REPORT OF THE DIRECTOR-GENERAL

Reducing the DECENT WORK DEFICIT:

A global challenge

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1.1. Putting the new framework in place

I was elected Director-General of the ILO with a mandate for modernization and renewal. Two years ago, in response to my first Report to the Conference,[1] you approved an agenda to meet that purpose. It had several objectives:

- to focus the ILO's energies on decent work as a major global demand of our time;
- to develop a strong consensus on common ground shared by all three of the ILO's constituents – governments, workers and employers – in order to strengthen cohesive tripartism and collective action;
- to serve as the guiding principle for the institutional reform and modernization of the ILO;
- to give us a sharper policy identity in the minds of people, in order to help us in our dialogue and interaction with other institutions and actors.

These objectives remain. We have made progress. Much more needs to be done. With scarce resources, we must pursue our strategic focus with clarity.

Today, I propose that we jointly assess our common endeavours to translate decent work into realizable programmes and activities, within the context of a changing global economy. In our debates in the Conference, we must all ask ourselves: what can we do together and individually to strengthen the ILO and make it more effective? What are the key issues on which the ILO needs to be further empowered?

[1] ILO: *Decent work*, Report of the Director-General, International Labour Conference, 87th Session, Geneva, 1999.

Inevitably, in an enterprise of this magnitude – one that touches on all the Organization's activities – there are bound to be difficult issues, obstacles and potential controversy. This is only natural. It is the expression of an institution that is alive with the energy and complexities of change. We must address these issues frankly, in a spirit of constructive dialogue.

My report is presented in this spirit. It is about "work in progress" – making decent work happen. It is about the steps we have taken; the obstacles we face; and the new opportunities we now have to realize decent work in practice.

Getting going

As Director-General, my first concern has been to take steps to enable the Organization's programming, budgeting and institutional structures to deliver coherent programmes on decent work. Together we have moved forward.

- We have reorganized the Office and our work programme around four strategic objectives: standards and fundamental principles and rights at work; employment; social protection; and social dialogue, with gender and development as cross-cutting priority themes.
- We have created eight InFocus programmes. Some of these are entirely new, such as the Programmes on Promoting the Declaration, Crisis Response and Socio-Economic Security. Others, such as SafeWork, extend, restructure and revitalize existing programmes.
- We have broken new ground by putting in place a strategic programme and budget.[2]
- We have prepared a strategic policy framework to guide our programmes in the medium term.[3]
- We have broadened the base of extra-budgetary support (though it is not yet sufficient to the need nor adequately diversified by country and strategic objective).
- We have put in place a systematic policy on gender equality and gender mainstreaming which the Governing Body discussed in

[2] See ILO: Governing Body doc. GB.274/PFA/9/1, 274th Session, Geneva, Mar. 1999.

[3] See ILO: Governing Body doc. GB.279/PFA/6, 279th Session, Geneva, Nov. 2000.

March 2000,[4] and which was very well reviewed in a United Nations comparative study on mainstreaming gender in programming and budget systems.[5]

- We are renewing our human resource policies and procedures, and have put in place a process of collective bargaining with the Staff Union.
- We have created a senior management team to promote a more collegial approach.
- We have begun a consensus-based process to make our work in standard setting, promotion and application more efficient and effective by grouping families of standards; and we have made fuller use of the potential of the ILO's constitutional capabilities to promote the application of standards.
- We have raised the Organization's profile through more effective advocacy and communications.
- In cooperation with UNAIDS, we have launched a major Programme on HIV/AIDS in the World of Work.
- We have begun the process of making the Declaration on Fundamental Principles and Rights at Work operational through the Annual and Global Reports, substantially increasing the information available on basic rights and principles at work as well as the technical cooperation for their implementation.
- We have built a successful campaign around the ratification of the Worst Forms of Child Labour Convention, 1999 (No. 182). We already have over 70 ratifications in only two years, the fastest ratification rate of any Convention in ILO history.
- We have launched a necessary and timely process of reflection on the future of social security, which is being discussed during this Conference.
- In response to calls from our constituents and from the General Assembly of the United Nations, we are preparing a Global Agenda for Employment and will organize the first ever Global Employment Forum in November 2001.

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[4] See ILO: Governing Body doc. GB.277/5/2, 277th Session, Geneva, Mar. 2000 for the ILO Action Plan on Gender Equality and Mainstreaming; and Circular No. 564 of Dec. 1999.

[5] See United Nations Inter-Agency Committee on Women and Gender Equality: *Mainstreaming gender perspectives into programme budget processes within the United Nations system, Synthesis Report*, New York, May/June 2000.

The basic components required for the Office to move forward with the Decent Work Agenda are therefore in place.

Our next task is to address the hard issues of creating an integrated policy framework within the ILO, at the national level and as our contribution to coherence within the multilateral system. The ideas underlying decent work have always been part of the ILO's vision. We are building on the strong foundations of an 80-year history. However, it has traditionally been difficult to develop a capacity for integrated thinking, cooperation among programmes and a sense of teamwork within the Office. This has also been true of our constituents, who have tended to pick and choose their preferences from the ILO menu. This has regularly come to the fore in the programme and budget debates.

I honestly believe that a fragmented ILO has no future. We need to change old habits. That is why your endorsement of the Decent Work Agenda as a whole had such strategic value. Only by addressing the four strategic objectives simultaneously can we maintain momentum and cohesion. We all have to look beyond our immediate concerns or specific interests towards the integrated development of our common agenda. If we are creative enough, we have the opportunity of reconciling the interests of people, the environment and markets.

What have we learned?

Moving forward from formulation to implementation has helped us to clarify the different dimensions of decent work, which in turn has deepened the understanding of the notion, as well as expanding the audience that supports it. It has also permitted us to better address legitimate questions about its practical application. There are four ways in which decent work contributes to the execution of the ILO's mandate.

Firstly, it is a *goal*. It reflects in clear language a universal aspiration of people everywhere. It connects with their hopes to obtain productive work in conditions of freedom, equity, security and human dignity. It is both a personal goal for individuals and a development goal for countries.

Secondly, it provides a *policy framework*. The four strategic objectives combine the ILO's historic mandate in the field of rights at work, social dialogue and social protection, with a growth and development agenda built around employment and enterprise. The fact that they are integrated into a single agenda offers a framework for

policy-making which holds out prospects of a coherent approach to shared goals. This approach also provides the basis for a longer-term joint commitment of the ILO's tripartite constituents, permitting them to reach accommodation on immediate issues that could, if taken in isolation, divide them.

Thirdly, it is a *method of organizing programmes and activities*. Building the ILO's programme around the four strategic objectives of the Decent Work Agenda has permitted the Office to establish targets and performance indicators which, for the first time, enable it to measure progress and to be accountable to constituents.[6]

Fourthly, it is a *platform for external dialogue and partnership*. Precisely because it is a far-reaching and integrated agenda, which is readily understood, it provides a policy platform for external dialogue and partnership with other organizations of the multilateral system and civil society. It is an instrument for engaging the world beyond the ILO's walls.

The Decent Work Agenda is an ambitious programme. It is more a signpost than a blueprint. It is a theme which has to be expressed in different regional and national contexts, which demands the creative joint endeavour of both the Office and the constituents, and which has to be developed through dialogue on shared experience.

1.2. The goal of decent work in a changing world

A survey of the world we work in today points to an inescapable conclusion: the deep-rooted significance of work for all people everywhere. And there is profound concern about a global decent work deficit of immense proportions, reflecting the diverse inequalities of our societies. Unless we tackle this deficit, the goal of social justice will remain beyond our grasp.

The significance of work

Every day we are reminded that, for everybody, work is a defining feature of human existence.[7] It is the means of sustaining life and

[6] The present stage of this process is reflected in the Programme and Budget proposals for 2002-03, which are before this session of the Conference for adoption. See: Governing Body doc. GB.280/PFA/7, 280th Session, Geneva, Mar. 2001.

[7] I use the term "work" because it is wider than "employment" or "job". It includes wage employment, self-employment and home working. It also includes the range of activities in the informal economy and the care economy. It is therefore a comprehensive notion which corresponds to the idea that decent work is a universal aspiration.

of meeting basic needs. But it is also the activity through which individuals affirm their own identity, both to themselves and to those around them. It is crucial to individual choice, to the welfare of families and to the stability of societies.

What strikes me most, in the midst of the tumultuous changes around us that are transforming work in so many ways, is that the meaning of work in people's lives has not changed. The essence of what people want remains constant, across cultures and levels of development. Everybody seeks a fair chance to prosper in life by their own endeavours. They also want a second chance when they take risks and fail. People do not fear change, or even failure, as much as they fear exclusion. Do we not generally prefer the challenge of work to the passivity of welfare? Do we not also know that safety nets are essential? How else do we cushion ourselves and our families against risk and survive in hard times? And are we not aware that at all times we need strong institutions that care for people and all life on this shared planet?

But it is equally apparent that work is where contradictions between our values and aspirations and real life often surface. Our work can require us to give up rights which we hold dear, to forfeit our autonomy, even our dignity. We can end up selling our labour to make products or services that may be meaningless, useless or even harmful to ourselves and others. I know that unacceptable trade-offs are a daily diet for far too many working people, trapped in circumstances and systems. This experience of work is profoundly at odds with what work at its best is about. We know that work can be an expression of our unique talents, a way of contributing to the common good, an avenue for engaging deeply and meaningfully with a community.

Over and over again, I have seen how the income and the satisfaction derived from work has a direct impact on family life and the quality of family relationships. An unemployed person means a very unhappy family. Lack of work for parents breeds tension, family violence and abuse. It affects children at school, brings them closer to crime and drugs, and all too often, to child labour. In a low-income economy, unemployed people and their families are basically on their own. We need to make the linkages between work and family life much more evident.

Because it is central to people's lives, work is also at the heart of politics. These are the issues on which people vote, and elections are won and lost on promises, successes and failures to deliver oppor-

tunities for work. Part of the public credibility and respect that enterprises enjoy is to be found in the quality of the workplace. In a world where deregulation, privatization and smaller government have shifted decision-making power from the public to the private sphere, the business world in general and individual companies in particular are under greater scrutiny in all work-related issues. They and their subcontractors face varied and growing demands from many different stakeholders.

