



FIRST ITEM ON THE AGENDA

A stronger social dimension of globalization: Follow-up to the November 2004 meeting of the Working Party**Update**

1. The report of the World Commission has continued to attract attention and support in the period since the last Governing Body meeting. An indication of the widespread appreciation for this report came in the adoption by consensus of a resolution¹ in the United Nations General Assembly in December. The resolution considered the report as a contribution to the international dialogue towards a fully inclusive and equitable globalization, invited UN system organizations and Member States to consider the report and requested the Secretary-General to take it into account in his own report reviewing the follow-up to the Millennium Summit. At the UN Commission for Social Development meeting in February, many speakers made favourable reference to the report. High-level support for the work of the World Commission came also in the conclusions of the European Council meeting at the level of Heads of Government in December, and in systematic interest in and support for the World Commission in the work of the institutions of the European Union, including the European Commission itself, the Committee of the Regions and the European Economic and Social Committee. The European Commission's new Social Agenda for 2005-10 endorses the World Commission's call for decent work to become a global goal, and follow-up to the report is on the agenda of the Employment and Social Affairs Committee of the European Council.
2. The World Commission's report has been discussed at a number of important gatherings; not least at the ILO's own European Regional Meeting, where a special session at ministerial level confirmed widespread support for the follow-up to the report. A high-level panel discussion among the Prime Ministers of Hungary, Kazakhstan, Luxemburg and Malta, the General Secretary of the European Trade Union Confederation (ETUC) and the President of the International Organisation of Employers (IOE) also underlined the importance of globalization for the development of social policy and employment creation. At the International Confederation of Free Trade Unions (ICFTU) 18th World Congress in Miyasaki, Japan, in the presence of President Mkapa, President Halonen and the Director-General, the report was welcomed and a goal of globalization, decent work and sustainable

¹ <http://www.ilo.org/public/english/bureau/inf/pr/2004/55.htm>.

development was established, building on key ILO instruments. The principal trade union confederations (ICFTU, World Confederation of Labour (WCL), ETUC) organized a series of seminars on the social dimension of globalization in the World Social Forum in Porto Alegre in January, in order to debate ideas and policy approaches, especially those emerging from the World Commission's report, with civil society and with members of the Commission present in the forum. The World Economic Forum in Davos used the Commission's report as a basis for several sessions around the topic of globalization. Interestingly, participants voted the issues of poverty and an equitable globalization as the top two tough issues for priority on the global agenda

3. A high-level policy dialogue was held in Germany on employment intensive growth, Millennium Development Goals and the role of the private sector, with the participation of President Mkapa and the Minister for Development Cooperation of Germany, UN officials and business leaders from developing countries and Germany. The French Economic and Social Council has examined the report at the request of the Prime Minister, and unanimously adopted an extensive and supportive opinion, suggesting a number of ways in which the report may be followed up in France. In November, the Confederation of Indian Employers and the Federation of Indian Chambers of Commerce and Industry invited the Director-General to address a luncheon meeting on the report. In his address at the UN University in Tokyo in December, the Director-General focused on the importance of a social dimension to globalization for youth employment. The Director-General was also invited to present the report for discussion at tripartite national events in Buenos Aires in December and in Santiago in January. The report was reviewed at the first International Forum for Development in New York, and in international academic seminars in Geneva (UNRISD), Salt Lake City, Beirut and Dakar. The Government of Tanzania has formed a national multidisciplinary technical task force to examine how the report may be used to assist policy development at national level, and national level action to follow up the report is being pursued in a number of other countries. The World Commission's report served as a foundation for the work of the Helsinki Process on Globalization and Democracy. In total, the Office knows of some 70 events of various types at national, regional and global level that have discussed the report of the World Commission since its launch just over one year ago.

