



TWELFTH ITEM ON THE AGENDA

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

Contents

	<i>Page</i>
I. An overview of the World Employment Report 2004-05	1
II. Implementation of the Global Employment Agenda: An update	6
III. HIV/AIDS and employment.....	14
IV. Promoting technological change for higher productivity, job creation and improved standards of living	17
V. Microfinance and decent work	20

1. The Committee on Employment and Social Policy (ESP) met on 16 and 17 March 2005. Ambassador Masood-Khan, permanent representative of the Government of Pakistan, was appointed Chairperson upon nomination by the representative of the Government of Japan, speaking on behalf of the Governments of the Asia-Pacific group. The Employer and Worker Vice-Chairpersons were Mr. Niles and Mr. Patel, respectively.
2. The Chairperson thanked the Committee for endorsing his election to chair the Committee, which he considered a great honour in view of the importance of the ILO in the multilateral system, and expressed his gratitude to the Office for providing assistance in the preparation of the meeting.

I. An overview of the World Employment Report 2004-05 (First item on the agenda)

3. A representative of the Director-General (Mr. Johnson, Chief, Employment Products Unit) introduced the Office paper.¹
4. He described the key questions dealt with in the *World Employment Report 2004-05* (WER), which included balancing productivity growth with employment creation, improving productivity as well as employment growth in the agricultural sector, addressing the productivity divide in small and medium-sized enterprises (SMEs), and balancing labour mobility with employment stability.
5. He discussed the key recommendations set out in the Report, which included promoting productivity growth in sectors where employment of the poor was most concentrated, such as in the agricultural and service sectors, as well as a focus on sectors where rapid employment growth was occurring. In addition, the Report argued for balancing the flexibility that firms needed for growth with the protection that workers needed for stability. The Report finally argued in favour of encouraging SME development, as SMEs were important employment generators, particularly in developing economies, and for more integration of small firms into the broader economy in order to increase productivity and improve their working conditions.
6. The Employer Vice-Chairperson congratulated the Chairperson on his election. Regarding procedural matters, he expressed disappointment that the Committee did not have the opportunity to discuss the Report prior to publication, and asked that, in the case of future Reports, a full discussion might take place in the Committee, perhaps a year prior to publication.
7. He stated that the focus on agriculture in the Report was important, given the large proportion of many developing countries' labour forces in the sector. Many of today's industrialized economies had relied on development in agriculture to promote their initial development. He also stressed the importance of market access and international trade in agricultural goods to developing countries. He recommended that future ILO work in advising developing countries should focus on the agricultural sector, and on SMEs, with a particular focus on promoting the reduction of regulations that inhibit SMEs. He referred to the Report's recommendations on job flexibility versus job security and stated that the experience in developed economies suggested that insistence on job security led to a reduction in job creation.

¹ GB.292/ESP/1.

- 8.** He found fault with the Report's assertion that labour-intensive development strategies need not be low-productivity strategies. He also raised concerns about the first and third bullet points in box 2 of the Office paper. Paragraphs 32 and 35 of the paper were off the mark, and paragraph 31 on the correlation between training and employment security was puzzling.
- 9.** The Worker Vice-Chairperson congratulated the Chairperson on his nomination. He agreed with the Employer Vice-Chairperson on the need to look into procedural improvements and suggested that the Committee might select potential topics for the WER.
- 10.** The WER dealt with an important policy challenge, and the Workers were in agreement with much of what was in the Report, such as the relationship between productivity and standards and much of the material in Chapters 3-5. However, there were some arguments related to causalities that required more thought. Chapter 4 of the Report provided a strong case with solid empirical evidence in support of a positive relationship between stability and employment tenure and productivity gains. He also welcomed the findings that there existed a positive relationship between good labour protection legislation and length of tenure in employment. Box 2 of the Office paper rightly set out the key contribution of trade unions to employment stability, including their work on promoting higher wages, giving workers a "voice" and regulating lay-offs in collective agreements.
- 11.** The paper often assumed that the benefits of productivity improvements were automatic, but that was, in fact, not the case. He cited examples in which workers had productive employment, but yet lacked trade union rights and were therefore unable to secure a fair share of the gains of economic activity. Appropriate wage and tax policies, along with minimum labour standards, needed to be in place to ensure that the maximum economic and welfare benefits were derived from productivity growth.
- 12.** One weakness in the WER and the Office paper was that they did not deal adequately with distributional issues and policies to maximize the long-run relationship between productivity improvements, increased national wealth, reductions in poverty and increases in employment. The paper did not adequately describe the reasons behind hostility to productivity, which should include that productivity increases were often not associated with real wage increases. Productivity improvements were sometimes seen as a function of workers working harder – not smarter. In that case, efforts to increase the level of supervision of work, sometimes with unhealthy and unsafe working conditions, or punitive measures to penalize absence from work for reasons of illness or major family crisis, were marketed as a programme to improve productivity. Also, productivity was, at times, used to justify low wages for workers. He suggested that the Office could work on topics related to the relationships between multifactor productivity and labour productivity and on the factors that impact on productivity.
- 13.** He noted the Japanese experience of productivity improvements, based on an agreement to promote and protect employment, consultation and discussion with trade unions and sharing of the gains of productivity. The Report's findings regarding the factors contributing to economic success in the East Asian economies were too narrow and ignored the role played by trade protection for infant industries, very ambitious industrial policies and human capital development. In order to generate a positive economic benefit, the increase in profits resulting from the declining share of wages in national income would have needed to be reinvested in the domestic economy in extra employment-generating activities. However, increasing the worker share of returned income held greater benefits in expanding demand, particularly in local products and services, and that boosted job creation and economic growth.

14. The Workers' group welcomed the conclusions in paragraphs 15-17 of the paper, that a labour-intensive development strategy was not necessarily a low-productivity strategy. The group was supportive of the paper's emphasis on fostering a balanced development process in which agriculture, industry and services were promoted simultaneously, with particular attention to be paid to rural infrastructure, water supply development, market access for developing countries and reductions in agricultural subsidies in industrialized countries.
15. The Office should prepare papers for future discussion in the Committee specifically focusing on the conclusions derived from Chapters 3, 4 and 5 of the WER and including recent evidence on productivity performance in a number of countries and the share of national income that was distributed to labour. Finally, his group recommended that the Office should disseminate the findings of the WER in a policy framework that argued that productivity gains should be shared with workers in the form of real wage gains, that investment in training should be viewed as an important source of sustainable productivity improvements, that trade unions and workers should be a part of the design of productivity-improvement arrangements, that social dialogue and collective bargaining were important tools to address the social dimensions of productivity improvements, and that better access to information by workers and unions was vital to build trust in joint productivity initiatives.
16. The representative of the Government of Japan spoke on behalf of the Asia-Pacific group (ASPAG) and the IMEC group and expressed his thanks for the informative and interesting WER. He argued that a twin strategy of investing in both growing and labour-intensive sectors had proved effective in developing countries. The point the Report made about the role of employment security as well as labour mobility in contributing to improvements in productivity had been confirmed in the economic growth of the East Asian countries. ASPAG and IMEC requested the Office to provide evidence supporting the assertion made in paragraph 34.
17. The representative of the Government of El Salvador, speaking on behalf of the Latin American and Caribbean group (GRULAC), emphasized the importance of the topic of the Report and pointed out that one had to consider that many poor people had work but were still poor. He mentioned four questions which were considered fundamental to counteracting the worldwide decent work deficit. These were the following: (a) productivity and employment; (b) agriculture; (c) mobility and stability; (d) small and large scale. In each of these areas, there was a tension between values and categories that were, to an extent, contradictory. Each of these tensions should be resolved through appropriate policies at different levels and in different fields. A single approach would not be possible, and the Report included some useful advice and tools in that regard. However, the paper did not mention the international dimension of the problem and the need to create an international framework to share the gains of globalization equally. In this connection, the speaker also pointed to the lack of two concepts within the paper: the need for consistency of policies and for maintaining political space for governments, with due importance given in these efforts to involving the social partners actively. All that was especially important given the limited opportunities of individual States in a globalized world.
18. The representative of the Government of Sudan, speaking on behalf of the Africa group, stated that sustainable development would only be possible if people had productive and useful jobs. He saw the increase of poverty as the result of a decrease in productivity. An increase in productivity could only be achieved through skills development. Productive work would also lead to self esteem and dignity for those in work, a right which everybody should have. He pointed out the importance of the agricultural sector, especially of the informal economy within that sector. Once productivity growth in that sector was achieved, poverty would be reduced significantly. The solution for the developing world as

a whole, and especially for Africa, would have to be improved market access and higher incomes, debt reduction, investment in ICT, training and education, and investment in agriculture. New opportunities and new strategies for the agricultural sector had to be found. Cooperatives could be one example of such an approach.