And work is, of course, the lens through which people judge how the economy is faring. A balanced budget, structural adjustment, the ICT revolution, trade, investment and the global economy are, for many people, just abstract concepts whose real importance is gauged by their effect on the workplace, and by whether they expand opportunities for work and income.

This complex reality lies at the heart of the ILO's mandate. As the Declaration of Philadelphia puts it, ILO obligations include the obligation to further programmes aimed at achieving "employment of workers in the occupations in which they can have the satisfaction of giving the fullest measure of their skill and attainments and make their greatest contribution to the common well-being". That Declaration also affirms the right of everyone to "conditions of freedom and dignity, of economic security and equal opportunity". It underlines the importance of ensuring "a just share of the fruits of progress to all". That is the foundation of decent work.

The decent work deficit

Under these circumstances, it is clear that the kind of future people want is one that can deliver opportunities for decent work in a sustainable environment. This is a perfectly normal human aspiration.

The goal of decent work is best expressed through the eyes of people. It is about your job and future prospects; about your working conditions; about balancing work and family life, putting your kids through school or getting them out of child labour. It is about gender equality, equal recognition, and enabling women to make choices and take control of their lives. It is about your personal abilities to compete in the market place, keep up with new technological skills and remain healthy. It is about developing your entrepreneurial skills, about receiving a fair share of the wealth that you have helped to create and not being discriminated against; it is about having a voice in your workplace and your community. In the most extreme situations it is about moving from subsistence to existence. For many, it is

the primary route out of poverty. For many more, it is about realizing personal aspirations in their daily existence and about solidarity with others. And everywhere, and for everybody, decent work is about securing human dignity.

But to bridge reality and aspiration, we need to start by confronting the global decent work deficit. It is expressed in the absence of sufficient employment opportunities, inadequate social protection, the denial of rights at work and shortcomings in social dialogue. It is a measure of the gap between the world that we work in and the hopes that people have for a better life.

The *employment gap* is the fault line in the world today. We estimate that there are 160 million people openly unemployed in the world. Behind this stark statistic lies a sea of human misery and wasted potential. The headline figure understates the true extent of the tragedy, because whole families are its victims. If we then consider the underemployed, the number skyrockets to at least 1 billion. Of every 100 workers worldwide, six are fully unemployed according to the official ILO definition. Another 16 are unable to earn enough to get their families over the most minimal poverty line of US$1 per person per day. These are the poorest of the working poor. Many more work long hours at low productivity, are in casual or precarious employment, or are excluded from the workforce without being counted as unemployed. All countries, developed and developing, have their working poor. In Switzerland, 250,000 workers fall into this category.[8] The scale of the problem is astonishing. This year's *World Employment Report* calculates that 500 million new jobs will be needed over the next ten years just to absorb new entrants to the labour market and to make some inroads into unemployment.[9]

There is no overstating the priority of job creation. Access to work is the surest way out of poverty, and there are no workers' rights without work. Moreover, getting people into productive activities is the way to create the wealth that enables us to achieve social policy goals. Sound and sustainable investment and growth, access to the benefits of the global economy, supportive public policies and an enabling environment for entrepreneurship and enterprise are what drive employment creation. They are the economic motors of the Decent Work Agenda.

[8] E. Streuli; T. Bauer (eds.): *Les working poor en Suisse*, Office fédéral de la statistique, Berne, 2001.

[9] ILO: *World Employment Report 2001: Life at work in the information economy*, Geneva, 2001.

The *rights gap* is qualitatively different from the others because this is one area where, in many cases, progress could be achieved rapidly through legislative action and appropriate development policies. The ILO is mapping out the gap through the global reports produced in the follow-up to the 1998 Declaration on Fundamental Principles and Rights at Work. This work confirms the extent to which the denial of freedom of association and the incidence of forced and child labour and discrimination continue to afflict the world of work. We estimate that 250 million children are working worldwide. Ongoing research at the International Institute for Labour Studies suggests that close to two countries out of every five have serious or severe problems of freedom of association. In some cases, these abuses are the consequence of deliberate and conscious decisions, and could be ended through an act of political will. In others, they can be addressed through well-designed policies, private initiatives, expanded technical cooperation and a more effective ILO supervisory machinery. In all cases, policies in this area need a sense of ownership by actors throughout society, without which enforcement will be difficult.

The *social protection gap* is probably less widely acknowledged in the overall policy agenda, and yet its dimensions are truly alarming. Our global information is very patchy, but it seems likely that only some 20 per cent of the world's workers have truly adequate social protection. In many low-income countries, formal protection for old age and invalidity, or for sickness and health care, reaches only a tiny proportion of the population. Meanwhile, 3,000 people a day die as a consequence of work-related accidents or disease.[10]

To uncover the real life experience behind these statistics requires, I believe, an effort to construct an expanded notion of socio-economic security. Rapid change in the global economy, engendering heightened competitive pressures and reduced job security for many, has injected new uncertainties into the world of work. There are a variety of undesirable side-effects. At low-income levels, basic income security may be at stake. At higher income levels, increased workplace anxiety, depression and exhaustion are often reported. Two hundred million work-days per year are now lost in the United States alone as a result of work-related depression.[11] No one believes

[10] J. Takala: "Global estimates of fatal occupational accidents", in *Epidemiology* (Geneva, ILO), Vol. 10, No. 5, Sep. 1999.

[11] See P. Gabriel; R. Liimatainen: *Mental health in the workplace* (Geneva, ILO, 2000).

that perfect security is possible, and excessive protection may be deadening to initiative and responsibility, but basic security for all in different development contexts is fundamental for both social justice and economic dynamism and is essential if people are to function to the best of their capabilities.

The *social dialogue gap* reflects shortfalls in both organization and institutions, and often in attitudes. It has several causes. The upstream origin is the absence of organization. Last year's Global Report to the Conference on freedom of association highlighted what it called the major "representational gap" in the world of work resulting from the fact that workers and employers have frequently, and for diverse reasons, not organized to make their voices heard.[12] Agricultural workers, domestic workers, employers in small and micro-enterprises, public sector workers and migrant workers often face specific problems and barriers. There are often obstacles to representation and social dialogue in export processing zones (EPZs), which account for some 27 million workers worldwide.[13] Workers and employers in the informal economy everywhere are either excluded from or under-represented in tripartite dialogue. Even when they are organized, an absence of institutional arrangements may still impede dialogue. In more extreme cases, social dialogue is simply rejected as inimical to the interests of one or more of the parties concerned, who think that they have a better chance of achieving their goals by other means. In good times, organization does not seem necessary. In bad times, it is sorely missed. The culture of dialogue is unevenly spread across the world.

What do these deficits tell us? In this age of economic and technological breakthroughs, progress in the different dimensions of the ILO agenda is uneven and unsatisfactory. Left to themselves, economic systems generate opportunities for some countries and not for others – as well as inequalities in access and in benefits within countries. Expanding the opportunities for decent work requires deliberate policies to overcome these constraints and make markets work for everybody. We must take advantage of market dynamism in ways that deliver social justice as well as economic benefits.

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[12] ILO: *Your voice at work*, Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, International Labour Conference, 88th Session, Geneva, 2000.

[13] ILO: *Labour and social issues relating to export processing zones*, Report for discussion at the Tripartite Meeting of Export Processing Zones-Operating Countries, Geneva, 1998, p. 1.

The policy goal: Reducing the deficit

Decent work is a relevant and practical policy agenda for all member States. There is obviously no suggestion that all countries can realistically aim for the same absolute conditions. No policy intervention – from the ILO or from anybody else – is tomorrow going to reproduce G7 labour conditions in least developed countries. But it is perfectly feasible, and, I would argue, a shared expectation of citizens throughout the world, that every country, at whatever level of development, set its own goals to reduce the decent work deficit with due regard to its specific circumstances and possibilities, and that the international community support that effort.

The universal floor is already constituted by the obligation, recognized in the 1998 ILO Declaration, for all member States to promote and to realize in good faith the fundamental principles and rights expressed in the core Conventions. But it seems reasonable also to expect that any country committed to a policy of promoting decent work will seek to build on this obligation, and to advance as far as it is able in promoting the other aspects of decent work to which I have referred. Viewed in this light, the endeavour can stand at the centre of a dynamic development strategy, the goals being set higher as a country moves forward.

We must be clear about one thing. The ILO Declaration, which has its origin in the unanimous decision of the Heads of State from all regions assembled at the World Summit for Social Development in 1995, belongs to all countries, developed and developing. No country or region has a monopoly of wisdom on how rights at work should be achieved. Yet the principles and rights of the ILO Declaration are valid everywhere. Take freedom of association, for example. Whether in Nigeria, Chile, Thailand or Sweden, a worker has the right to organize and bargain collectively. Of course, the practical results of the exercise of those freedoms in each case will be determined by the possibilities and development capacity in each country; the principle, however, is the same.

Decent work thus offers a way of combining employment, rights, social protection and social dialogue in development strategies. The difficulties faced by the traditional structural adjustment policies of the Bretton Woods institutions lie in part in their failure to incorporate these goals, and poverty reduction strategies will not succeed unless the same goals are built into them. At present, the Poverty Reduction Strategy Papers produced under the auspices of those institutions do not frontally address these issues. Reducing the decent work deficit is

the quality road to poverty reduction and to greater legitimacy of the global economy.

For the last two decades, governments and international financial institutions have focused on bringing down budget deficits. I think it is now time to focus collectively with equal zeal on strategies to bring down the decent work deficit. The policy advice of the Bretton Woods institutions and that of the United Nations system should be tested against this objective. In the same way, development cooperation policies should incorporate all the strategic objectives of decent work into their core activities.