The present paper

4. In its meeting during the November 2004 Governing Body session, the Working Party requested that the Office prepare a paper offering proposals on how the International Labour Organization could take forward ideas for strengthening the social dimension of globalization. These proposals should be based on the views expressed in the Working Party (March and November 2004) and in the Conference (June 2004) on the Report of the Director-General on the role of the ILO in a fair globalization, and on the recommendations of the World Commission.
5. The Working Party also identified a number of priorities for the follow-up, reflected in the oral report of the Chairperson.² These included the need to ensure that decent work becomes a global goal, and to that end to ensure that this commitment is reflected in international action, and to boost implementation of decent work programmes at national level, including their role in poverty reduction strategies. Greater policy coherence was a fundamental objective, and improved dialogue with the international economic and financial institutions was highly desirable. The importance of small enterprise development, youth employment and other aspects of the Global Employment Agenda, and

² GB.291/14 (Rev.2)

the fundamental role of standards were both underlined. More attention needed to be paid to export processing zones, to corporate social responsibility, to the social impact of the restructuring of the global textiles and garments sector and the integration of the informal economy, among other issues.

6. A variety of elements and activities described in the Programme and Budget proposals for 2006-07 address these questions, including InFocus initiatives on export processing zones, corporate social responsibility and the informal economy. The present paper does not replicate these proposals, but rather explores further some new options and approaches through which the ILO and its constituents might strengthen their action and influence, in particular by developing platforms which attract new partners to the goals and values of the Organization.
7. The paper describes possible action with respect to three mechanisms suggested by the World Commission: “policy coherence initiatives” (PCIs); a “globalization policy forum” (GPF); and “policy development dialogues” (PDDs). In the Conference and the Working Party, many ILO constituents expressed interest in one or more of these proposed mechanisms as a means to take forward the ILO’s Decent Work Agenda, and increase the influence and impact of the Organization and its constituents. However, some speakers underlined the need to respect the priorities which had been established for ILO programmes, or expressed reservations about new activities in a situation of tight resource constraints.
8. All these proposed mechanisms, well managed, could contribute to the broader aim of making decent work a global goal. Each would approach this shared aim from a different angle. Thus, the PCIs would aim to address the impediments to decent work currently arising from incoherence among existing policies. A globalization policy forum would promote broad exchange of ideas and debate among diverse perspectives on the contribution of decent work to a fully inclusive and equitable globalization. The PDDs would provide a space for enhanced policy dialogue by bringing other relevant actors, especially multilateral bodies, into dialogue with ILO constituents to build ways to overcome the absence or inadequacy of policy in a fast-changing world – “policy gaps” – which can constrain the promotion of decent work.

Policy coherence initiative (PCI)

9. In the meetings of the Working Party and the Conference in 2004, broad support was expressed for the goal of strengthening partnerships within the multilateral system. The paper submitted to the November meeting of the Working Party elaborated on the rationale for building more and stronger partnerships and suggested some initial steps that might be taken. In this context, the discussion in the Working Party revealed specific interest in the recommendation concerning the launching of PCIs related to the ILO’s goals.
10. It ought to be stressed that the issue of policy coherence is already addressed within the ongoing work of the ILO. The Global Employment Agenda, for example, had already emphasized the need for “global partnerships” within the multilateral system in recognition that no one actor alone could succeed in bringing productive employment closer to the heart of economic and social policies. In its technical advisory work at the national level on employment strategies, or in its work on Poverty Reduction Strategy Papers (PRSP), the Office has found that when it engages with the key economic agencies – the ministries of finance or the national planning commissions, for example – support to the promotion of productive employment is substantially enhanced as a result. The Youth Employment Network, which brings together the ILO, the World Bank and the UN Secretariat in action

to address the global challenge of youth employment, is also in part an effort to achieve policy coherence among these three organizations.