- 19.** The representative of the Government of Pakistan underlined the importance of the interaction between employment, productivity and poverty reduction. Poverty was the consequence of the lack of decent and productive jobs, not the lack of jobs in general. He agreed with the fact that there was no trade-off in the long run between employment and productivity. To reduce poverty, he suggested, in agreement with the Report, a focus on agriculture as well as ICT. His country focused on youth employment as a means to reduce poverty. He referred to the WER 2001, where it had been shown that the ICT revolution had led to a digital divide between the developing world and the developed world. It was time to find out what to do about it. One solution could be greater investment in training in the developing world.
- 20.** The representative of the Government of Nigeria found the information and the statistics given in the WER useful on the national, as well as the global, level. He stated that, according to paragraph 8, there was a trade-off to be made in striking the right policy balance between employment and increase in growth, and between productivity growth and poverty reduction. But, given the fact that the Nigerian economy was largely based on the informal economy, the fear that increases in productivity growth may result in job loss did not necessarily apply to Nigeria, as improved productivity did, in fact, translate into job creation.
- 21.** The representative of the Government of New Zealand saw productivity as an important determinant of improved incomes in the developing, as well as the developed, world. Productivity had grown in importance in New Zealand in the country's economic growth process. Given very low unemployment rates and an extremely tight labour market, the focus in New Zealand had shifted to productivity, which had lagged behind. She suggested stronger support from the Office in providing more guidance on policy recommendations of the WER and specifically on the labour market institutions that supported productivity growth. She also asked the Office to facilitate the sharing of best practice information between the tripartite partners on the connection between employment, poverty reduction and productivity. Her Government was concerned about the manner in which the Office presented the regulation and re-regulation of labour markets to achieve productivity (paragraphs 33 and 34). New Zealand would argue that balanced labour market policies and practices that supported flexibility whilst ensuring fair employment practices, and shared responsibility between government, business and industry, and unions, were critical to achieving sustainable growth. She asked the Office to provide evidence supporting the assumptions made in paragraphs 33 and 34. Finally, she disagreed with the concept proposed in paragraph 39 that suggested sheltering non-competitive markets and its positive impacts on employment and productivity outcomes and poverty reduction.
- 22.** Mr. de Arbeloa (Employer member) regretted the fact that no consultation had taken place with regard to the content of the WER. In his country, Venezuela, but also in many other economies in the region, the lack of investment should be seen as the main reason for the rise in unemployment and the growing informal economy. The lack of rules regarding investment was a major part of the problem. He also blamed rigid labour market legislation for the unemployment and informal economy problem. He mentioned the lack of social dialogue for the more than 70 per cent of the working population, unemployed and those engaged in the informal economy. In his view, the conditions that led to non-compliance with the fundamental Conventions of the ILO and the rights guaranteed through them, such as Conventions Nos. 87 and 144 and others, complicated the promotion of employment

productivity and poverty reduction, and he ascertained that only by means of a real transparent social dialogue could that be stopped.

- 23.** Mr. Anand (Employer member) welcomed the successful release of the WER in New Delhi and pointed out the importance of the topics of job creation and productivity and the fruitful discussion that had followed the release. He noted that, following the green revolution, the agricultural sector was largely ignored, which was part of the reason for the slow progress in poverty reduction, especially in South Asia. Subsidies needed to be progressively done away with in the developed world for a level playing field in world markets if there was to be a real chance to reduce poverty via the agricultural sector in the developing world. Quoting statistical data, he pointed out that, with the elimination of subsidies, a reduction of 10-15 per cent in poverty could be achieved in the South Asian region immediately. He urged the Office to work towards that goal by undertaking research to further underline the importance of a reduction and eventual elimination of subsidies, through more technical cooperation in agriculture and allied avocations, and through action at the international level.
- 24.** Mr. Wade (Employer member) agreed with the statement that employment creation was crucial for poverty reduction, but emphasized that employment creation could not be forced and that it required productivity growth. Different countries needed different approaches to employment creation. Despite the fact that, in an increasingly globalized world, capital, goods and services were more and more mobile, there were strong limits to mobility of labour, restricting the chances of least developed countries to participate in globalization. That could only be overcome through training and skills development within the developing world. Globalization affected countries unevenly, and the social dimension impact was different in each country. He also pointed out that for a country like Senegal – despite the fact that 70 per cent of the population worked in agriculture – a development strategy focusing on that sector would be bound to fail as people could only work for three hours a day because of the lack of water and good equipment. He asked for more concrete advice on specific means to create employment and reduce poverty, taking into account the specifics of each country.
- 25.** The representative of the Government of Spain requested that, in the future at least, the outline of the Report be given to members of the Governing Body before it was released. His Government found the Report comprehensive and carefully balanced. Pointing out the importance of paragraph 31 of the Office paper, he emphasized that instability meant insecurity, which was not productive. The best employment policy was said to be a good economic policy. It was also necessary to have good labour market regulation, though there were conflicting positions held in respect of this. The first position was that regulation was good for employment creation, while the second stated the opposite. The truth was somewhere in between, and regulation should be seen as a guarantee, not a trap. It was a necessary tool for both employers and employees, which was the reason why Spain had recently taken the approach to use social dialogue to find the right balance.
- 26.** Mr. Suzuki (Employer member), referring to a comment made by the Worker Vice-Chairperson, explained that the Japan Productivity Declaration had been adopted by the social partners in 1955. The Declaration had three principles: first, productivity improvement should ensure employment; second, productivity improvement had to be enhanced by good labour management, consultation and anticipation; and third, productivity gains should be shared fairly among labour, management and consumers. He emphasized that the Declaration was designed to secure the autonomy of the social partners from excessive government intervention. The lesson learned was that the largest factor contributing to productivity growth had been the quality of labour and the employability of workers. That was the key factor for higher productivity growth in the future.

27. The representative of the Government of Slovenia stated that, in the modern world with fast technological growth, the educational level of workers had to increase constantly. Her country had set itself the target to increase the level of education by aiming to have 85 per cent of young people receiving secondary education by 2010. Research for Slovenia showed that unskilled workers had not profited from recent employment growth, they had even had to face a substantive decline in employment opportunities. The employment-productivity linkage could only work with considerable investment in human capital.
28. The Chairperson requested the Office to take note of the observations that had been made regarding Committee procedures and the suggestions on the dissemination of information.
29. In summarizing the debate, the representative of the Director-General (Ms. Stewart, Deputy Executive Director, Employment Sector) assured the Committee that all the views presented would be taken into consideration in future work on the subject. The Committee had expressed an interest in a number of areas, including the multifactor approach to productivity, the flexibility-stability debate, the role of active labour market policies, the role of investment in human resources, labour-intensive investment and the international dimension.
30. The Committee took note of the report.

II. Implementation of the Global Employment Agenda: An update (Second item on the agenda)

31. A representative of the Director-General (Mr. Amjad, Director, Policy Planning, Employment Sector) introduced the Office paper.² He stated that, when the Global Employment Agenda (GEA) was adopted in 2003, the Committee asked the Office to provide information on individual country efforts in implementing the GEA, including obstacles and successes. That had been strongly reiterated at the November 2004 session of the Committee. The Office had therefore invited constituents from Argentina and Ghana, two countries with ILO Decent Work Country Programmes, to provide the Committee with their experiences in making decent employment more central in economic and social policy-making, an issue at the heart of the GEA. The Office paper reviewed recent economic and labour market developments in the two countries and included a brief overview of ongoing and planned support by the ILO as follow-up to the African Union Extraordinary Summit on Employment and Poverty Alleviation in Africa, held in Burkina Faso in September 2004. The paper also briefly referred to the International Employment Conference on Jobs for the Future of Iraq, organized jointly by the Government of Iraq and the United Nations Development Group on Iraq, for which the ILO was the lead technical agency.

Country presentation on Ghana

32. The Chairperson welcomed the Honourable Joseph Kofi Adda, Minister of Manpower, Youth and Employment of Ghana, who gave a presentation on the progress that his Government had made towards implementing the GEA. The Minister stated that in his presentation he wanted to show the strong level of commitment of his Government to the GEA, but also provide information on the context of the lack of resources and capacity in which it operated. He cited a number of obstacles facing his Ministry, such as low

² GB.292/ESP/2.

institutional capacity, lack of infrastructure, scarce resources and the previous marginalization of the Ministry as significant stumbling blocks that his Government had had to address while pursuing the GEA. The President had, however, allocated significant resources to the Ministry and had given it increased status and power. He noted with appreciation a number of ongoing ILO interventions, including the Decent Work Pilot Programme, IPEC, and the West Africa Cocoa and Commercial Agriculture Programme, but suggested that there was a need for stronger coordination between them.