The opportunity

There is reason to believe that our vision is gaining global support. The Special Session of the United Nations General Assembly to follow up the Social Summit last year gave explicit backing to the ILO's Programme on Decent Work as a key element of the further initiatives required. According to the Report of the United Nations Secretary-General to the Millennium Summit in September 2000, one of the eight priority ways of attacking poverty is "to develop strategies that will give young people everywhere the chance of finding decent work".[14] On 1 May last year, Pope John Paul II supported a call for a global coalition for decent work. South Africa's President Mbeki, in his letter to the Okinawa G-8 Summit on behalf of the Non-Aligned Movement, stated that "decent standards of living, adequate nutrition, health care, education and decent work for all are common goals for both the South and the North". The UNDP *Human Development Report, 2000*, identified as one of the seven types of basic freedom "freedom for decent work – without exploitation". In concluding a historic agreement between shipowners and seafarers at the 29th Session of the Joint Maritime Commission earlier this year, employers and workers declared that they were proud to be "torchbearers for the ILO's campaign to promote decent work the world over". In my contacts with Heads of State, with parliamentarians, with business leaders, with workers, with private individuals, with religious and spiritual leaders, with leading activists and academics, I have time and again found a favourable echo and a willingness to work with us.

There is a favourable tide, but it is still only reaching parts of the beach. The time to act is now. As fears re-emerge over future world

[14] See United Nations: *We the peoples: The role of the United Nations in the twenty-first century*, Report of the Secretary-General, New York, 2000.

economic prospects, and we are reminded of the impact of the economic cycle on people's lives, we need policies and institutions to embed the values of decent work in the global economy.

I do not wish to overstate the situation. It is encouraging that the ILO consensus on decent work has an attraction beyond those who initially constructed and subscribed to it. But we still have many people to convince. We must be aware that the image of the "toothless" institution still surfaces from time to time. Our recent efforts have raised the ILO's profile and shown that it is a relevant actor that can exert more influence than might previously have been supposed. But this is not enough. We must have the will to make a difference to the path of globalization. Most importantly, the ILO's tripartite constituency will have to agree that it should take on a significant role in tracing social road maps for the global economy. It will not happen if we just continue with "business as usual". The opportunity is there. Seizing it depends on our own capacities for creativity and imagination. We must deepen and expand our knowledge base and forge a strong tripartite alliance that is open to the world.

1.3. Looking towards the future

Decent work cannot be decreed into existence. Chapter 2 looks at four issues which we need to address in order to make it a reality: whether decent work is affordable; whether it can be universal; how to achieve policy coherence; and whether it is feasible in the new global economy. I believe that in all these domains there are answers, but they require effort and tripartite commitment. I invite you to express your views on the most effective routes forward.

Then, in Chapter 3, I review a number of areas of ILO work that need to be reinforced if we are to achieve our goals. We must accelerate our momentum through a stream of new integrated, intersectoral initiatives designed to identify policies to help reduce the global decent work deficit. We will need to organize cross-sectoral, field and headquarters task forces and forge external partnerships. We need to be particularly creative and vigilant in ensuring that we integrate our commitment to gender equality in all our work. We must cultivate integrated thinking and create a culture that rewards it. We must launch and join global campaigns, stimulate the development of new mechanisms and work with others to produce results that are meaningful to people. Let me set out some of the priorities.

Developing the capacity for national and local policy

We must aim to:

- raise our capacity to work with ILO constituents to put in place an integrated approach to decent work at the national level, through better knowledge, data, and policy advice; this could take the form of country decent work reviews;
- expand the ways to bring decent work goals to the informal economy, including support to the Microcredit Summit Campaign;
- pursue our efforts in favour of youth employment, responding to the call from the Millennium Summit, drawing on networks of creativity and imagination worldwide to map out the policies that work;
- increase efforts to remove barriers to business and social entrepreneurship and help micro- and small enterprises to start up, grow and improve working conditions;
- raise employers' and workers' capabilities to handle the demands of the Decent Work Agenda, boosting the number of women leaders at the table engaged in social dialogue;
- be leaders in understanding people's needs and aspirations, and the social and economic policies by which they can be met.

Embedding our values in the global economy

We must work with others to:

- build support for a balanced and integrated approach to sustainable development and growth in the global economy in which economic, social and environmental goals can be achieved together;
- build campaigns in areas where concrete progress can be made: work to make EPZs solutions rather than problems; strengthen the effectiveness of time-bound commitments to eradicate the worst forms of child labour, and multiply them; raise awareness worldwide of the need to upgrade health and safety at work; spread the message of the ILO Declaration at all levels, from the workplace to global summits;
- investigate new mechanisms and institutions in the field of standards which could permit countries to progress faster on a voluntary basis;
- develop an active engagement with companies involved in voluntary private initiatives and socially responsible investment which

reflect the ILO's goals and principles, particularly in the context of the Global Compact;

- reinforce the role of the Governing Body Working Party on the Social Dimension of Globalization as a major forum for reflection and debate on the policies and institutions which can promote social progress in the global economy.[15]

We must be open to new ideas at all levels. ILO prizes might be introduced to acknowledge success stories. We could work with universities or management institutes to develop curricula in law, economics and other fields which capture ILO concerns. We should be the hub of global and regional research networks interested in deepening the ILO agenda. We could develop strong linkages with local authorities and their organizations around the goal of decent work in the life of communities.

I invite all countries to participate in such efforts, by contributing resources and joining in common actions. I want to borrow and adapt best practice from governments, the private sector and citizens' organizations, to inject much-needed adrenalin into the bureaucratic arteries of our 80-year old institution. It could help us to create a "decent work generation" who will lead and shape the Organization of the future. I want to explore the possibilities of mobilizing significant external resources to launch and scale up these initiatives and campaigns globally with many partners.

We must be an open institution, keep our ears to the ground and develop a better capacity for listening and for understanding others. We must engage in external dialogue to identify new ideas, to enrich our thinking, to refine our policy proposals. We should tap the enormous energy in society around ILO issues. We should not be afraid to engage with those who do not share our views. We must be, and be perceived to be, equally sensitive to the needs of individuals and their families as to the realities of economies and societies.

The goal of decent work is not just the job of the International Labour Office or of the department or ministry of labour in each country. It is the responsibility, individually and collectively, of the ILO constituency and its partners. The State is an essential player, and the government as a whole has to be on board, but the Decent Work Agenda can be best pursued when employers, workers, governments and other relevant actors in society work together to address key

[15] The Office is preparing a separate paper which explores the different ways in which the Working Party may be reinforced.

obstacles and offer balanced responses. These joint efforts need to be undertaken at every level in mutually reinforcing ways – at the local, national and global levels. We can only make progress in achieving these goals, in closing these gaps, if we move forward together.

2. Decent work in practice

2.1. Introduction

Although decent work is an attractive goal, the deficits we see around us show how difficult it is to make it a reality for all of the world's workers. The ILO's tripartite constituents, together with many others, are seeking more and better ways for people to reach the goals of employment and security, of fundamental rights and social dialogue. Indeed, thanks in part to the past efforts of the ILO throughout its history, there are many people for whom decent work is a reality; but worldwide these workers are a minority. And daily, ground that seemed secure is being eroded.

There is obviously no quick fix. We need to be realistic, to consider the challenges ahead on the way to realizing the Decent Work Agenda.

It is true that this Agenda is sometimes questioned, both in high- and in low-income countries. Labour ministers who advocate decent work objectives may find their policy proposals dismissed as "unrealistic", a "luxury" or worse, "high risk", because they are perceived as threatening the competitiveness of firms and the national economy. The ILO needs to be attentive and respond to these arguments by marshalling the evidence to support those, in government and elsewhere, who are promoting decent work.

There are four challenges which I believe we should address.

The first is whether decent work is *affordable*. Policy-makers everywhere face a dilemma. Achieving many social objectives requires economic resources, whether within the enterprise or in the economy at large. The increasing competitive pressures in the global economy make enterprises less willing or able to pay for social protection. The capacity of States to levy tax and finance social policy is also under pressure. At the same time, however, achieving economic goals depends on social preconditions. Should governments give priority to market-driven economic growth, and aim to deal with the social

consequences afterwards? Or on the contrary, do efficient economic systems have to be embedded in a social framework of rights, participation, dialogue and protection? Many argue that there are trade-offs between the quality and quantity of employment, and between social expenditure and investment, and that protective regulation undermines enterprise flexibility and productivity. But on the contrary, decent work may pay for itself through improved productivity. These relationships need to be examined in more detail in order to evaluate the true costs and benefits of decent work.

Secondly, can decent work be a *universal* goal? There is a widespread belief – and it is important to acknowledge it – that the work of organizations like the ILO is relevant mainly for the formal sector. That is where ILO standards are most effective, and that is where its constituents are most active. But this is only part of the world of work. The argument is not confined to the ILO, of course. It is often applied to government intervention in general, especially in regions – such as South Asia or sub-Saharan Africa – where the informal economy accounts for the greater part of work. This is also a major source of gender inequality, for women are under-represented in formal employment, both as workers and in decision-making at all levels. It is certainly true that social policy is in general biased towards better protected and higher income groups in the formal sector, because outside this sector there are few instruments to enforce rights or provide social protection. And yet it is in the informal economy and among the poor that the needs are greatest. If we claim universality, and that is exactly what my 1999 Report did – "all those who work have rights at work"[1] – then we are obliged to tackle these issues. That is why gender equality is an essential part of the Decent Work Agenda. And it is why the Decent Work Agenda must also be a development agenda.

The third challenge is how to build a policy agenda that is *coherent*. The Decent Work Agenda is wide, because it encompasses both economic and social objectives: rights, social dialogue and social protection on the one hand, and employment and enterprise on the other. More knowledge is still needed about how progress in one aspect of decent work is helped by progress in another. There is reason to believe, for instance, that employment growth makes it easier to strengthen social protection and social dialogue; and that fundamental rights at work are an essential complement to policies to

[1] ILO: *Decent work*, Report of the Director-General, International Labour Conference, 87th Session, Geneva, 1999, p. 4.

increase economic security. However, the evidence is patchy in research terms, although potentially rich in terms of experience at work and in management. We need to systematically strengthen the knowledge base to support this agenda. Converting this knowledge into coherent policy at the national level comes up against similar difficulties. The decent work goals involve many actors, who in most countries do not act in a coordinated way. The government ministries and social actors traditionally concerned with labour issues do not necessarily have much influence over economic policies. Enterprise development does not necessarily take social goals into account. The need for coherence also means that the ILO must move outside its traditional spheres to interact with all of the key actors that drive economic and social policy.