11. A particularly good example of the ILO's ongoing involvement in efforts to promote greater policy coherence was the issues paper submitted to the Extraordinary Summit of the African Union on employment and poverty reduction in Africa, in Ouagadougou in September 2004. The ILO played a substantial role in drafting that paper along with some 15 other agencies of the multilateral system, and the result was a coherent whole. The subsequent endorsement at the Summit of the need for policy coherence and of the ILO's role in its promotion was articulated by the African Union Heads of State whose Declaration on Employment and Poverty Alleviation supported "the continuing efforts made by our Governments, social partners and civil society organizations to promote the decent work development agenda of the ILO", pledged to develop and implement "strategies that give young people in Africa a real chance to find decent and productive work" through collaboration with the UN, ILO, and the World Bank, and placed "employment creation as an explicit and central objective of our economic and social policies".³
12. It will be recalled that the World Commission had recommended that PCIs be undertaken by the relevant organizations on key aspects of the social dimension of globalization. The objective would be to progressively develop integrated policy proposals that appropriately balance economic, social and developmental concerns on specific issues. The Commission also called, in the first instance, on the Executive Heads of the relevant UN bodies, the World Bank, the IMF, the WTO and the ILO to address the question of global growth, investment and employment creation through such an initiative. Any policy proposals arising out of this work would then be submitted to the governing organs of all participating organizations for their consideration. Many speakers supported this idea in the ILC and meetings of the Working Party in 2004.
13. In order to explore the scope for such an initiative, two informal technical consultations were organized by the ILO in May and November 2004 on the issue of growth, investment and employment in the global economy. Staff from UN/DESA, UNCTAD, IFAD, the World Bank, IMF, WTO, UNIDO, UNDP and FAO participated in these consultations, in addition to ILO staff and participants from workers' and employers' organizations, present in their personal capacities. The purpose was to examine the merits of the case for policy coherence and to explore the scope for collaborative work among the participating agencies on the issue of employment in the global economy. It was made clear from the outset that participation by the agencies in these consultations did not imply any formal endorsement of the World Commission's recommendation on the launching of PCIs, nor was the PCI itself being initiated. The discussions were purely on substantive technical issues, focused on identifying current gaps in knowledge and research priorities in the light of this.
14. There was general agreement that employment was a key goal on which policy coherence was important, and that it would be useful to collaborate in the task of identifying policies that could enhance the employment impact of globalization. These views echoed those expressed in the Working Party in its November 2004 session. While the Working Party noted that each agency needed to stick to its own mandate in a PCI of this nature, the aim of improving the existing dialogue with the international financial institutions was deemed a highly desirable goal, and it was further acknowledged that in looking at growth, investment and jobs, there were areas of overlap.

³ African Union, *Declaration on employment and poverty alleviation in Africa*, EXT/ASSEMBLY/AU/3(III).

15. In the technical consultation meeting on the PCI, two topics were identified on which further preliminary work was needed. One of these concerned the widely divergent impact of growth on employment and the quality of work across countries, and the extent to which differences in the degree of coherence among policies could partially explain this divergence. The second topic concerned labour market policies and institutions for improving employment outcomes in developing countries. The focus would be on the effects of labour market policies and institutions on the informal and formal economies, on the promotion of small enterprise development, and on employment creation and social protection. The ILO is taking the lead in preparing substantive technical papers on both these topics, within its existing programme, which would permit ILO constituents and other multilateral agencies to determine priorities for a full PCI.
16. The above process has provided useful pointers on how the promotion of policy coherence within the multilateral system might be pursued. By their very nature, PCIs involve issues that cut across the mandates of several agencies and this immediately raises the question of how joint work can be organized, given the existing configuration of agency mandates. For example, on the issue of employment, it is widely recognized that macroeconomic policies exert a strong influence on the level of employment. These policies should thus be an important part of any policy coherence initiative on employment. However, this will be difficult to achieve in practice unless the agencies responsible for these policies agree to an assessment of the appropriateness of existing policies and the processes through which they are currently determined.
17. Efforts are already under way in the Office to strengthen the knowledge-base on the issue of policy coherence in the area of growth, investment, and employment creation in the global economy, as part of the work under the 2004-05 programme and budget. Given budget constraints, efforts are also being made to raise extra-budgetary funding for research in this area. In addition, the Office is developing partnerships and exchanges with research institutions that have technical expertise on these issues.
18. At the political level, there has been support from several Heads of State and Government for the goal of greater policy coherence and more integrated and consistent strategies. Notably, President Chirac and President Lula expressed this among others on the occasion of the United Nations General Assembly in 2004. A significant development was the support expressed by Chancellor Schröder of Germany (to the Director-General during their meeting in Berlin last October) on the need to address this issue. The German Government has announced its intention to hold a meeting on employment creation and policy coherence to follow up the report later in 2005.
19. There has thus been some progress in preparing the ground for the launching of a first PCI on growth, investment and employment. This has been achieved with only a modest commitment of staff and non-staff costs. The outlay of human and financial resources in this endeavour is congruent with the ongoing workplans of several units of the Office, such as the Employment Strategy Department and the International Policy Group in the Policy Integration Department. The Office believes that the necessary work for a PCI could be accommodated within the regular programmes of the relevant Office units (and those of other organizations), pooling some of their efforts, and reinforced with extra-budgetary resources.
20. It should be noted that other subjects for PCIs have been suggested, such as the integration of the informal economy, and the Working Party may wish to consider whether this approach should be applied to a wider range of concerns.