- 33.** The Government's priorities were set out in various policy documents, including the President's State of the Nation Address, budget statement, financial policy, and the Ghana Poverty Reduction Strategy (GPRS) I and II. Consistent elements within those policy statements included human resources development and training, productivity, decent work, income generation, youth employment, informal economy and skills development, and assistance to vulnerable and excluded groups. His Ministry aimed to undertake a comprehensive overhaul to strengthen its capacity and make it one of the most important ministries in poverty reduction. The Ministry's goal was to adopt a sector-wide approach to fund capacity development, embark on cross-sectoral decent work creation efforts and ensure that employment was a central theme within the GPRS. Among the planned initiatives in 2005 were a national employment survey, modernization of the labour market information system, adoption of a national human resources development and employment policy, a Presidential Employment Summit, review and introduction of legislation, completion of a living wage study, and youth employment programmes. He emphasized that a holistic solution was required since piecemeal efforts were ineffective. He hoped that the ILO would continue to play a strong role in the future by providing technical assistance in a number of areas.
- 34.** Ms. Esther Ofei-Aboagye, Director of the Institute of Local Government Studies (ILGS) of Ghana, provided a presentation on how national policy targets were implemented at local level. She began by noting that the GPRS proposed poverty reduction through decentralized structures. Local authorities had therefore been mandated for local economic and social development, which fitted well with the principles of the GEA. Until recently, local authorities had not taken into account the importance of the informal economy and had been unable to address the social protection, health and safety and child labour aspects of the informal economy. She described how the Ghana Decent Work Pilot Programme (GDWPP) worked through district subcommittees on productive employment. Currently, those subcommittees were operational in two districts. They were mandated to make inputs into plans and budgets for poverty reduction, which tied in with GEA core element 10. Subcommittees were made up of local stakeholders, including the tripartite partners. She noted that processes of social dialogue and the promotion of entrepreneurship were closely related to GEA core element 5. She detailed a number of the achievements of the subcommittees, including their increased analytical capacity, the creation of databases on small enterprises and the informal economy, and their success in creating awareness of labour standards, social security, occupational health and safety and inclusiveness among local small businesses. Replication of those successes was being carried out by ILGS through sharing experiences, providing training to assemblies, conducting analysis and research and integrating good practices into capacity building for local governments.
- 35.** The Worker Vice-Chairperson introduced Mr. Pius Michael Quainoo, General Secretary of the Construction and Building Materials Workers' Union of Ghana. Mr. Quainoo stated that the social partners in Ghana had recognized that poverty needed to be addressed urgently and had identified five areas for policy development: employment generation, including through SMEs and addressing the problems of the informal economy; creation of new employment opportunities and development of skills for employment; maximizing the employment benefits of infrastructure development; integrating persons with disabilities; and increasing productivity and fair distribution through wages and incomes policy. He

stressed that the Trades Union Congress of Ghana was concerned with a number of issues, such as respecting core labour standards within both the formal and informal economies, improving labour market information systems, and implementing the new labour law, which did not address the informal economy. Referring to labour-based technology, he noted both its positive features, such as providing subcontracts to small businesses and enhancing local skills, as well as its negative features, such as the lack of respect for labour standards, health and safety and the fact that gender issues tended to be marginalized. The social partners needed to enhance their capacities, particularly when addressing the informal economy. He commended ILO support, such as assisting employers in a study on productivity and supporting the workers in studies on wages and incomes. The outcomes of those studies would enable those issues to be resolved through tripartite structures. He emphasized that tripartite structures and dialogue were the key mechanisms to address poverty and commended the fact that employment enriched with a social dimension had been embraced by all the partners. Finally, he hoped that the ILO, donors and the international community would continue to support Ghana in its poverty reduction efforts.

- 36.** The Employer Vice-Chairperson introduced Ms. Rose Karikari Anang, Executive Director of the Ghana Employers' Association and Employer member of the Governing Body. Ms. Karikari Anang described the Ghanaian economy as being characterized by low private savings, reliance on a few primary products, low levels of education and health, a dominant informal economy and a high incidence of rural poverty. The GPRS had, among other things, sought to create a favourable business environment to promote job creation and alleviate poverty. She noted that, although the private sector had been seen as the engine of growth within the GPRS, the GPRS did not address the role of national and enterprise productivity, nor were the labour market policies for enterprise development and social protection coherently reflected in the document. Since employment promotion was not a central element of the GPRS, there were no policies on employment, productivity and labour markets, especially for SMEs and the informal economy. However, the GPRS was a living document, and that had given the social partners the opportunity to make inputs and revisions. Through the GDWPP, social partners were assisted to influence government policies, particularly in areas of employment, productivity, enterprise development and labour markets.
- 37.** She stated that businesses shared the principle that productive employment meant employment with high productivity, equitable income and respect for fundamental rights at work, but the challenge remained how to balance the quantitative and qualitative dimensions of employment. The GEA affirmed that productivity had the potential to increase living standards through equitable distribution of gains and non-inflationary growth. The Ghana Employers' Association shared that belief and had undertaken a project on productivity with assistance from the ILO under the GDWPP. The underlying principles of the project affirmed that wealth creation by the private sector increased productivity while enhancing profitability and competitiveness. The issue of productivity and incomes was currently being considered by the National Tripartite Committee. She welcomed the forthcoming Presidential Employment Summit and hoped that the ILO would continue to support Ghana's efforts, particularly through the GDWPP, to create employment and alleviate poverty.
- 38.** The Chairperson expressed his appreciation for the very interesting, focused and analytical presentations on Ghana's experience.
- 39.** The representative of the Government of Nigeria appreciated the presentations on country efforts to implement the GEA. He also welcomed the ILO's initiatives on poverty reduction and employment generation, particularly in the African continent. He further encouraged the ILO to continue to assist countries in their efforts to eradicate poverty,

particularly in Nigeria and Ghana. Nigeria had also established its own National Economic Empowerment and Development Strategy (NEEDS), which aimed at job creation.

40. The representative of the Government of New Zealand congratulated the ILO and Ghana on their progress in implementing the tenets of the GEA and innovative work on the GDWPP. She stated that effective evaluation and monitoring strategies were essential in future updates on the implementation of the GEA.
41. The representative of the Government of the United States thanked the presenters from Ghana and stated that the presentation of country experiences was a useful exercise. Noting the consistency among the views of the tripartite constituents from Ghana, he wondered how that had been achieved and whether the GEA had played a role in that. He inquired about the methods and strategies in evaluating ILO assistance, including the GDWPP, in order to identify areas for improvement.
42. With respect to the question of consistency, the Honourable Minister indicated that Ghana was now moving towards the process of social dialogue, consensus building and collaboration among the three social partners. Unemployment had been identified as the main problem in Ghana. The stakeholder approach had been the tool in pushing the process of social dialogue. Cross-sectoral monitoring and evaluation systems were currently being developed.
43. Ms. Ofei-Aboagye added that consistency had largely been the result of the international debate on poverty and employment issues following the 2001 Global Employment Forum. The GDWPP was implemented at national and district levels, and that involved the conduct of stakeholder reflection sessions and hands-on monitoring to review and sharpen the components of the programme.
44. The Employer Vice-Chairperson thanked the presenters from Ghana. He inquired about ILO support in Ghana because the impression had been given that the ILO's involvement was limited to IPEC. He proposed that the ILO could provide support by coordinating international donor efforts with a focus on implementation of the GEA. Regarding the introduction of legislation, he inquired whether the legislation reforms would include the reduction of regulatory barriers in the formation of small enterprises in Ghana.
45. Referring to the question of consistency, Ms. Karikari Anang stated that wages were determined by factors exogenous to productivity, such as utility tariffs and review of fuel prices, among others. Since there had not been a productivity framework in the country in 2000, the group had considered the issue of productivity measurement in determining wages. That process was being considered by the social partners in Ghana with a view to working on productivity and incomes in the creation of employment and the alleviation of poverty, especially rural poverty.
46. Mr. Quainoo stated that the national economic conference in 2000 brought together the Ghanaian social partners, which also explained the consistency expressed in the presentations.
47. The Worker Vice-Chairperson found the presentations important in expressing the need to strengthen the capacity of ILO constituents and towards the promotion of social dialogue. He stressed the need to find ways for cross-ministerial cooperation in Ghana in the implementation of the GEA. He inquired what indicators had been used for evaluating programmes and what the ILO could do differently to enhance its role in the implementation of the GEA in Ghana.