The fourth challenge is whether decent work is a *feasible* goal within the new global economy. Within countries, a wide range of policies and institutions can be applied to promote participation, a sharing of benefits and a social floor. But in the global economy, the scope for such policies is limited in a world of sovereign nation States. The operation of the global market is essentially determined by the economic goals of private investors and enterprises. National institutions can often be bypassed. Yet economic activity is increasingly taking place in a global space. We observe an increasingly unequal pattern of development among nations, and international disparities in incomes, in work and in security, for which we have no effective policy response. These disparities threaten the very legitimacy of the global economy. But efforts to build a social dimension into globalization, and to extend its benefits, remain limited in scope. There is a need for a new global architecture – frameworks, methods, policies, institutions – which can respond to the aspirations of people for decent work in a socially sustainable environment.

The following sections explore each of these challenges, and describe some of the answers which are being developed in the work of the ILO and elsewhere. I believe that it is helpful to raise these issues in this Report, for they help to clarify what the Decent Work Agenda is about and what we hope it can achieve. It is clear that much remains to be done in each of these domains, and this points to priorities for the work of the Organization in the years ahead.

2.2. The economic dividend of decent work

The ILO has always asserted that the principles and rights for which it stands are legitimate in their own right and do not need further economic justification. While the success of an economy is

often measured by growth rates of output or income, social progress is also measured by the enjoyment of certain rights and freedoms, of security and social protection. Hence the need for policies and institutions to maintain the balance between economic growth and social progress. But it is important to look at this from the standpoint that work undertaken in decent conditions and for a decent income can also contribute to economic efficiency. If the argument is one of affordability, that improving the quality of employment or of social protection needs to be paid for, the answer is that very often decent work pays. Of course, this is not always true, and progress in decent work will sometimes have a cost. But I believe that often these costs are overstated or the benefits understated. Decent work is a goal in its own right, but it can also have a positive effect on productivity and economic growth. Neither productivity nor social justice are "dirty words" for the ILO. On the contrary, they can be successfully combined.

Decent work as a productive factor

Probably the clearest link between social efficiency and productivity is found at the firm level. Enterprises have been showing that what makes work decent can also pay economic dividends. A substantial body of research shows positive effects of wages on productivity. Social dialogue in the workplace is a source of increased commitment and worker productivity. Various enterprise-level studies show the positive influence of profit-sharing, job quality and worker participation in decision-making on worker attitudes, motivation and productivity.[2] Management models developed in the retail sector in the United States, for instance, suggested that improvements in employee job satisfaction and commitment were the key to increases in customer satisfaction, and applying the model led to substantial increases in sales.[3]

ILO research shows that enterprises that apply equal opportunity policies also tend to be more productive.[4] Similarly, family-friendly

[2] See A.S. Blinder: *Paying for productivity: A look at the evidence* (Washington, DC, Brookings Institution, 1990); D. Kruse; J. Blasi: *Employee ownership, employee attitudes, and firm performance* (Cambridge, Massachussetts, National Bureau of Economic Research), Working Paper No. 5277, Sep. 1995; D.I. Levine: *Reinventing the workplace: How business and employees can both win* (Brookings Institution, 1995).

[3] A.J. Rucci; S.P. Kirn; R.T. Quinn: "The employee-customer-profit chain at Sears", in *Harvard Business Review* (Boston), Jan./Feb. 1998.

[4] V. Perotin; A. Robinson: "Employee participation and equal opportunities practices: Productivity effect and potential complementarities", in *British Journal of Industrial Relations* (London), Vol. 38, No. 4 (Dec. 2000), pp. 557-593.

workplaces also deliver economic dividends. For instance, in the TRW maquiladora factory, in the Mexican State of Chihuahua, the establishment of a childcare programme with state assistance greatly improved the retention of skilled workers.[5] The Executive Director of the Federation of Egyptian Industries, Loutfi Mezhar, underlined the economic dividend of decent work when I visited Cairo in April 2001. He said: "We believe that by protecting human rights at work without any discrimination, and by providing a decent work environment, employers will experience an increase in productivity, income and profits."

As a productive factor, decent working conditions have the same value in both small and large enterprises. The ILO's Work Improvements in Small Enterprises (WISE) methodology is being used to promote better working conditions and productivity in small enterprises through low-cost and no-cost adjustments in different parts of the world. For example, collaboration between the Mongolian Employers' Federation and the ILO in promoting the WISE methodology through training programmes had positive spin-offs. Enterprises which implemented the methodology discovered that improved productivity could go hand in hand with better working conditions, workplace relations and worker satisfaction.

The objectives of decent work are part of a high-road strategy to achieve enterprise competitiveness. Where enterprises are faced with increasing competitive pressures, their reaction may be to cut costs, including labour costs. On the contrary, however, improving skills, working conditions and worker satisfaction can make for more productive workplaces and enhance competitiveness. In the mid-1990s the multinational sportswear company, Adidas, which outsources much of its production to factories in developing countries, decided to pursue a high-road strategy based on quality and innovation rather than on low labour costs. The company started paying special attention to worker safety and health, hours of work and freedom of association among its suppliers. Pilot tests conducted in 1999-2000 show that providing the employees of its suppliers with multiskill training, encouraging worker participation, and improving labour standards led to near-doubling of productivity.[6]

[5] *Business for Social Responsibility*; see http://www.bsr.org/resourcecenter/index.html

[6] N. Rogovsky; E. Sims: *Competitiveness in the twenty-first century: Social dimensions of corporate success* (Geneva, ILO, forthcoming).

Balancing the goals

The fact that decent work is often quite consistent with economic goals does not mean that there are no trade-offs. Sometimes hard choices have to be made. But in such cases the ILO agenda offers mechanisms and institutions through which the various interests can be balanced and consensus achieved through social dialogue. The balance between flexibility and security provides a good example.

Both people and enterprises face a lot of uncertainty today. Many enterprises demand flexibility in the search for competitiveness. Many workers regard flexibility as synonymous with insecurity.[7] But workers need a measure of security to be able to work productively and invest in developing their own skills, while enterprises need stable and sustainable labour markets to ensure a supply of skilled and productive labour. If the institutional framework is right, a balance can be found between these different needs. The labour market institutions that an economy builds to realize the objectives of decent work provide a buttress for enterprises when they need to adjust to external demands.

Different countries have found different institutional configurations and policies to resolve these issues. Several European examples illustrate this. For instance, Finland's well-developed system of social security helps redundant workers to cushion their income losses, while active public employment services support labour market re-entry. Contrary to the popular perception that high spending on social security is detrimental to labour flexibility and adjustment, in Finland's case it has contributed to economic development and employment recovery (unemployment fell from 18 per cent in 1994 to 9.2 per cent in early 2001).[8] In Denmark, low levels of formal employment protection are accompanied by long-term unemployment benefits, with high income replacement rates. Unemployment, and particularly long-term unemployment, has been kept relatively low because, as in Finland, unemployment benefits are coupled with effective measures to facilitate job search and re-entry into employment. In the Netherlands, social dialogue led to compromises involving wage moderation, flexible working patterns and the extension of social benefits. Inclusive labour market policies have greatly facilitated successful adaptation to the global economy along with improved employment performance.[9]

[7] See G. Standing: *Global labour flexibility: Seeking distributive justice* (Basingstoke, Macmillan, 1999), for further analysis.

[8] See W. Sengenberger: *Employment, development and economic performance of Finland* (Geneva, ILO, forthcoming).

[9] P. Auer: *Employment revival in Europe: Labour market success in Austria, Denmark, Ireland and the Netherlands* (Geneva, ILO, 2000).

The common thread in these different experiences is a search for balance between the interests of those affected by structural change and those leading increases in productivity and innovation. Social dialogue is the key to forging consensus and commitments to common objectives while providing the means of accommodating competing goals and managing conflict. These countries have been able to move away from a process in which flexibility creates insecurity to one in which security is the precondition for flexibility. The challenge for the countries concerned now appears to be the inclusion of those working in more informalized employment relationships on the margins of the economy.

Enterprise restructuring, in which employment and income security are often at risk, can also be undertaken in a manner that takes decent work goals into account. Economic realities cannot be ignored and enterprises may need to restructure to survive, but action taken with regard to each aspect of decent work can help to keep social costs down. Good practice is possible, even in difficult economic circumstances. For example, enterprises in the transition countries have been undergoing significant restructuring. This has led to pervasive insecurity and an increase in poverty. The ZEiM group, one of a few survivors of the Russian instrument-building industry, did things a little differently. Its restructuring was based on dialogue with representative workers' organizations to discuss and plan what needed to be done; a focus on the employment implications, with a high level of investment in training and reskilling of managers and workers and the establishment of a "Personnel Service Centre" for separated workers, with ILO support; and a commitment to avoiding total disruption in the lives of employees, their families and communities.

The growth dividend

Apart from its contribution as a productive factor, and as a means to help balance different policy goals, progress along each of the four dimensions of decent work can also be conducive to more equitable and sustainable growth patterns. For example, social dialogue on skill development policies can provide more predictable labour market conditions and promote better labour market functioning. ILO research in the Southern Cone countries of Latin America shows how social dialogue is proving to be an effective tool in adapting training courses to meet new skill demands from emerging sectors and occupations. It is also helping to decrease labour-management conflict over issues such as recognition of and remuneration for skills, and to direct training towards vulnerable and discriminated segments of the

labour market.[10] All of this favours investment and growth, and helps increase employment and labour market security.

More stable labour market conditions can also offer important locational advantages for foreign investment. This can enable countries to attract higher quality foreign direct investment (FDI) (with high potential for technology spillovers and stronger linkages with the domestic economy). This additional investment has helped some countries increase the rate of investment, growth, employment (both direct and indirect) and incomes. The Seventh Survey on the effect given to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy,[11] carried out by the ILO in 2000, is rich in examples of the importance of promoting linkages with the domestic economy, showing how skills development, social policy and social dialogue have contributed to economic growth.