A globalization policy forum (GPF)

21. In order to strengthen dialogue among different perspectives on globalization, the World Commission proposed the setting up of a GPF. Such a forum would provide a space “to bring together the agencies of the multilateral system, and in particular the United Nations and its specialized agencies, with other organizations, groups and individuals that are concerned with the social dimension of globalization.”⁴ A GPF would provide an opportunity for more open debate and dialogue on the social impact of major global developments and of changes in global rules and policies. It could, for instance, provide a space for developing new thinking and partnerships on key global concerns such as the informal economy.
22. The Commission requested the ILO to take the initiative to follow up this recommendation in cooperation with interested international organizations. It would therefore be necessary to build a partnership with other organizations of the UN system in the design and development of this proposal. Informal expressions of interest have already been received from several organizations suggesting that such a partnership is possible.
23. In the ILC discussion in June, many speakers, including worker and government representatives from different parts of the world, referred favourably to the proposal for a policy forum. It was felt that this could provide a space for debate and policy development that was missing at present at the global level, and that the ILO’s constituents might well find such a forum to be a useful platform for the exchange and development of ideas, and a space to take forward the ILO’s own goals and values. At the Working Party meeting in November, and in the PFAC discussion of the Strategic Policy Framework, there was again support for this proposal from the Workers’ group and some governments. However, the Employers’ group did not support this initiative, which they did not consider a priority for the ILO, and expressed concern that it might divert resources from core programmes. Some governments expressed similar reservations. The Office was invited to provide fuller and more specific information.
24. This issue requires further consultation with the tripartite constituency if agreement is to be reached on an approach that meets all concerns and interests. The following paragraphs suggest how a forum might develop, and the shape it might take, so as to provide reference points for discussion.
25. A GPF would engage representatives of the ILO’s tripartite constituency along with participants from other UN organizations, and prominent and respected policy actors from the different communities concerned with the social dimension of globalization, including not only government, business and labour but also parliamentarians, local or municipal authorities, academia, personalities from the media or civil society and other influential circles. It would aim to promote and facilitate constructive debate across these different perspectives, with a view to expanding the common ground for policy development for a fully inclusive and equitable globalization. It would in particular serve to mobilize a wide range of actors around the contribution of decent work to a fair globalization. The substantive results of the forum would be reported to the Working Party in the form of summaries of debates and the identification of possible areas of interest for follow up.
26. A recent precedent for an ILO public forum of this nature was the Global Employment Forum held in 2001. There was an audience of several hundred for a high-level programme of lectures, debates, presentations and media events. Speakers reflected a range of views and positions, as they would in a GPF, including influential voices from policy circles,

⁴ World Commission’s report, para. 620.

think-tanks, the media, business, labour and civil society from different parts of the world. The meeting had an agenda that was sufficiently broad to capture the interest of these different groups. There was no agreed report or conclusions, but a variety of documents were prepared by participants and made publicly available.

