s *Global Employment Trends Brief, January 2006*, Geneva at <http://www.ilo.org/public/english/employment/strat/stratprod.htm>

<sup>2</sup> For an analysis of the employment-poverty-development linkage see Islam R. (2006), *Fighting Poverty: the Development-Employment Linkage*, Lynn Rienner, Colorado, London

<sup>3</sup> See Muqtada, M. (2003), “Macroeconomic stability, growth and employment: Issues and Consideration beyond the Washington Consensus”, *Employment Paper 2003/48*, Employment Sector, ILO Geneva.

relevant sectors (labour-intensive vs capital-intensive; formal vs informal) so that the growth is as job-rich as possible in a context of accelerating technological change and productivity.

*(iii) How to promote entrepreneurship and enterprise development that results in decent work*

The most significant source of new employment comes from entrepreneurship and small and medium-sized enterprises. While many jobs are created in the formal sector, a large number, indeed in many developing countries a majority, are created in the informal economy.

*At national level*, policies must promote a policy and regulatory environment that encourages investment and ensure that new business growth is not inhibited by unwarranted regulatory and administrative burdens, and does not create excessive barriers and disincentives for informal economy operators to grow and enter the formalised economy. Access to credit and other services is essential for business start-up and expansion and closely linked to good governance in such areas as property rights. Careful attention also need to given to ensure the protection of workers rights

*At local and sectoral levels*, business expansion and job creation can be promoted through local economic development strategies and through upgrading of enterprise clusters and enhanced linkages with local, national and international value chains and markets.

*At the enterprise level*, policies and strategies are needed to promote work place practices which sustain continuous upgrading of productivity and competitiveness through innovation, good working conditions, sound labour management relations, skills upgrading and involvement of the workforce.

*(iv) What are the critical challenges in investing in knowledge and skills development in order to develop a globally competitive work force*

*For an individual*, his or her education, skills and competencies define her capacity to make use of job and income opportunities, and to adapt to the changes in the labour market and work organization brought about by technology and globalization.

*For companies and organizations*, the skills of managers and workers and firm-specific knowledge are key determinants of firm-level productivity.

*For economies*, a skilled and knowledgeable workforce improves the investment climate and is a major determinant of sectoral and economy-wide productivity growth. Effective policies are needed to improve efficiency of training and training systems. Competitiveness and growth in open economies requires large investments in human capital.

*(v) How to develop well functioning labour markets and labour market institutions that promote growth, security and competitiveness?*

Globalization and technological change are exposing national economies to more intense competition. Firms have to adjust more frequently their operations and their labour force to meet fluctuations in demand and boost productivity. But simply responding to firms' need for flexibility, without taking care of the worker's need for security, would be socially inefficient and would have negative effects at the individual as well as at the macroeconomic level. There is therefore a need for a well-functioning labour market with institutions and policies that lower the barriers of adjustment for firms, while ensuring income and employment security to workers.<sup>4</sup>

An important ingredient for success is that the labour market policies be institutionalized. In addition, tripartite social dialogue is necessary for designing and implementing effective labour market policies. Tripartism will aid the acceptance of change, improve the design of regulations and policies, and ensure sustainable financing.

(vi) *How to extend social protection and income security especially in developing countries?*

A central challenge is that less than 20 per cent of the world's population is properly covered by social protection. In many developing countries an affordable social protection system and social safety nets need to be put in place through innovative programs and micro-finance initiatives.

Social protection is a critical factor in the management of change as it can enhance the dynamism of the economy and the mobility of labour. People who face sudden loss of income without any form of protection are naturally reluctant to take the sort of risks involved in job creation and more productive employment. Social protection also helps to stabilize the economy, for example, income replacement during recessions. In the developed world, transition countries and parts of the developing world, social protection faces the problem of workforce ageing.

## **2. Strengthening Capacities and mobilizing partnerships**

To make decent work more central in economic and social policy making institutional capacities in key economic and social ministries including ministries of labour, in employers' and workers' organisations and in tripartite and social dialogue institutions need to be developed. In most countries policy coordination is lacking. Thus the macroeconomic, trade or industrial policy spheres do not always take employment specifically into account in their policy formulation.

The next generation of poverty reduction strategies ( eg. PRSPs and UNDAF) should build on the experience gained and more effectively embed decent work goals in the policy and implementation framework. Countries could greatly benefit by pooling resources, benchmarking and learning from each others experiences.

---

<sup>4</sup> The ILO has contributed substantially in the discussion on adjustment, flexibility and workers protection in the framework of globalized economies. See Auer, P. and Cazes, S. (2003), *Employment Stability in an Age of Flexibility*, ILO Geneva; Cazes, S. and Nesporova A. (2003), *Labour Markets in Transition: Balancing Flexibility and Security in Central and Eastern Europe*, ILO, Geneva; Auer, P. Berg, J. and Coulibaly, I (2005), "Is a stable workforce good for productivity", *International Labour Review*, Volume 144/3.,

### **3. Establishing Guidelines, Monitoring Progress and setting up a Global Peer Review Process**

If decent work is to be made a central goal in national economic and social policy making there is a need to develop guidelines and checklists to reflect the commitment a country makes and assigns priority to full employment and decent work in its overall policy framework. The results of these efforts could then be monitored against a broad set of employment and labour market indicators. This would require investing more resources than at present in developing labour market information systems.

*An important initiative that the Roundtable could recommend is the development of practical guidelines and tools for conducting assessments including the setting up of a peer review process. The suggested approach would need to be practical and sufficiently flexible for application in a range of different contexts and with varying resource constraints. Based on these countries could develop more specific guidelines and indicators of progress for their own use as well as share experiences with each other.*

### **Conclusion**

**Are national policy makers moving towards stronger commitment and action to achieve full employment and decent work?**

In conclusion the roundtable would need to address this critical issue, in the light of increasing national and international commitments to make full employment and decent work a central objective of economic and social policy making, by sharing national experiences and highlight best practices including what does and does not work at the national and local level.