- The Singapore Government reports that it succeeded in combining industrial policy, targeted incentives and human resource development in a package that provides significant locational advantage to investors. There is trade union representation and a strong tradition of tripartite social dialogue on the Board of Governors of the Economic Development Board, which oversees this investment strategy. This institutional arrangement is seen by the Government as offering investors a certain degree of social and economic stability.
- In Costa Rica, the Government reports on extensive efforts to promote training and human resources development. Alongside existing social policies, it put together an industrial development package that included a comprehensive human resource development strategy. On this basis it was able to attract investment by Intel, providing initial direct employment for 3,500 workers and a significant amount of indirect employment.[12]
- A series of tripartite economic and social agreements in Ireland led, among other things, to increased investment in education and training, making the country an attractive destination for for-

[10] For this and other examples, see T. Alfthan et al. (eds.): *Global restructuring, training and social dialogue* (Geneva, ILO, forthcoming).

[11] See ILO: Governing Body docs. GB.280/MNE/1/1 and GB.280/MNE/1/2, 280th Session, Geneva, Mar. 2001. For a summary of the reports received under the Survey, see http://www.ilo.org/public/english/employment/multi/folup/index.htm

[12] ILO: *Labour and social issues relating to export processing zones*, Report for discussion at the Tripartite Meeting of Export Processing Zones-Operating Countries, Geneva, 1998, p. 41.

eign direct investment. These national tripartite agreements also set out a policy framework aimed at maximizing the contribution of foreign-owned MNEs to the economic and social development of the country. Employment in MNEs now accounts for almost 50 per cent of all manufacturing employment.

While these examples do not necessarily cover the Decent Work Agenda as a whole, they do illustrate how different aspects of decent work can promote investment and growth. As Frank Vargo, vice-president for international economic affairs in the United States National Association of Manufacturers, put it recently, "business does not look for investment opportunities in countries that are willing to lower environmental or labour standards. That's not what attracts investment … We welcome high standards around the world. It's not an obstacle to business".[13]

At the macroeconomic level, some research suggests that there is a positive relationship between gender equality and economic growth. According to one estimate, gender balance in education in 1960 could have increased subsequent per capita economic growth over the period 1960-92 by up to 0.9 per cent per year in South Asia and sub-Saharan Africa. Gender inequality in employment in South Asia and sub-Saharan Africa may have reduced growth by another 0.3 per cent compared to East Asia.[14] So gender equality could have led to a more than 50 per cent increase in per capita growth in South Asia, and more than 100 per cent in sub-Saharan Africa. A recent World Bank study also concludes that gender inequality slows growth and makes policies less effective – and gender equality enhances development.[15]

Lastly, there is a link between democratic freedoms and economic performance. There are examples of both good and poor economic performance in both democratic and authoritarian political environments. However, there is evidence of the *stability* of economic performance under more democratic regimes. For example, it has been shown that there is less short-run volatility in economic performance in regimes where decision-making is decentralized.[16] More

[13] Bureau of National Affairs (BNA): *Daily Labor Report* (Washington, DC), 1 Feb. 2001.

[14] S. Klasen: *Does gender inequality reduce growth and development? Evidence from cross-country regressions*, Working Paper Series, No. 7 (Washington, DC, World Bank, 1999).

[15] World Bank: *Engendering development* (Washington, DC, 2000).

[16] R.K. Sah: "Fallibility in human organizations and political systems", in *Journal of Economic Perspectives* (Nashville, Tennessee), 5(2), Spring 1991, pp. 67-88.

directly, countries with democratic traditions also tend to be in a better position to maintain stability in the face of economic shocks. This is because they have built the social and human capital needed to mediate the social conflicts that these external shocks often cause. They have mechanisms of dialogue that help to build consensus around the policy adjustments that are needed to restore macroeconomic balance.[17]

Thus, improvements in working conditions, worker participation, social dialogue, social protection and security, reductions in gender bias, and the enjoyment of certain democratic freedoms in the workplace and in society can all contribute to stable economic growth. In other words, decent work can be a productive factor. That is not to say that the relationships at issue are straightforward; they are more often complex and indirect. But if the institutions are right, economic and social efficiency go together. Decent work will often be more affordable than it may appear at first sight.

2.3. Decent work as a universal goal

Decent work and development

While decent work captures many of the preoccupations in high-income countries, it is also a way of expressing the goals of development in human terms. It is about improvements in the quality of people's lives: this means not only their incomes and consumption, but also their capacity to realize their aspirations. This is also a way of stating a development goal which is valid in all countries and for all who work in them.

Amartya Sen, whose lecture at the 1999 session of the International Labour Conference addressed these very issues, has expressed the goal of development as expanding the capabilities of people and so increasing their freedoms. Poverty is seen as the deprivation of these capabilities and freedoms. Martha Nussbaum has taken these ideas further by looking at human capabilities through a gender lens.[18]

[17] D. Rodrik: "Democracy and economic performance", Paper prepared for the Conference on democratisation and economic reform in South Africa, Cape Town, 1998; and idem: *The new global economy and developing countries: Making openness work* (Washington, DC, Overseas Development Council, 1999).

[18] A. Sen: *Development as freedom* (Oxford University Press, 1999); M. Nussbaum: "Women and equality: The capabilities approach", in M. Loutfi (ed.), *Women, gender and work: What is equality and how do we get there?* (Geneva, ILO, 2001).

This is also the spirit of the Decent Work Agenda. It is a basic argument of the ILO approach that rights and economic progress must go hand in hand. Achieving fundamental rights is not only a goal in itself, it is also a critical determinant of the capabilities of people to realize their aspirations. So fundamental principles and rights at work are the essential foundation, the "floor" of decent work. And people must have work if these rights are to be realized. There is a floor but there is no ceiling: what is seen as decent embodies universal rights and principles, but reflects the circumstances in each country. In that sense decent work provides a moving target, a goal that evolves as the possibilities, circumstances and priorities of societies evolve. The threshold advances with economic and social progress. That has been the history of today's high-income countries.

Progress towards decent work does not have to wait for economic progress, however. On the contrary, a comparison of countries around the world shows that there is ample room for promoting decent work, even at low income levels. An ILO study which looked at the relationship between decent work and income per capita at the country level found, as expected, that progress in decent work is indeed correlated with economic progress. But at each income level, there is a great deal of variation in the indicators of decent work reached by countries. In other words, there appear to be substantial degrees of freedom for policy to promote decent work, independently of the level of development.[19]

In the end, the argument is not only that decent work promotes development, or that development makes it easier to achieve decent work. Both are true, but a better way of putting it is to say that decent work is part of development – an aspiration and a precondition, a goal and a measure of progress.

Poor people have rights too

An article in the *Financial Times* last year argued that core labour standards had nothing to do with the lives of subsistence farmers and casual labourers in low-income countries.[20] The author argued that people in poverty just needed income and employment; basic rights were not relevant. This view is not uncommon, but it is wrong.

[19] This exploratory study used a number of indirect indicators of decent work. For details, see N. Majid: *Economic growth, social policy and work*, ILO Working Paper (forthcoming).

[20] M. Wolf: "The big lie of global inequality", in *Financial Times*, 9 Feb. 2000.

Poverty is not just a question of income, but also of rights and capabilities. This social floor is critical for the poor. The right to freedom from child labour, for example, is the basis for all members of society to have the chance to fully develop their capabilities. Freedom from discrimination is essential if all are to have the same opportunities. The right to organize is vital if the poor are to claim rights, to improve their capacity to earn a living and to secure a fair share in economic benefits. Failure to make such connections leads to the view of "work first, decent work later". Unfortunately, far too often "later" never comes.

Judging from what is happening on the ground, it is possible to make rights, employment, protection and dialogue part of one development package. In the Bangladesh garment industry, for instance, the search for an approach that combined rights with sustainable livelihoods was stimulated by a threatened boycott because of the use of child labour. In 1995, a partnership between the Government of Bangladesh, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), non-governmental organizations (NGOs), UNICEF and the ILO led to the launching of a programme focusing on children and their families and the institutions needed to tackle the different facets of the problem. Children were given access to education and vocational training; stipends to replace lost income were provided; alternative earning opportunities for families were promoted through skills and entrepreneurship training and microcredit. At the same time an effective monitoring system was developed. The number of factories using child labour dropped from 43 per cent in 1995 to about 5 per cent in June 2000, and just under 30,000 children were identified and withdrawn over a four-year period. Much still needs to be done, but this initiative has established a platform for tackling other issues. Additional aspects of rights, safety and health at work will now be addressed; the opportunity for dialogue among stakeholders has been a key factor in this broadening of scope.

Another example concerns debt bondage, estimated by one author to be the plight of up to 20 million people worldwide.[21] Children, and in some areas girl children in particular, are especially vulnerable. Experience has shown that buying people out of debt does not

[21] K. Bales: *Disposable people: New slavery in the global economy* (Berkeley, University of California Press, 1999). However, the ILO's Global Report suggests that such numbers need to be treated with caution. ILO: *Stopping forced labour*, Global Report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, International Labour Conference, 89th Session, Geneva, 2001.

work. Tackling the underlying causes from a sustainable development perspective is likely to be more effective. A programme recently launched by the ILO in partnership with other United Nations organizations supports national policies to eliminate debt bondage of children in several countries of South Asia. It adopts a preventive approach combining microfinance, income-generating activities, health measures, education, awareness raising and social dialogue in areas where debt bondage flourishes.

These examples show that when governments' commitment to respecting fundamental principles and rights is supported with practical developmental approaches, progress can be made on all fronts simultaneously. This also helps identify linkages, positive or negative, between different dimensions of policy. For example, when pursuing a strategy of decent work for adults and decent lives for children, it has to be borne in mind that certain types of adult employment can aggravate the problem of child labour, as has been found by ILO research in Bangladesh and the United Republic of Tanzania.[22] In particular, girls are vulnerable to removal from school in order to work or to assume family responsibilities in place of working parents. Such findings help to build a consistent approach to policy, which takes into account both rights and livelihoods.