27. The success of the Global Employment Forum suggests that it offers a good model for a GPF for several reasons. First, it was planned and organized with the full participation of the ILO's tripartite constituents. This ensured that the themes explored were a comprehensive reflection of the interests and concerns of ILO constituents. Second, the Forum proved to be an excellent way in which to engage other agencies of the multilateral system – as well as prominent actors from political, academic and civil society spheres – in issues of concern to the ILO, and also to them. It was as such an important tool of advocacy and visibility for ILO concerns, giving those concerns a broader airing. Thirdly, the Forum proved to be an important catalyst for further activities. The momentum that the Forum gave to the elaboration and subsequent endorsement of the Global Employment Agenda and its implementation was a clear, positive outcome. Experience gained in organizing that Forum stands the Office in good stead for any future similar event.
28. The costs of a GPF would of course depend on the precise scale of the event. The total cost of the Global Employment Forum in 2001 was about US\$525,000. There was significant support from an extra-budgetary donor (the Swiss Government made a generous contribution) and this would no doubt be desirable for a GPF as well. Cost-sharing with other interested UN organizations might also be sought.
29. A more limited concept would be for the Governing Body to ask the Office to organize a smaller event in collaboration with several organizations of the UN system. Such an event might bring together some 80 to 100 participants of the highest possible level, reflecting a range of views and positions from different parts of the world. It would be of value in its own right, and could also help establish the parameters and possible themes of a wider forum. A first meeting might discuss a particular policy issue derived from the World Commission's report. There would be keynote statements and panels, and the meeting would aim to result in suggestions for priorities and possible actions, which would be submitted to the Governing Body and to other major global policy making meetings and groups. The costs of such an event would of course be significantly lower than the model of the Global Employment Forum, although the support of an extra-budgetary donor might well still be necessary.
30. Should the Governing Body wish the Office to move forward, the design of a forum must take into account the experience of other initiatives under way, and ensure that it is complementary to these. It should be designed in such a way as to serve both the ILO's agenda and also to mobilize a range of actors to support the tripartite constituency in their efforts to promote debate and dialogue. In elaborating this concept, the modalities for the organization of an event should be developed in consultation with the Officers of the Governing Body. A forum might be held in conjunction with a meeting of the Chief Executive Board, to facilitate top level UN participation. The first forum could be envisaged for 2006.

Policy development dialogues (PDDs)

31. The report of the World Commission identified a need for dialogue on policy gaps at the international level, in particular on fields that could foster better social outcomes alongside increased economic interdependence. It proposed a process of dialogue among representatives from the relevant policy-making communities and key stakeholders, which it called "policy development dialogues".