- 48.** In response to the question on the review of legislations, the Honourable Minister stated that the Ministry of Private Sector Development had been given the task to identify the constraints in establishing private enterprises in Ghana. A “one-stop shop” procedure had now been developed to facilitate the establishment of enterprises and promote entrepreneurship in Ghana. With regard to the question of other ILO interventions, he enumerated other initiatives such as the Skills Training and Employment Programme, development of labour information, review of the GPRS, and development of the informal economy strategy. The ILO had also been involved in the preparations for the Presidential Employment Summit, which was scheduled to take place later in the year, and in the introduction of reforms to Ghana’s labour laws, which would come into effect on 1 May.
- 49.** Ms. Ofei-Aboagye, responding to the question on programme indicators, stated that the GDWPP implementation had components at the national, district and enterprise levels. As shown in the district level experiences, there were marked changes in attitudes and awareness of the informal economy, and programme guidelines formulated at the national level had been adopted. One indicator in the programme was the existence of budget allocations for the informal economy at the district level. Other indicators would be the number of jobs created at the district level, income levels, issues of health and safety, collective bargaining, and social security issues. The indicators were based on qualitative and quantitative measurements. There was a need for further support from the ILO in capacity building because the programme was to be upscaled and extended to other districts.
- 50.** The Honourable Minister encouraged the ILO to take on a central role in resource generation and capacity-building support in the GEA implementation in Ghana.
- 51.** Mr. Quainoo proposed ILO assistance in the introduction of core labour standards on government contracts on Ghana’s public procurement system and in the review of the capacity of the Ghana Labour College. He suggested that the Government of Ghana include workers’ education in its budget allocation.
- 52.** Ms. Karikari Anang suggested that the ILO provide support in the area of small enterprise development and in the implementation of the youth employment strategy.
- 53.** The representative of the Government of Pakistan commended the Minister and representatives of the social partners on their presentations. He wondered how Ghana’s economy, which was based on primary agricultural exports that were subject to price fluctuations on the international market, had managed to achieve substantive growth. He inquired about the social safety nets formulated in Ghana to alleviate such market uncertainties.
- 54.** The Honourable Minister agreed that the economy was vulnerable if it was based only on primary product exports. For that reason, Ghana was trying to diversify in other agricultural products, including value-added products, and was currently formulating strategies to cushion the impacts of market fluctuations. Social protection strategies were also being developed, but that remained a difficult and complex issue.
- 55.** The Chairperson of the Committee thanked the Ghanaian delegation for a presentation that had enriched the discussion of the GEA.

Country presentation on Argentina

- 56.** The Chairperson welcomed the Honourable Carlos Tomada, Minister of Labour, Employment and Social Security of Argentina, who gave a presentation on the Argentinian experience in handling the crisis situation and in the implementation of the GEA.
- 57.** The Honourable Minister noted that an incoherent economic growth model in the 1990s in Argentina had resulted in a profound social, economic and political crisis in 2001 and 2002. It had led to unemployment rates of over 20 per cent, growth of precarious employment, rising social disparity and poverty, and to the bankruptcy of a wide range of firms. Since then, a new economic model had been put in place leading to more favourable relative prices for domestic inputs, production and labour in general and resulting in higher international competitiveness. Increases in wages and pension funds as well as the “Jefes y Jefas de Hogares” programme contributed to stimulate domestic demand. Employment became the core of every public policy.
- 58.** As a result, Argentina had observed sustained GDP growth since the fourth trimester of 2002, accompanied by strong job creation (14.7 per cent from the first trimester of 2003 to the fourth trimester of 2004), which also led to a significant reduction in unemployment and a rise in declared employment and real wages. The number of bankruptcies declined, and mainly smaller firms were observed to lead employment growth, in particular in manufacturing and trade. As a consequence, the number of people in poverty significantly fell in 2003 and 2004.
- 59.** Mr. Enrique Deibe, Secretary of Employment of Argentina, described the different policies and programmes Argentina had put in place after the crisis and their link to the GEA. The Government had implemented a specific programme, “Jefes y Jefas de Hogares”, to soften the negative social impact of the crisis. That programme foresaw the provision of a minimum income to the most vulnerable households. As a result, 1.8 million people benefited from monthly grants. Since July 2003, 345,000 beneficiaries had been incorporated into formal jobs. A new government plan called “Más y Mejor Trabajo” aimed at recuperating jobs in firms affected by the crisis with a high employment creation potential. Labour and vocational training were promoted and employment services strengthened and extended. Specific wage increase policies were set up in an environment of tripartite agreement. The minimum wage, which had increased by 49 per cent between October 2001 and December 2004, was expected to thus resume its fundamental role in the economy. The Ministry also aimed at promoting collective bargaining and the effective use of labour inspection.
- 60.** Other measures were to increase family benefits, to raise pensions, and to reimburse previous reductions, leading to a steady increase in minimum pensions. An early retirement system was put in place and the unemployment benefit system was reformed, adapting it to the reality of the labour market. Occupational safety and health was oriented towards the question of prevention, and a new institutional setting was expected to improve the integration of macroeconomic, productive and employment policies.
- 61.** Mr. Deibe explained that the recently designed National Decent Work Programme (NDWP), which reflected Argentina’s efforts to meet the Millennium Development Goals (MDGs), aimed at better integrating labour, economic and social policies between the relevant ministries and at better policy integration at the Ministry of Labour between various programmes. The NDWP included core element 4 (macroeconomic policy for growth and employment: a call for policy integration) and core element 7 (active labour market policies for employment, security in change, equity and poverty reduction) of the GEA. The institutional structure of public employment services was decentralized, the “Jefes y Jefas de Hogares” programme was introduced, and a wage policy linked to

collective bargaining was put in place. Core element 8 on social protection as a productive factor inspired the reform of the pension and retirement schemes, family and unemployment benefits.

- 62.** Minister Tomada thanked the social partners and the Office for the good cooperation in the development and implementation of the programme and policy. The new challenge was to reconstruct the country in a comprehensive way: that meant to reach sustainable growth with employment creation, thus reducing poverty, equitable economic growth respecting human rights, and recourse to tripartite participation structures. Ways had to be found to improve productivity and create employment at the same time.
- 63.** The Employer Vice-Chairperson introduced Mr. Daniel Funes de Rioja, Employer Vice-Chairperson of the Governing Body. Referring to paragraphs 5, 8, 9, and 10 of the Office paper, Mr. Funes de Rioja outlined the measures that the Argentinian Government had implemented after 2001, with SMEs playing a prominent role, and the post-2001 revenue policy, aimed at restoring purchasing power to the minimum wage. He emphasized the extreme importance of vocational and job training in combating the shortage of labour in the high-tech sector and expressed the need for both flexibility and social protection. Finally, he pointed out the need for youth employment stimulation and for the ILO's continued involvement in the country's recovery process.
- 64.** The Worker Vice-Chairperson introduced a member of his group from Argentina, Mr. Rodolfo Daer. Mr. Daer stated that it was important to remember that economic policy could not be considered as neutral, and that the Argentinian workers had borne the brunt of the post-2001 recession. The advice of the international financial institutions (IFIs) had been destructive to the Argentinian economy, and the country had had to learn from those mistakes of the 1990s. He listed some signs of recovery, including the high levels of consumption, employment growth, and the increase in the reserves to US\$20 billion. The failure of the pre-2001 policies had paved the way to a new approach that had made the current recovery possible. It was important to take into account both foreign and domestic economic concerns in that turnaround. In conclusion, he expressed the need for strong employers' and workers' organizations, supported by the ILO, to continue the recovery of the Argentinian economy.
- 65.** The Worker Vice-Chairperson was impressed by the cooperation between various ministries at the highest levels and hoped that that cooperation could be further strengthened. He was pleased to note that the application of labour standards played an important role in the Argentinian recovery. He was interested in hearing more about the ILO's assistance in that process, and how the ILO could more effectively aid other nations in economic recovery.
- 66.** The representative of the Government of France commended the courage of the Argentinian approach, applying recovery measures that were contrary to the pre-2001 IMF recommendations. He noted that it would be useful in future if the ILO could intervene in this type of situation at a far earlier stage and could be systematically consulted on the social impact of the structural adjustment recommendations made by international financial institutions.
- 67.** The Honourable Minister of Manpower, Youth and Employment of Ghana inquired as to exactly how the process of registration of workers had occurred in Argentina, noting the country's success in transferring workers into the formal economy. He expressed his interest in what seemed to be a very modern monitoring and registration system.
- 68.** Minister Tomada indicated that bringing together the various ministries was an effective way to promote a common employment-centred economic vision. He underlined his

commitment to decent and productive employment and stressed the importance of working within a country's own culture to find solutions to economic crisis, rather than imposing blanket recommendations.