The informal economy

While a majority of people worldwide work in the informal economy, most of them lack adequate protection, security, organization and voice. Yet I believe that the principles of decent work are as important in the informal as in the formal economy. The right to organize, because it is an enabling right, also permits other goals to be attained. The way people organize may be different in the formal and informal economies, because much informal work is not wage work and the immediate purposes of organization may vary. But the goal of voice and representation is the same. This is also true of the other core labour standards. Discrimination, for instance, may limit access to credit, to land, to space for trading activities and to many other aspects of informal self-employment. Child labour prevents

[22] This research has been examining the types of economic sectors, the characteristics of women's employment and working conditions and the kind of support structures that might affect child labour positively or negatively. See ILO: Gender Promotion Programme: *Linkage between women's employment, household dynamics and family welfare and child labour: Report of a survey conducted in Bangladesh and the United Republic of Tanzania* (forthcoming).

escape from low-income informal activities. The real issue, then, is how to extend these rights to all people, not to limit their application.

The critical problem is one of agency. The extension to the informal economy of the goal of decent work cannot depend exclusively on the mechanisms of state regulation and representation which are applied elsewhere. We need new ways to increase economic capabilities and strengthen voice, to defend rights, to generate and transfer resources and change incentives. There is often scope for new forms of action by existing actors, but there is also a need for new actors and new institutions to raise skills, open markets and improve working conditions. Formal enterprises which rely on informal employment through subcontracting arrangements may be a means to promote decent work policies in the informal economy. Many trade unions have recognized the challenge and are trying to extend the capacity to organize to informal workers, but a variety of other actors are also involved.

The ILO's PROMICRO programme in Central America has shown the importance of organization in opening up decent economic opportunities, amplifying voice, and advancing the interests of micro-entrepreneurs in the informal economy. From community to national policy level, organization has been a key element in supporting the spirit of entrepreneurship among both men and women. For example, small-scale operators in El Salvador came together to form associations and to create a national committee (CONAMIS) to help strengthen its members. This led one group of micro-entrepreneurs (beauty parlour operators, mainly women) to form their own association. Their activities paid off directly in the form of increased market share and income. Equally important, however, was a new-found dignity and self-esteem as their work-related activities brought them respect and recognition from citizens and politicians. They have now placed safety in the workplace on their agenda. As in the formal economy, it is possible to advance simultaneously in the different dimensions of decent work.

In the area of social protection, a number of initiatives have been launched. In Thailand, for example, the ILO supported a successful pilot programme to improve safety, health and working conditions of home-based workers (largely women), who typically fall outside formal protection systems. This experience is now being replicated on a larger scale.

There is an important gender dimension to exclusion from social protection, as women have typically had to assume the role of care-

givers in society.[23] It is not surprising that many initiatives for access to social protection in the informal economy have been based on the organization of women. This is the case of the Wer Werlé micro-insurance schemes launched in Dakar in 1998 by PROFEMU (Programme des Femmes en Milieu Urbain). ILO support to these schemes includes an empowering strategy that allows the women to articulate their health-care needs and have them recognized in the benefit packages. Wer Werlé also organizes health-related campaigns, including on the prevention of HIV/AIDS. It is active in national and regional micro-insurance networks, is an interlocutor of the Ministry of Health and advocates at national policy level on women's health issues.[24]

In India, the Self-Employed Women's Association (SEWA) has sought to fill a similar protection gap in the informal economy. With membership of over 300,000, it is a registered trade union. Its integrated insurance scheme is the largest contributory social security scheme in India for informal economy workers, and at present over 32,000 women workers are insured. The scheme's components have been developed on a purely demand-driven basis. SEWA's action extends to many other domains. It provides one of the most striking examples of how much can be achieved through effective organization of informal workers.[25]

Lack of access to appropriate financial institutions and to finance is a major cause of vulnerability in the informal economy. It also means missed opportunities for entrepreneurship in both low- and high-income countries. This is where microfinance can play a major role. Such schemes are excellent instruments for articulating the various dimensions of decent work – opening up employment, helping to promote security, stimulating empowerment, and giving voice through organization.[26] One ILO microfinance initiative has involved cooperation with the central banks of seven countries in West Africa in support of poverty-oriented banking and now has an average out-

[23] Results of research into the care economy undertaken by the InFocus Programme on Socio-Economic Security should be available later this year.

[24] For more details and other examples drawn from the ILO's Strategies and Tools against Social Exclusion and Poverty (STEP) programme, see http://www.ilo.org/public/english/protection/socsec/step

[25] See http://www.sewa.org

[26] The results of a survey of 1,065 microcredit practitioners, conducted by the Microcredit Summit Campaign, indicated that their programmes were reaching about 23 million clients, including 13.8 million of the poorest families, 75 per cent of whom were women. See http://www.microcreditsummit.org

reach rate of 19 per cent of the economically active population.[27] As always, however, attention needs to be paid to the gender dynamics. In the case of microcredit, ILO research has found that the issue of control of resources must be tackled simultaneously with access to credit for women to ensure that they really benefit.

Social entrepreneurship initiatives such as microfinance institutions, which reach deep into excluded populations, are key to making markets work for people. One of the best-known examples is Grameen Bank in Bangladesh, which provides a model that has been replicated in both low- and high-income countries. Muhammad Yunus, the founder, has noted that social entrepreneurship is creating a whole new private sector. Owned and governed by its poor clients, Grameen Bank has served as a springboard to create more than two dozen other enterprises to build bridges into higher value added economic activities using new technologies, and to meet other social objectives such as education and health care. It has 2.3 million borrowers, 94 per cent of them women, and contributes over 1 per cent to GDP.[28]

These initiatives are starting to have a wider impact. In the case of social security, for example, formal institutions are becoming interested in "people's initiatives", and are more willing to design new services to meet the needs of other segments of the population, as well as to articulate their services with the emerging schemes. Microfinance instruments are also helping to close the formal/informal divide. In the Russian Federation, for example, the ILO has helped microfinance institutions to set up financially sustainable credit guarantee schemes, creating a bridge between risk-averse banks and small and medium-sized enterprises, enabling the latter to graduate from informal to formal financing sources. The ILO is also supporting the development of wholesale funds at the national level, along the lines of PKSF in Bangladesh, that can on-lend to microfinance retailers.[29] Through financial intermediation, they connect the formal and informal economies.

We have to support these movements towards making universality real. It would be a mistake to underestimate the challenge: it is in the informal economy that the goal of universality faces its severest

[27] The countries are Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo.

[28] See http://www.grameen.com

[29] See http://www.pksf.org

test. What is clear, though, is that it is feasible for the goal of decent work to guide policy choices in the informal economy.

2.4. Decent work as an integrated policy framework

Looking at the major unsolved global problems of inequality, insecurity, poverty and unemployment through the eyes of people, from the perspective of individuals, families and communities, has shaped my own thinking and influenced the ILO's strategic vision and programme focus. In the stories of individual workers we find common threads reflecting peoples' needs and aspirations. They are concerned about work and security for themselves and their families, and the ability to provide their children with opportunities in life, as well as health and other care when needed. To achieve their goals they need a voice in their community and their working environment, and respect for themselves and for their rights at work. These different concerns cut across and bring together the multiple dimensions of people's lives. People see their lives in an integrated way.

Meeting the integrated needs of people calls for an integrated approach to policies. Many of the projects and policies used as illustrations in the last two sections take steps in this direction, and capture two or more dimensions of decent work, covering both rights and employment, for instance, or both social dialogue and social protection. What is now needed is a more systematically integrated approach to social and economic goals, whether at local, national or global level. There are several reasons for this.

Firstly, the different elements of decent work all play a part in achieving broad goals such as social inclusion, poverty eradication and personal fulfilment. For instance, work contributes to social inclusion, but only if it is performed under the right conditions – without discrimination or coercion, in an environment in which people's voices are heard. Work in unacceptable conditions may on the contrary be a source of exclusion. Similarly, the immediate goals of an anti-poverty programme may be secure income and employment, but rights and representation are needed to achieve them.

Secondly, as seen in the examples above, different aspects of decent work reinforce each other. The right to freedom of association, a basic democratic right, enables people to express their aspirations and pursue them collectively, and so contributes to all other goals. Social dialogue widens the policy options for employment. The right to freedom from child labour is essential if all members of society are to have the chance to fully develop their capabilities; so is

freedom from discrimination if all are to have the same opportunities. At the same time, economic growth and employment creation make it much easier to effectively secure other rights, whether we are concerned with child labour, income security or workplace safety.

Thirdly, an integrated decent work strategy can provide a basis for partnership with others. For instance, it can provide a bridge to a broader goal of sustainable development. The United Nations global conferences of the last decade voiced grave concern about the sustainability of the current paradigm of development that has risked destroying our natural environment by polluting our air and water, rapidly depleting non-renewable natural resources and losing our biodiversity. Environmental issues are major concerns in the workplace and have a powerful influence on employment opportunities, and so can readily be linked to the Decent Work Agenda.

Of course, it is not enough to assert that an integrated approach is better. We have to demonstrate it. ILO research has started to explore these issues, and one study has already found that countries which are relatively good performers on one dimension of decent work also tend to be relatively good performers on other dimensions.[30] In other words, the experience of countries supports the idea that it is easier to advance on each of the different dimensions of decent work if progress is made on several together. But further knowledge on these issues and more sophisticated methods of work are needed.

Macroeconomic policy in an integrated approach

An important part of any integrated approach is bringing macroeconomics into the picture. Macroeconomic policy can promote decent work in various ways. The most obvious is through growth and employment, but it can also reduce insecurity due to economic instability or inflation, help reduce poverty and inequality, and support the resourcing of social policy in general.

In the past decade growing attention has been paid to social concerns in macroeconomic policy-making. For example, the World Bank and the International Monetary Fund (IMF), which made serious errors in the 1980s by neglecting the social costs of structural adjustment, have modified their macro policy stance in both developing and transition countries, reducing the emphasis on structural adjustment policies and giving higher priority to poverty reduction strate-

[30] Majid, op. cit. This conclusion is reached after taking into account the (positive) relationship between decent work and income.

gies. They still fail to give enough importance to employment, however. The Special Session of the United Nations General Assembly in 2000 (Copenhagen+5) called on countries to re-examine their macroeconomic policies in the light of the goals of greater employment generation and a reduction in poverty levels.