- 32.** The issue and the proposed solution are of direct relevance to a number of policy questions related to the role of the ILO in shaping a fair globalization. First, there are developments in the international economy of concern to ILO constituents that have remained largely unaddressed in policy terms. The mechanism of a PDD would enable an exchange of views among interested parties as to whether a policy gap needed to be filled. Second, with rising economic interdependence, many of the core elements of the ILO's mandate have grown increasingly contingent on policy spheres beyond the immediate world of work. Third, bringing other important partners into dialogue with ILO constituents on these matters helps to ensure that ILO values and approaches are understood and taken into account.
- 33.** One of the topics suggested for PDDs in the World Commission's report and of great current relevance to the world of work is that of structural adaptation to the effects of increased economic openness. The consequential more rapid rate of employment transitions raises the question of labour market "preparedness", or the ability of people to change jobs at minimum personal and social cost. This impact on the labour market of intensified global competition is a topic on which international policy is largely silent. At a time when many countries have to respond to the same challenges, dialogue at the international level could identify ways to smooth adaptation and reveal opportunities for collaborative action or mutual support.
- 34.** In this regard, a major topic of current concern for employers' and workers' organizations in the textile and garment sectors, and the governments of countries where this industry has a significant presence, is the impact of the ending of the GATT authorized quota system known as the Arrangement on Textiles and Clothing. Its expiration on 1 January 2005 exposes firms and their employees in many countries to much fiercer global competition and the possibility of losing a major part of their market share resulting in widespread job losses. In response to widespread requests from constituents, the ILO has already undertaken to analyse the consequences of this change in the trade rules for decent work, in preparation for a tripartite meeting foreseen for September 2005.
- 35.** The scale of the changes wrought by the shift to a more open trade regime for textiles and clothing means that a purely enterprise or industry response is unlikely to be sufficient. Building on the tripartite foundation provided by the ILO's industry committees, a wider policy dialogue might be a productive instrument for addressing the global policy issue of combining structural adaptation and security for workers and employers, communities and in some cases the whole economy. Such a dialogue could involve the international organizations with the potential to effect change in that sector, such as the UNIDO, UNCTAD, the WTO, the World Bank, OECD and others. It would, of course, involve the social partners and could be extended to other bodies such as local authorities that have seen either gains or losses in labour market outcomes in their communities as a result of trade-induced structural change.
- 36.** Other topics related to the theme of policies to promote employment and enterprise flexibility and security in the face of intensified international competition were mentioned by a number of speakers at the November meeting of the Working Party. The Employers drew attention to the crucial importance to development and decent work of the promotion of entrepreneurship, the creation of small enterprises and enhanced skill development. The Workers added that these issues were key elements of the Global Employment Agenda and connected to the promotion of respect for international labour standards. In this connection, Worker members also suggested that export processing zones could be an appropriate subject for a PDD. The Employers proposed that the issue of corporate social responsibility should be examined by the Working Party.
- 37.** The Working Party may wish to invite its officers to develop further modalities for PDDs and the selection of topics that might prove fruitful for such dialogues.

Other follow-up

38. There is a variety of ways in which the ILO's contribution to a fair globalization meshes naturally with the ongoing work of the Office, on which the Governing Body will be informed through the normal reporting procedures. For instance, work at the national level to better assess the impact of globalization on decent work, and to develop integrated policy responses to globalization, will in many cases form part of the decent work country programmes to be developed by constituents in each country with ILO support. Outcomes of this work would be reported to the Committee on Employment and Social Policy in the context of its examination of the Global Employment Agenda, the Decent Work Pilot Programme and the PRSP work, and to the Committee on Technical Cooperation.
39. A number of other issues may be explored further, such as the proposal for a regular "State of globalization report" to be prepared as a joint endeavour among international organizations, in cooperation with global research networks. The Director-General's report to the 2004 ILC highlights other issues raised by the World Commission which fall naturally within the work programme of the organization – such as work to follow up the ILC 2004 conclusions on migrant workers.
40. Consultations are also under way on possible ways to strengthen the ILO's capacity to deal with global social policy issues, following the discussion of this issue in the November 2004 Working Party meeting. Depending on progress with these consultations, the issue may be examined further in November 2005.

Conclusion

41. The Working Party is invited to give its views on:
 - (a) the proposals for work on policy coherence and the interest of the Working Party in pursuing the idea of a policy coherence initiative (PCI) among concerned multilateral organizations on growth, investment and employment (and perhaps on other issues within the Decent Work Agenda);
 - (b) the steps which might be taken to explore further the proposal to hold a globalization policy forum (GPF);
 - (c) the potential value of a policy development dialogue (PDD) on the issue of combining structural adaptation to change in the global economy with security for workers and employers and other related topics; and
 - (d) other priority areas of follow-up within the ILO's mandate.

Geneva, 25 February 2005.

Submitted for discussion.