69. Mr. Deibe explained that the Argentinian monitoring system was constantly updated by the Government, with support from systems used by employers and by workers' voluntary reporting.
70. The Chairperson thanked the delegation for their comprehensive presentations, which had given practical insight into the implementation of the GEA.

Follow-Up to the Extraordinary Summit of the Heads of State and Government of the African Union on Employment and Poverty Alleviation in Africa

71. A representative of the Director-General (Ms. Amadi-Njoku, Regional Director for Africa) gave an overview of the ILO's follow-up to the African Union (AU) Extraordinary Summit at the global, continental, regional and national levels. She emphasized that the AU had overall responsibility for that, with the ILO providing technical assistance on demand. The Guidance Note was a blueprint for the ILO's support for the implementation of the AU plan of action. Guiding principles for ILO support included: the promotion of the Decent Work Agenda; employment as a strategy for working out of poverty; fair globalization; enhancing the knowledge base and developing and adapting tools for the implementation of the plan of action; and developing partnerships with United Nations agencies, IFIs and multilateral organizations. The requirements for effective implementation of ILO support included developing decent work country programmes which were coherent with the plan of action; strengthening labour market information systems; enhancing the capacity of ILO staff and constituents; and improving resource mobilization. There were five levels of intervention: at the global level, the intention was to make decent work a global goal in a globalizing world; at the continental level, the aim was to reinforce partnerships with the AU Commission, the Labour and Social Affairs Commission (LSAC) and NEPAD to ensure effective implementation of the plan of action; at the regional level, the intention was to promote the social and economic dimensions of integration. At the national level, she noted that several countries had established national follow-up committees, and a number of countries were formulating decent work country programmes in consonance with PRSPs. The Issues Paper developed in preparation for the Summit provided a strategy for the ILO's work within United Nations Country Teams and with governments. At the local level, the aim was to link localization with globalization. While decisions were made at the national and global levels, it was at the local level that poverty and social injustice were felt. The ILO intended to assist partners to implement decent work at the local level, focusing particularly on vulnerable groups such as women, rural poor and youth, and planned to publish best practices at the local level on a biyearly basis. In conclusion, she stated that the way forward included a realignment of activities and resources of the ILO in Africa in support of follow-up to the Summit. That process had already started.
72. The Employer Vice-Chairperson noted that at previous sessions of the Committee, the Office had been encouraged to link decent work country programmes to PRSPs at the national level. He hoped that status reports on the extent of that engagement and the ILO's role in it could be submitted to future sessions of the Committee.
73. The Worker Vice-Chairperson found the presentation comprehensive but general, and felt that a sense of urgency, more resources and set time frames needed to be injected into the follow-up. The AU Extraordinary Summit was an important event for the future work of

the ILO, and failure to implement concrete activities would not only be a loss for the region but also damage the ILO's credibility.

74. The representative of the Government of Sudan, on behalf of the Africa group, thanked the Office for its technical support to the AU Extraordinary Summit follow-up. He requested that that support continue and be accompanied by financial resources.
75. The representative of the Government of Cameroon stated that his country has pursued a Decent Work Agenda based on a number of reforms. In December, a new Ministry had been created which adopted a plan of action, and a tripartite National Forum on Employment was scheduled for the current year. He was pleased to note that regional associations were playing an important role in the follow-up to the AU Extraordinary Summit, and mentioned in particular the association of public employment services, which had held a workshop after the Summit that incorporated many decent work elements. He suggested that all follow-up activities be compiled and disseminated widely.
76. In her response, Ms. Amadi-Njoku noted that the ILO had done a great deal of work to influence PRSPs and that a number of countries were already mainstreaming decent work into their poverty reduction strategies. She stressed that the ILO was only providing technical backstopping and that actual implementation was the responsibility of the African Union. All the ILO's work in the region was being reviewed with a view to restructuring, realigning priorities and reallocating resources in support of the follow-up.
77. The Committee took note of the report.

III. HIV/AIDS and employment (Fifth item on the agenda)

78. A representative of the Director-General (Mr. Lisk, Director, ILO Programme on HIV/AIDS and the World of Work) introduced the Office paper.³ Against the background of earlier discussions on the impact of HIV/AIDS on the labour market and on the Decent Work Agenda, the current paper highlighted the detrimental impact of HIV/AIDS on employment, through negative effects on labour productivity, enterprise efficiency and competitiveness, as well as on household incomes. Citing the findings of a new ILO report, *HIV/AIDS and work: Global estimates, impact and response 2004*, he pointed out that good employment strategies and employment growth could help mitigate the impact of the epidemic and thereby play a central role in national strategies to combat HIV/AIDS, while serving the goal of poverty eradication. Employment strategies should therefore take account of the value added of addressing the specific implications of HIV/AIDS. Particular issues to address included discrimination, stemming losses in human capacity, and responding to the needs of disadvantaged groups, such as women, youth and migrants. To support that line of action, the ILO/AIDS programme was focusing more on specific interventions in public and private sector workplaces, had established AIDS focal points in ILO offices worldwide, and had technical cooperation projects now in 30 countries. Under the leadership of the Director-General, the ILO would take over the rotating chair of the UNAIDS Committee of Cosponsoring Organizations on 1 July 2005 for one year, which would enable the ILO to advance the workplace agenda.
79. The Worker Vice-Chairperson stressed the serious and growing threat of HIV/AIDS and the key role of the workplace as a platform for comprehensive programmes, emphasizing that almost everything else that the ILO did would pale into insignificance if the epidemic

³ GB.292/ESP/5.

was not addressed. He considered that the ILO should examine the broader social impact of the epidemic, linking it more to the work of UNAIDS and the WHO. He called for increased support for trade unions' work on HIV/AIDS, given their central role, and cited the example of a project on HIV/AIDS at a clothing, textile and footwear union in South Africa that could be replicated and its effectiveness enhanced. He raised the problem of loss of skilled personnel from developing countries and its contribution to the human resources constraint to address AIDS. Citing the excellent *ILO code of practice on HIV/AIDS and the world of work*, he called for research on the nature and extent of its implementation, with examples of outcomes. He requested that the ILO develop guidelines on care and support in the world of work because antiretroviral treatment was cost-effective. He strongly endorsed the proposals of paragraph 29 and called for an ILO policy document providing guidelines to address long-term employment loss. He evoked the special problems of finding employment for persons living with HIV/AIDS, and tabled for consideration public subsidies to enterprises and cooperatives to encourage employment of HIV-positive persons. He concluded that all constituents needed to intensify their work, and it was a matter of urgency to audit the work on HIV/AIDS across all parts of the Office.

80. The Employer Vice-Chairperson noted that HIV/AIDS was not limited to Africa but was a problem for all regions. He endorsed the focus of the paper and that of the ILO's support for workplace activities and the involvement of the social partners. Given the seriousness of the problem and the need to extend the workplace response, it was appropriate for the ILO/AIDS programme to become an InFocus Programme in 2006-07.
81. The representative of the Government of El Salvador, speaking on behalf of GRULAC, thanked the Office for the paper, stressing the enormous scale of the HIV/AIDS problem in the region, particularly in the Caribbean. His group approved the ILO's response to the problems of HIV/AIDS in developing countries, as stated in paragraph 26, noting in particular the persistence of discrimination, and the need to stress that persons living with HIV were able to continue working; indeed, their presence in the workforce helped to combat stigma. He endorsed employment growth as central to national strategies to combat HIV/AIDS. He furthermore approved the ILO's collaboration with other agencies, and underscored the importance of disseminating the ILO code of practice. Finally, he pointed out that the report made no reference to the consequences of the disease on child labour, and he requested the Office, in its future studies on the pandemic and its consequences for the world of work, to assess its impact on child labour. He concluded that the paper was a valuable contribution to assess the impact of HIV/AIDS globally.
82. The representative of the Government of Japan, speaking on behalf of ASPAG, expressed the group's concern about the rising incidence of HIV in the Asia-Pacific region, and he encouraged the Office to give more emphasis to the region in its future work.
83. The representative of the Government of Sudan, speaking on behalf of the Africa group, underscored the epidemic's very alarming impact in Africa, with particular reference to skills, productivity, labour costs and employment opportunities. Reduced economic growth was likely, and the region gave priority to a unified response. Citing the serious impact on women that affected the whole of society, he stressed the need for greater resources, especially in the health sector, and more support for those affected.
84. The representative of the Government of Mexico endorsed paragraph 29. She noted the efforts of Mexico to raise awareness, combat discrimination, and sensitize employers, trade unions and society to removing impediments to employment for persons living with HIV/AIDS.