However, the extent to which such goals actually influence policy is variable. In most industrialized countries, monetary policies are still mainly guided by inflation targets. Insufficient attention is often paid to the fiscal and social costs incurred if this leads to higher levels of unemployment and underemployment. The advantage of a specific employment target is that it permits explicit consideration of possible trade-offs between inflationary targets and both unemployment and the financing of social protection. A good example of how an overarching employment strategy can be successfully launched is the European Employment Strategy. The Strategy started with the Delors White Paper on growth, competitiveness and employment in 1993, which raised the political priority of the employment goal.[31] The Strategy was successively elaborated through different European councils, and operationalized by the Heads of State at an extraordinary jobs summit in Luxembourg in 1997. The longevity of the Strategy is based on an effective process of monitoring, reporting and implementation.

In general, employment creation depends on growing levels of investment, so that a first priority for macroeconomic policies concerns the balance between short-term stabilization and the longer term goals of growth and structural change. While there is evidence and general consensus that macroeconomic balance is a precondition for sustained growth, there is still a divergence of opinion as to *how much stabilization* is needed before it starts to have adverse longer term effects on investment and growth. Moreover, the incentives for domestic and foreign investment depend not only on economic but also on social stability.

Specific reference to the decent work goal could inform such policy debates. In particular, it could provide a means to bring a wider range of issues into macroeconomic policy formulation: enterprise development, wage and income policy, the design of income and employment security policies, investment in human capital and in labour market institutions, and the role of employment creation programmes, such as public works programmes. Many such policies

[31] Commission of the European Communities: *Growth, competitiveness, employment: The challenges and ways forward into the 21st century*, Bulletin of the European Communities, Supplement 6/93 (Luxembourg, 1993).

are "macroeconomy-friendly". Tax policy, too, needs to take account of its impact on decent work. More generally, if macroeconomic policies have a sound social base, they are more likely to be sustainable.

Social dialogue may play an important role in achieving consensus on how macroeconomic policies can contribute to this wider range of objectives. For example, an important element of the recent impressive performance of the Irish economy is strong social partnership, based on a series of economic and social agreements negotiated on a tripartite basis. This extensive social partnership programme was important in securing the commitment of the social partners to certain policies and institutional reforms, and to moderate wage increases linked to income tax reductions targeted at low- and middle-income earners. Together with international economic integration, this favourable combination of policies transformed a failing economy into one of the fastest growing economies in Europe over a decade.[32]

An argument often heard is that in times of globalization, countries no longer have such wide macroeconomic policy options. It is certainly true that the scope for national macroeconomic policies is increasingly dependent on international economic factors and on the degree of international policy coordination in the global economy. However, a number of country experiences clearly show that integration in global markets is compatible with successful social policy, provided there are adequate national social security systems, functioning systems of social dialogue and relatively low income inequality.[33] Several European economies provide good examples, but the same can be true in developing countries too. For example, in the 1980s Costa Rica, a small open economy, implemented an unorthodox stabilization plan. It relied on a social compensation plan which included maintaining public employment, and a business rescue plan to protect jobs and wage indexation while cutting other government expenditure. This resulted in a fiscal surplus which was soon strengthened by rising revenues as a recession was avoided. One of the reasons for the relatively rapid economic recovery of the Republic of Korea

[32] See P. O'Connell: *Astonishing success: Economic growth and the labour market in Ireland*, Employment and Training Papers No. 44 (Geneva, ILO, 1999), and ILO: Seventh Survey on the effect given to the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, at http://www.ilo.org/public/english/employment/multi/folup/index.htm

[33] W. van der Geest; R. van der Hoeven: "Africa's adjusted labour markets: Can institutions perform?", in W. van der Geest and R. van der Hoeven, *Adjustment, employment and missing institutions in Africa* (Geneva, ILO and Oxford, James Currey, 1999).

after the Asian financial crisis surely lies in the mechanisms for social dialogue which were put in place by the new Government, with employers and workers, at the beginning of 1998, resulting in substantial public resources being channelled into employment and income support programmes.

ILO programmes to develop integrated policies

(a) Decent work at the national level

In order to move towards an integrated approach to policies for decent work, I have recently put in place a new ILO pilot programme to develop methods at the country level. While the underlying principles are common across countries, the practical application of the Decent Work Agenda will depend on national situations and priorities. In some, especially in low-income countries, the main concerns might be the right to organize and other fundamental rights, employment and social security and their contributions to the fight against poverty, especially for workers in the informal economy. The links between trade union rights, social dialogue, employment creation and economic goals will be a high priority in some middle-income countries. At higher income levels, there will often be a concern with persistent problems of social exclusion, employment quality and security. Safety at work, organization of workers and employers and gender equality are concerns at all income levels. Each country has different deficits and needs, but there is a common idea that they need to be addressed with a package of mutually reinforcing actions.

In order to pursue this, the pilot programme is being launched in a small number of countries. Denmark, Ghana, Panama and the Philippines have been included in the first stage. Working with governments and employers' and workers' organizations in each country, this programme aims to show how policy packages can be put together to reduce the decent work deficit. It will also provide a means to better streamline ILO technical advice, to focus and coordinate activities of the field and headquarters, and to link up with the work of other international organizations.

In each country, a review of decent work deficits at the national level will provide the basis for exploring the possible answers in terms of public policy, private and community initiative and social dialogue. Broad policy issues, such as growth-enhancing macroeconomic policy, social protection coverage or organizational rights, will be analysed in terms of their concrete impact on people's lives and the factors that shape them. The performance of institutions

and policies will be reviewed and their interaction analysed, new approaches may be tested on an experimental basis, and successful experience in other countries can be adapted. By better linking problems, objectives and results, the programme should also help to develop an effective tool for a periodic assessment of progress made towards decent work goals and of whether or not results meet expectations.

On the basis of this programme, we intend to move towards systematic application of the lessons learned. We could envisage decent work country reviews to be undertaken in cooperation with national tripartite partners and with the support of technical cooperation donors. We should also be able to map the decent work goals onto a policy checklist which can provide a guide in different circumstances. One of the likely outcomes may well be to open up new approaches to technical cooperation, based on a broader set of instruments and better mobilization of expertise available at the country or regional levels.

The need for an integrated approach in promoting decent work is of special significance for women and the inequalities they face. A review of practical experiences in different continents and countries clearly showed that success stories in reducing poverty and gender inequality combined action at four different levels: promoting jobs and improving productivity; intervening through legislation and removal of formal barriers together with legal literacy campaigns; empowering through organization; and providing effective social protection. This holds true for home workers in the toy industry in the Philippines, as well as for indigenous women in Jalqa in the Bolivian Andes or handicraft artisans in Yemen. The ILO has synthesized the policy conclusions into a capacity-building programme on gender, poverty and employment.[34] An application of this approach is planned by the Centre of Arab Women for Training and Research (CAWTAR) in Tunis, which will use it to build capacities for an integrated approach in promoting decent work for women in selected Arab countries.

(b) Area-based approaches

Many efforts have sought to promote integrated approaches to economic and social development at the local level. Some are modelled on the Local Economic Development Agencies (LEDAs), social enterprises first launched in Europe which offer an integrated model that is well adapted to the ILO's agenda.

[34] ILO: Modular package on gender, poverty and employment, Reader's kit and facilitator's kit (Geneva, 2000).

The ILO and other United Nations organizations have been working in Central America, Asia, Africa and the Balkans to support the development of LEDAs. They bring together all stakeholders in local development – public sector representatives, employers' and workers' representatives, farmers' associations, cooperatives and other NGOs. This process itself encourages the organization of stakeholders and strengthens dialogue. LEDAs support enterprise and cooperative development, including those providing social services, usually with particular attention to gender issues. They are profit-oriented but their strategies also accommodate those with little ability to pay. In terms of employment impact, LEDAs in Central America, with an initial credit fund of US$8 million, created more than 25,000 permanent jobs between 1994 and 1998, 16,000 temporary jobs, and financed more than 7,000 new businesses.[35]

An integrated approach can also be effective at the municipal level. A recent example is found in Rio de Janeiro, where research into people's aspirations and needs was used to design and implement integrated programmes in low-income areas involving employment creation, support to entrepreneurship through "market-making", skill enhancement, and policies to improve income security, based on extensive participation and social dialogue.

The results of such approaches are mixed, depending on the particular circumstances. But there is enough evidence to show that integrated approaches at the local level can deliver on all dimensions of the Decent Work Agenda.

(c) Integrated responses to crisis

The ILO as a whole can learn from these efforts in deepening our understanding of how to develop and implement integrated approaches. One field in which the ILO is already applying an integrated approach is crisis situations, where we are trying to respond with a decent work solution from the start of the reconstruction process. In the different crisis contexts – whether conflict, natural disaster, economic crisis or political transition – we find that there is a demand for our agenda among those affected. In such situations it is possible to operationalize the decent work approach in an integrated and multidisciplinary manner, encompassing promotion of rights, livelihoods and social protection as well as ensuring representation to

[35] ILO; UNOPS; EURADA; Italian Ministry of Foreign Affairs: *Local economic development agencies* (Geneva, June 2000).

give a voice to the affected people and communities. What we have been able to do so far, with limited resources, is help get local economies moving again, for instance using training as an instrument to improve employability and reduce the insecurity of youth, women and other affected groups. We have seen the importance of these efforts in our recent work, for example in East Timor, Mozambique and the Democratic Republic of the Congo.

2.5. New institutional developments at a global level

Today, the assembly line for a single product crosses different cultures and time zones. The global economy is sometimes portrayed as borderless and governments as powerless. While there is some global regulation of trade and capital flows, the social dimension of the global economy is weak. Is it feasible to realize the objectives of decent work in this landscape?