85. The representative of the Government of Barbados spoke on behalf of the English-speaking Caribbean. Citing the loss of human resource capacity and negative impacts on employment, she agreed with the conclusions of the Office paper, commended the work of the ILO, in particular that of the Subregional Office, and expressed satisfaction with the ILO/USDOL projects under way in Barbados, Belize, Guyana, Trinidad and Tobago, and Jamaica. She called for efforts to promote employment creation and youth empowerment through skills and training as means to combat HIV/AIDS in tandem with prevention.
86. The representative of the Government of South Africa provided information on his Government's HIV/AIDS/STD Strategic Plan 2000-05, which was multisectoral and comprehensive in approach, as well as on recent legislative changes that addressed workplace discrimination. He evoked the challenge of retaining trained health workers. The ILO was well placed to act effectively, and the discussions held in the Committee provided a firm basis for future action.
87. The representative of the Government of India commended the multisectoral approach to mitigating the epidemic's impact. He called for more research on sectoral impacts, citing specific programmes to combat HIV/AIDS in India that targeted particular groups such as women workers.
88. The representative of the Government of France expressed the view that the ILO/AIDS programme was one of the best in the Office. Endorsing paragraph 26, he remarked that that was consistent with France's approach to the epidemic. He called for the ILO's very essential standards-related and normative work to be intensified to take greater account of HIV-related discrimination, for greater information on the impact of the ILO code of practice, and for the development of public/private partnerships to address HIV/AIDS.
89. The representative of the Government of the United States would have preferred a clearer explanation of the advantage of including attention to HIV/AIDS in the ILO response to employment issues, as well as an elaboration of the role of the ILO as a co-sponsor of UNAIDS and an account of its collaboration with other co-sponsors, notably the WHO.
90. The representative of the Government of Nigeria commended the ILO on its continued interest in HIV/AIDS, and agreed with the objective in paragraph 26 to address the employment impact of the epidemic. He cited Nigeria's efforts in that area and expressed appreciation for the ILO's continuing support of those efforts.
91. In his response, Mr. Lisk thanked all the members for their valuable comments. In reference to the call from the Workers' group for a broader approach, he commented that ILO/AIDS was part of the Social Protection Sector, which took a broad approach to social issues. He described the partnership of the ILO as a co-sponsor of UNAIDS, and the co-sponsors' division of responsibility and interrelations, citing the ILO's collaboration with the WHO on the "3 by 5" initiative, and with UNICEF on work to address children affected by HIV/AIDS. UNAIDS coordination helped to avoid duplication and to keep the co-sponsors focused on their respective mandates. He appreciated the information about the clothing, textile and footwear union in South Africa, stating that it was among examples that ILO/AIDS strived to see replicated through the dissemination of good practices. With respect to the problem of scope in the Caribbean, he pointed out that a very good prospect of OPEC funding meant that countries of the subregion could soon benefit from more ILO assistance. Observing that the ILO code of practice had been translated into nearly 50 languages, mostly by constituents and on demand, he took note of the several requests to monitor its implementation and reported that work had begun on methodologies and indicators to do so. He recalled that ILO/AIDS had the mandate to mainstream the response to the HIV/AIDS epidemic across the ILO's work.

92. The Employer Vice-Chairperson reiterated the advantages for the ILO to keep its focus on HIV/AIDS in the workplace, and stated the usefulness of looking ahead to specific partnerships with workers' organizations, employers' organizations and private-sector corporations.
93. The Worker Vice-Chairperson summarized what he saw as a broad consensus in the Committee regarding the urgency of the HIV/AIDS problem and the importance of the ILO/AIDS programme. He reviewed statements that had been made, citing the emphasis on combating discrimination and setting standards, adopting comprehensive plans and strategies, and exchanging positive experiences. He reiterated the need to measure the implementation of the ILO code of practice, and to provide information on the value added by the programme, as well as more generally to evaluate all the work of the ILO and its constituents to address HIV/AIDS. He looked forward to that being tabled soon at a future session of the Committee.
94. Mr. Diop (Executive Director, Social Protection Sector) thanked the members for all their comments, that had been duly noted, and concluded that in view of all the work carried out by the ILO on HIV/AIDS since the inception of the programme just a few years previously, it was perhaps time for a review.
95. The Chairperson summarized the discussion by drawing attention to three major themes that had emerged in the debate: the normative challenge, the need for holistic approaches, and the complementarity between the ILO, its social partners and the United Nations system.
96. The Committee took note of the report.

IV. Promoting technological change for higher productivity, job creation and improved standards of living (Third item on the agenda)

97. A representative of the Director-General (Mr. Campbell, Director, International Policy Group, Policy Integration Department) introduced the item,⁴ which was on one of the core elements of the Global Employment Agenda (GEA). Much of the discussion about technology tended to focus on information and communications technology (ICT) because of its pervasive influence on the entire economy and big impact on the world of work. ICT could be seen as one of the core factors of globalization, as seen, for example, in the role of ICT in international capital flows. Technological changes also accelerated outsourcing by making distance less of an obstacle, resulting positively in job creation in some developing countries. Technological ramifications made outcomes of policy changes less predictable. An example was the recent policy change on trade in garments and textiles; technology would play a role in how that industry would be globally restructured. As the World Employment Report pointed out, ICT had made services tradable internationally. Rises in education levels made it possible for all countries to benefit from the knowledge economy. Recognizing its importance, developing countries were further raising the level of education in order to take full advantage of the knowledge economy. A benefit of technology for developing countries was that workers with appropriate skills would be able to compete with those in the developed countries. Nevertheless, the diffusion of technology had been uneven. As technological changes accelerated, catching up became

⁴ GB.292/ESP/3.

more difficult, resulting in a “technological divide” and possibly widening income inequality.

- 98.** He asked the Committee for guidance on the future direction of the Office’s work. Should more research be done on outsourcing, the structure of global production systems, gender equality in the labour force, or on how to address inequality through technological means? What would be the nature of participation in international forums to promote employment and social aspects? The Office could provide policy advice on education reform and vocational training, taking into account the technology-induced skill bias that could lead to inequality on the supply side. On the demand side, one could examine how technology transfer occurred through foreign direct investment (FDI). In addition, the Office could provide strategies to improve the productivity basis and technological absorption of small firms in developing countries through cooperatives, industrial clustering and global market access. The tripartite constituents had a role to play in the diffusion of best practices in technology. Finally, while labour-intensive infrastructure was important for those whose alternative was worse, every country needed to be ready for the technological absorption capacity of the labour market.
- 99.** The Worker Vice-Chairperson, by quoting Bill Gates and his choice of health issues as a priority for his foundation, illustrated an important point missing in the paper. He emphasized that technology had a vital role to play, but only in the context of functioning physical and social infrastructure such as transport, telecommunications, education and health facilities, the importance of which had been mentioned in the original text of GEA core element 2. Employment criteria needed to be incorporated in investment in such infrastructure. He hoped that the Office would play an active role in scoping the elements of an ICT Marshall Plan in order to achieve some of the GEA goals in the context of the World Summit on the Information Society (WSIS), and that the Committee could contribute to defining ways in which such massive technology transfers could reshape the world of work, spur innovation and provide opportunities for developing countries to bring people into new kinds of work. He had been encouraged by the statement that the Office had been pointing out the importance of employment in the WSIS process and hoped that qualitative as well as quantitative aspects of work had been emphasized.
- 100.** Referring to the point in the paper that the reduction in transaction costs because of new technology had made possible geographically dispersed production chains, he pointed out that the social dimension was missing; work had been divided across borders but industrial relations had not, and the ILO should bring that element into the policy discussion. Besides the insecurity felt by workers in developed countries caused by outsourcing, an important issue was whether the flow of work had been accompanied by fair labour conditions, such as rights to unionize and bargain collectively, and the process to determine appropriate wages. Countries needed to implement active labour market policies to ease the transition of workers between jobs.
- 101.** The list of research and advocacy mentioned in paragraphs 23-30 was interesting, and the Office should develop a coherent policy through which technological changes would lead to development and employment creation. The Office could also look into how to increase technology transfers through FDI, as had been practised by Malaysia. Another important issue was how the investment in infrastructure in itself would create employment. He found many of the research items mentioned in the paper and the verbal presentation relevant, but reiterated the importance of the employment aspect of infrastructure in addressing the issue of technology.
- 102.** The Employer Vice-Chairperson agreed with the point that technology was the driving force of the future economy, but not necessarily only in the three areas mentioned in the paper. He was disturbed by the use of the word “outsourcing”, which he considered

pejorative, and insisted that “global sourcing” reflected the reality better since both developed and developing countries benefited in terms of employment creation. If the ILO was to encourage diffusion of technology, it should support firstly establishing appropriate laws for FDI, which had been the principal vehicle of cross-border technology transfer, and secondly protecting intellectual property rights, taking into account that technology rested primarily in the private sector.

- 103.** He would not support the Office’s further work on “global sourcing” or global production systems as it would be used to stigmatize such practices. It was true that technology reduced the cost of distance but only when the value of the products justified the cost of air shipment. He was pleased to hear about the Office’s involvement in the WSIS, but requested information about the position it had been taking. He hoped that the Office had not been involved in Internet governance. Finally, he did not consider the paper’s references to the report of the World Commission on the Social Dimension of Globalization appropriate, as the conclusions of the Commission had not been formally approved by the Governing Body.
- 104.** The representative of the Government of Japan, on behalf of ASPAG, agreed with the point in the paper that technological innovations were a source of growth and employment in the long run. A common challenge was to develop policy guidelines that concentrated on the education and training of workers in order to prevent a worsening of income inequality. He reiterated the importance of social dialogue in technological innovations and productivity improvements and suggested that national productivity councils in Asian countries, in which the social partners participated, could provide a valuable tool for employment strategies in other parts of the world.
- 105.** The representative of the Government of France, on behalf of IMEC, agreed with the need for capacity building of constituents in developing strategies of diffusion and absorption of new technologies, both at the national level and in the workplace, as stated in paragraph 26. He also agreed with the emphasis on SMEs in paragraph 28, including those in the informal economy. He was puzzled by the absence of a proposal about the gender dimension of the technology divide, although the issue had been mentioned in paragraph 8. He requested clarification about the goals set up for the Office’s work in paragraph 30. For the future work of the Office, it would be useful to provide distinct analysis by three categories of countries, i.e. poor countries that could not take advantage of diffusion of technologies, emerging countries that were increasingly becoming competitive, thanks to the new international division of labour, and developed countries that could develop strategies to mitigate job losses resulting from outsourcing, but that had to deal with difficult problems in anticipating and managing structural changes related to the diffusion of new technologies in the context of globalization.
- 106.** The representative of the Government of Spain thanked the Office for its broad range of solid documents on employment. The paper on technology was also a contribution to the vast and deep thinking on issues related to employment and in particular on how to bring the analysis into action. Referring to subcontracting, particularly in the least developed countries, he wondered whether the Office had considered the working conditions in those countries where the subcontracting took place. While he fully recognized the benefits the least developed countries could derive from subcontracting, he found it extremely important that the risk of lowering social standards be fully considered. He also pointed out the responsibilities of the trade unions, employers’ organizations and governments in respect of the diffusion of technology. He stressed the importance of analysing the real reasons behind limitations on trade and technology transfer, in particular the need to look beyond the security reasons. It was essential for the Office to fully understand all the reasons in order to develop solutions.

- 107.** Mr. Campbell thanked all speakers for their contributions and stressed the importance of obtaining guidance from the Committee on those strategic issues. He concurred with the Worker and the Employer Vice-Chairpersons that the main strategic questions were to encourage the conditions for greater diffusion of technology and that the role of the social and physical infrastructure in that respect was essential. He also agreed that the role of social dialogue in the promotion of technology was pivotal and required additional attention. In particular, it would be necessary to further analyse how social dialogue could be used for the diffusion and use of technology and for what purposes. He thanked the IMEC representative for the clear guidance on how to proceed with a three-layered approach – by the level of economic development of the countries – to further research the role and impact of technology. Finally, he assured the representative of the Government of Spain that the Office took due account of the impact of technology on working and employment conditions.
- 108.** The Worker Vice-Chairperson expressed overall support for how the debate had been summarized. It represented a balanced and useful discussion on how to move forward. However, the main question remained of how to embed it in GEA core element 2. It would be essential to look at an efficient diffusion of technology and study the ways it was being diffused. FDI should be guided in such a way that technology diffusion occurred in an efficient manner and there should be ways to ensure its absorption in the local economy. The main challenge that remained was the impact that technology had on workers and businesses, respectively.
- 109.** The Employer Vice-Chairperson pointed out that, to his knowledge, the working conditions offered by global production systems often were better than those offered by local businesses. He also supported the need to analyse better how diffusion of technology actually took place. Furthermore, he pointed out that having access to technology would not be enough, and he cited the case of digital compression technology, invented in Munich but commercialized in California, as an example. Knowing how to use it was equally important. He noted that it was, by and large, companies that had the technology, and they would transfer it to developing countries if conditions for investment and intellectual property protection were satisfactory. If the ILO wanted to promote technology transfer, it should keep those realities in mind. Finally, with reference to paragraph 8, he suggested the Office use caution when analysing the gender dimension of the digital divide.
- 110.** The Committee took note of the Office paper.

V. Microfinance and decent work (Fourth item on the agenda)

- 111.** A representative of the Director-General (Mr. Balkenhol, Head, Social Finance Programme) introduced the agenda item.⁵ He emphasized the impact of microfinance on employment, self-employment and wage employment, income stabilization, empowerment, and fostering entrepreneurship among the poor, and its importance for correcting market failure in small transactions. Issues such as over-indebtedness, property rights and collateral in the informal economy also needed to be addressed. He drew attention to the ILO's comparative advantages in the field of microfinance worldwide, i.e. creation of decent jobs, reduction of vulnerability, constituency-based work, complementing and strengthening actions of the social partners. Finally, he sought

⁵ GB.292/ESP/4.

guidance from the Committee as to how it expected the Office to pursue its work in that area.

- 112.** The Worker Vice-Chairperson supported the proposals made in paragraphs 22 and 23 and endorsed the point for decision in paragraph 24. He further welcomed the emphasis placed in the document on microfinance in the context of decent work. The document clearly presented the ILO's competencies and comparative advantages, which were strongly supported by the Workers. He referred to a number of examples for concrete Office work that the Workers had brought forward at the November 2002 session: collective bargaining in relation to access to microfinance and payroll deductions; the important role of microfinance and social finance in guarantee systems such as wage guarantee funds, mechanisms to protect workers in case of firm insolvencies. His group emphasized the importance of remittances, recognizing the need to deal with the issue of the sometimes exorbitant transaction costs to the benefit of migrant workers. That was all the more relevant as remittances exceeded ODA substantially. As some trade unions in the United States showed, there was scope for more systematic information for migrant workers about the choices in money transfers. The Office should assist trade unions in that regard.
- 113.** The Worker Vice-Chairperson made a distinction between good and bad microfinance, the latter being manifested in usurious and exploitative lending practices. Referring to paragraph 2 on financial innovation, he supported the assessment by the Office that there was a fundamental difference between microfinance and conventional finance, namely the substitution of collateral, where trust and group incentives brought the working poor within reach of financial services. He advocated that the ILO advise and guide policy-makers in such a way as to bring out the good, empowering side of microfinance, including aspects related to the reduction of transaction costs. Governments had an important role to play in designing an appropriate regulatory framework that protected small depositors and in facilitating and guaranteeing access to financial services for all, such as in Poland and Mexico. As shown in previous papers on that subject, social finance could also contribute to supporting small enterprise clusters and cooperative arrangements. Finally, he asked that the envisaged ILO policy also integrate the need for empowerment and capacity building of trade unions.
- 114.** The Employer Vice-Chairperson expressed his support for the Office's work on microfinance. There were many opportunities for the Office to work with employers' organizations, as suggested in paragraphs 22 and 23 of the paper. The Office could contribute particularly in the field of governance to ensure that microfinance programmes were set up appropriately and operated transparently. If appropriate structures existed, the funding of microfinance programmes would be assured by national or international donors. Remittances could play an important role in the financing of microlending programmes. Such funds should be established in the country where remittances originated. It was essential for the ILO to build partnerships not only with the employers' organizations but also with international financial institutions and commercial banks, which played an important role in transferring remittances at low costs. Finally, he welcomed the attention the Office gave to that very important issue and was looking forward to specific proposals at the November 2005 session of the Committee.
- 115.** The representative of the Government of Sudan, speaking on behalf of the Africa group, pointed out the importance of employment creation policies for poverty alleviation. That could be realized through sustainable projects and in partnership with NGOs and financing institutions. Microfinance could help the working poor to sustain their jobs and incomes through financial institutions' networks, lending funds with appropriate interest rates. Governments could also create special investment funds. Besides reducing poverty, microfinance helped to ensure security and stability, protect the environment and empower

women. Building constituents' capacities was needed to improve awareness of financing tools for micro-enterprises. In conclusion, he supported the point for decision.

- 116.** The representative of the Government of El Salvador, speaking on behalf of GRULAC, pointed out that microfinance was essential for the reduction of poverty and social exclusion as well as an important means to reach the strategic objectives of the ILO and the MDGs. Furthermore, microfinance allowed for the democratization of economic activities and created the conditions to integrate the informal into the formal economy. He regretted that in certain cases the acceptable aims of microfinance could be subverted; it was therefore important that appropriate regulatory measures should be taken to avoid this risk. He welcomed the cooperation of the ILO with other international organizations and drew attention to the work of the Microcredit Summit Campaign and to the Regional Microcredit Summit for Latin America and the Caribbean that would take place in April 2005 in Santiago de Chile. Bearing in mind the comparative advantages of the ILO, it was necessary to accelerate the formulation of a microfinance policy to ensure that the developing countries benefited from the potential of microfinance and its social implications. GRULAC supported the point for decision.
- 117.** The representative of the Government of Japan, speaking on behalf of ASPAG, stated that microfinance was a very useful tool within the decent work approach to employment creation. He referred to the Conference of Labour Ministers in December 2003 and the G8 Summit in June 2004, where it was confirmed that microfinance was useful for the passage from unemployment to self-employment, as well as for the formalization of informal economies. Several technical cooperation programmes in the region served as good examples that emphasized the need for continuous focus on microfinance in technical cooperation schemes. ASPAG supported the future directions of the Office stated in paragraphs 22 and 23 and endorsed the point for decision, with due consideration to be given to human resources and budget constraints when developing the work programme. Finally, he called for an effective monitoring system.
- 118.** Speaking specifically for the Government of Japan, he underlined the complementarities of training and microfinance. He referred to the employment promotion programme in China funded by his country, where unemployed workers were supported in starting their own business through training, microfinance and follow-up services. There was strong empirical evidence that start-up training alone did not create as many jobs as when complemented with microfinance. The ILO should continue such programmes as they promoted the Decent Work Agenda.
- 119.** The representative of the Government of France, speaking on behalf of IMEC, welcomed the document, which clearly summarized the ILO's contribution to microfinance. Referring to the International Year of Microcredit as a moment to review the ILO's involvement in microfinance, he expressed appreciation for the work the Office was undertaking in that area as succinctly shown in the paper, linking up with the strategic objectives and the focus of the comparative advantage of the ILO on that topic, ending with a clear presentation on future directions. That was exactly the type of document the Committee had asked for in the past. He also welcomed efforts to develop partnerships with other international organizations, such as those mentioned in paragraph 9. He took note of the peer review that was conducted in February 2003 by the Consultative Group to Assist the Poorest (CGAP) and supported such evaluation practices. IMEC agreed with the analysis of the ILO's comparative advantages highlighted in the document, while insisting on the support that should be brought to constituents locally and the importance of microfinance in the transformation of informal economies. He referred to examples in France and Germany on the use of microfinance as a tool in the context of active labour market policies, supporting self-employment programmes. Finally, he endorsed paragraphs 22-24 and asked the Office to take into consideration the conclusions of the

CGAP peer review about a shared vision on pro-poor financial services and on a strengthened microfinance focal point in the ILO. The Office's capacity to establish and operate social networks constituted a major asset.

- 120.** The representative of the Government of India expressed his support for the ILO policy approach and the operational priorities in serving the poor with financial services rather than seeking business opportunities. Pointing to the important role of microfinance in poverty reduction by organizing the poor, strengthening democratic institutions at the local level and promoting self-employment, he noted the increasing number of microfinance institutions around the world, including commercial banks that had diversified their microfinance activities. It was necessary to create an environment conducive to the creation of more and better jobs. The social benefits of microfinance depended on the availability of resources and should not be subject to any preconditions. He therefore found it difficult to support the idea of transforming the concept of decent work into a credit allocation tool as mentioned in the Office paper. Finally, he acknowledged that the ILO was well positioned to influence institutions of social finance, to design financial services and to assist individual countries in their fight against poverty, illiteracy and unemployment.
- 121.** The representative of the Government of Kenya welcomed the recommendations made in the Office paper. She stressed that a significant number of workers were to be found in small and micro-enterprises. The unemployed needed capital to start and expand businesses. Microfinance was a vital tool to further the ILO's strategic objectives. Microfinance also could reduce vulnerability and empower the poor to organize and create social capital. At the African Union Extraordinary Summit on Employment and Poverty Alleviation in Africa, microfinance had been identified as a key strategy. Microfinance was able to address the plight of the poor, who often had no access to credit facilities, and, given the ILO's comparative advantage, had the potential to expand financial markets, opening up self-employment opportunities for retrenched workers. The ILO could reach all constituents through dissemination of good practices and advocating social finance to be put on the international agenda. She recalled that the Director-General had committed the ILO towards greater aid effectiveness. The SYNDICOOP project, which organized informal economy workers and upgraded them into the formal economy, was a good example in that regard. She acknowledged the support Kenya had received from the ILO in the establishment of a guarantee fund that supported the provision of loans to disabled people. Finally, her Government supported the recommendations and endorsed the point for decision in paragraph 24.
- 122.** The representative of the Government of the Islamic Republic of Iran linked financial policy to global security and the changes in the income level of the poor to the performance of financial systems. He pointed out that microfinance could have a significant role in the implementation of the Decent Work Agenda. The events and initiatives listed in paragraph 9 sent a message to the ILO's constituents regarding the relevance of microfinance for implementing the ILO's strategic objectives, particularly the realization of fundamental rights at work. Governments and employers' and workers' organizations had a role to play through the creation of microfinance funds, capacity building or encouragement of other financial services to tackle vulnerability. He underlined the importance of governmental action in ensuring easy and fair access to microfinance, a process in which the Office could assist. Finally, he referred to the Iranian Job Opportunities Support Fund, which had long experience in providing financial assistance to the unemployed.
- 123.** The representative of the Government of Barbados, speaking on behalf of the English-speaking Caribbean, underlined the importance of microfinance in achieving the objective of decent work. To support that link, other factors also had to be in place, such as training,

safety and health legislation, core labour standards, and minimum wage legislation. She emphasized the importance of microinsurance, particularly in crisis situations such as those caused by recent hurricanes and flooding in the region. She also suggested considering microfinance together with other support services to entrepreneurs and the implementation of legal and administrative mechanisms that were necessary to facilitate decent work. Finally, she underlined the role the ILO had in sharing successful experiences and building the capacity of governments.

- 124.** Mr. Anand (Employer member) referred to his personal experience with the Social Finance Programme in India. He asked that work on mainstreaming the informal into the formal economy be continued. Pointing to the important role of support for micro-enterprises, he expressed his hope for an increase of the budget allocation for the Employment Sector and an expansion of the activities in the field of social finance.
- 125.** In his response, Mr. Balkenhol assured the Committee that the Office would continue to focus on the positive and good uses of microfinance. Work on the ILO draft policy statement would include measures to reduce usurious practices. The draft policy statement would also emphasize the full range of microfinance: credit, savings, insurance, transfer payments, etc.
- 126.** The Worker Vice-Chairperson associated himself with the concern expressed by GRULAC regarding abusive practices in the textile and footwear sector. He also reiterated the need to reduce transaction costs for remittances and to change commercial banking in such a way that the currently unbankable would become bankable. He referred to an example in South Africa where the trade unions had come to an agreement with the financial sector on re-engineering its products and reducing the costs for the provision of its services.
- 127.** *The Committee on Employment and Social Policy, having reviewed the policy approach and operational priorities suggested in the paper, recommends, with a view to mobilizing extra-budgetary funding to support the contribution of microfinance to the Decent Work Agenda, that the Governing Body request the Officers of the Committee to draft a short statement of ILO policy, to be submitted to the Governing Body in November 2005.*

Geneva, 22 March 2005.

Point for decision: Paragraph 127.

(Signed) Ambassador Masood-Khan,
Chairperson of the Committee.