This question raises issues that go beyond the scope of this report, but there are significant new developments in both public and private spheres which merit particular attention here. The fact is that the role of the State in an integrating world is even more important than before, although its effectiveness will depend on greater international coordination. Beyond governments, new institutions and behaviour patterns are emerging that are firmly incorporating certain social values in the global economy.[36] There are new international agreements and instruments of various types. Ethical considerations have an increasing impact on the economic activity of firms, consumers and investors. Consumers in high-income countries seem willing to pay a premium for goods produced in decent conditions. Employers' associations are increasingly being called upon to give guidance in this important area. Trade unions are active on this issue at both national and international levels. Civil society groups promote gender equality, environmental standards and human rights in global production chains. The shareholders and directors of major enterprises worldwide are concerned to embed shared values in their activities. This section briefly reviews some of the more striking developments. This is a field where the multilateral system has an important role to play, and this will be addressed in the next chapter.

[36] See S. Hayter: *Institutions and labour policy in an integrating world*, ILO Working Paper (Geneva, forthcoming).

The ILO Declaration on Fundamental Principles and Rights at Work

Among recent institutional developments, the Declaration on Fundamental Principles and Rights at Work is one of the most important. It is proving its worth as an instrument for promoting social advances, both within countries and in the global economy, through a promotional mechanism which is not coercive, and which offers guidance for national and international action. The follow-up, now generating a rapidly growing programme of technical cooperation, and a widening base of information through its reporting system, has made it the reference point for governments and social actors throughout the world. Its principles are increasingly incorporated in ethical frameworks developed by private companies and investment funds, as well as in international agreements. Many regional groupings, such as the Southern African Development Community (SADC), the Southern Common Market (Mercosur) and the Caribbean Community (CARICOM), are seeking to promote respect for the fundamental principles and rights at work contained in the Declaration in the context of regional integration. These principles and rights are incorporated in their social charters or in declarations on social principles of a non-compulsory nature. The realization of these fundamental principles and rights at work is then the subject of social dialogue or furthered through other promotional instruments. In the case of CARICOM, for example, guidelines have been made available for drafting labour laws.

Other public/private initiatives

Two sets of general intergovernmental guidelines on enterprise social policy are also promoting social values in enterprise activities. These are the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) and the OECD Guidelines for Multinational Enterprises. While the OECD Guidelines are multilateral in scope and adopted by governments, the ILO MNE Declaration is universal and tripartite, adopted by governments, employers' associations and workers' organizations. The follow-up to the ILO MNE Declaration is implemented through survey reporting and interpretation procedures. The reporting procedures enable each of the social partners at a national level to present their views on progress or impact, either separately or jointly if a consensual view is reached. While the MNE Declaration itself is nearly 25 years old, new reporting keeps the process up to date. Extensive tripartite social dialogue also took place within the ILO in the prepa-

ration of the analysis of the Seventh Survey on the effect given to the MNE Declaration, which was presented to the Governing Body in March 2001.[37]

Other public/private partnerships, such as the United Nations Secretary-General's Global Compact, involve business in implementing universal values, including those set forth in the ILO Declaration on Fundamental Principles and Rights at Work. Launched in 1999, the Global Compact has become an important reference point for the international business community, aimed at improving corporate practices and learning experiences in the social arena, and for dialogue with a range of social actors.

New instruments of social dialogue

Within the framework of the 1994 Directive on European Works Councils,[38] some 596 companies (with over 150 employees in at least two EU Member States) have set up information and consultation processes. This information-sharing and consultative arrangement is almost a hybrid public/private initiative in that it is enshrined in the EU Directive and intended to be transposed into national legislation (by law or collective agreement). The bilateral consultative process it stimulates leaves considerable scope for the social partners to develop their dialogue.[39]

There have been other developments at the international level. In the shipping industry, a pioneering international collective agreement was reached last year between the International Transport Workers' Federation (ITF) and one of the main shipping employers' organizations, the International Maritime Employers' Committee (IMEC). It covers wages, minimum standards and other terms and conditions of work, including maternity protection. At the 29th Session of the Joint Maritime Commission in January 2001, the social partners in this industry (shipowners and seafarers) adopted a historic "Geneva Accord" on the future development of labour standards in the international shipping industry to permit labour standards to become the

[37] See http://www.ilo.org/public/english/employment/multi/

[38] Council Directive 94/45/EC of 22 Sep. 1994 on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees.

[39] See R. Blanpain: *European works councils in multinational enterprises: Background, working and experience*, Working Paper, No. 83, Multinational Enterprises Programme (Geneva, ILO, 1999).

third global pillar to complement the two other pillars – maritime environmental and safety standards. The meeting agreed to work towards the adoption of a new single framework Convention on maritime labour standards.

In the transport sector, industry restructuring has resulted in the emergence of airline alliances (Star, OneWorld, etc.) and the concentration of airline catering and ground handling services among a few major global companies. The ITF has set up working parties for each of the alliances, bringing together all affiliates that deal with a cluster of airlines, in order to coordinate collective bargaining strategies.

At the same time there are a growing number of international or regional framework agreements concluded between MNEs and international trade secretariats (ITSs). These frameworks are guiding labour practices and labour relations across borders. Examples of these include:

- Statoil and the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM);
- IKEA and the International Federation of Building and Wood Workers (IFBWW);
- Telefónica and Union Network International (UNI).

The code of conduct signed between the Spanish-based telecommunications giant Telefónica and the global Union Network International (UNI) has been described as a historical milestone in industrial relations. It covers labour rights for some 120,000 workers employed worldwide by Telefónica, and represented by 18 labour unions affiliated to UNI. Telefónica president César Alierta and UNI general secretary Philip Jennings visited the ILO to mark the signing of the accord. The new agreement spells out the adherence of both sides to ILO core labour standards covering freedom of association and the right to collective bargaining, discrimination, forced labour and child labour. It is also based on other ILO Conventions and Recommendations on subjects such as minimum wages, hours of work, occupational safety and health and freely chosen employment – a total of some 15 ILO Conventions and Recommendations in all.

Other examples of framework agreements between international industry associations and workers' organizations include the code of labour practice signed between the International Federation of Association Football (FIFA) and the International Confederation of Free Trade Unions (ICFTU), the International Federation of Commercial, Clerical, Professional and Technical Employees (FIET) and

the International Textile, Garment and Leather Workers' Federation (ITGLWF).

Voluntary private initiatives

A plethora of self-regulatory initiatives known as voluntary private initiatives (VPIs) have emerged in recent years which, while not enforced by law, may serve to enhance or supplement behaviour regulated by law. Codes of conduct, social labelling initiatives, certification, licensing, monitoring and social audits, as well as framework agreements between companies and ITSs such as those noted above, are providing social signposts to guide economic activity along the entire commodity chain, from the sourcing of raw materials to manufacturing and retail.[40] Many lead firms in these chains today are applying codes of conduct to their subcontractors. Many of the companies that have adopted codes are now finding it necessary to develop monitoring systems to check on compliance. In some cases they have found that to be credible they need to include independent verification systems to reinforce their own efforts. VPIs need to show evidence of their actual implementation. There is a new demand for ratification of companies' social policies. This is equally true of the Global Compact, discussed above.

Some of these initiatives are already drawing on ILO principles, in particular those reflected in the ILO Declaration on Fundamental Principles and Rights at Work. Some VPIs include social dialogue and consultation at different levels. For example codes of conduct and certification procedures may be discussed with unions. Joint policy statements are sometimes made to combat certain practices, for example child labour.

Socially responsible investment

Major investment funds, and notably pension funds, are paying increasing attention to the social consequences of their investment decisions. Socially responsible investment (SRI) broadens the criteria of investors to include social, ethical and environmental considerations and in so doing combines certain values with financially attractive portfolio investments. The Domini 400 Social Index, made up of 400 firms passing particular social screens, is well known for its consistently superior market performance compared to the Standard

[40] See, for example, ILO: Governing Body doc. GB.273/WP/SDL/1, 273rd Session, Geneva, Nov. 1998. For information on various VPIs on employment and labour issues see http://oracle02.ilo.org:6060/vpi/vpiSearch.first

The case of the forestry sector

The forestry sector provides an interesting example of social dialogue in the context of VPIs. It shows that social dialogue is an important part of developing a framework for decent work and sustainable development.

Framework agreements: Two examples of framework agreements in this sector are the IKEA/IFBWW and the Faber-Castell/IFBWW agreements. IKEA is one of the world's biggest retailers of furniture, sourcing 90 per cent of the merchandise for its stores from over 2,000 independent producers in 56 countries (about 1 million workers). The framework agreement covers part of this supply chain – subcontractors and employees of subcontractors – but not its own retail outlets. Faber-Castell is the world market leader in pencils and crayons and employs some 5,500 workers in ten countries.

Both companies recognized consumer pressure for sustainable production and sourcing of raw wood from subcontractors. They also realized that decent work in mills where companies produce or source products is essential for their own legitimacy. The agreements provide for compliance with the ILO Conventions on the fundamental rights laid down in the ILO Declaration and also include provisions on adequate wages, working time and working conditions. The IKEA agreement specifies that the working conditions of its contractors must at least comply with national legislation or national agreements. Observance of these agreements is monitored by joint inspection visits.[1]

Voluntary certification of forest products: The above types of agreements complement commitments to source wood and raw material from sustainably managed forests. Companies sometimes require that timber be certified according to the standards established by the Forest Stewardship Council (FSC). The FSC certification scheme was developed through extensive social dialogue among industry, workers' organizations, governments and civil society. This scheme explicitly addresses the rights of workers and local communities.

The FSC principles require compliance by the industry with all ILO Conventions ratified by the country in which they operate, and in all cases observance of the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and the Right to Organise and Collective Bargaining Convention, 1949 (No. 98). They thus complement national regulations. In February 2001 the FSC board agreed to amend the principles in order to provide a more systematic coverage of social and labour concerns, drawing on an ILO guide to relevant labour standards.

[1] For the agreements see http://www.ifbww.org

& Poor's 500 (S&P 500).[41] Other examples include the Dow Jones Sustainability Group Index and more recently the FTSE4Good Index Series released this year.

[41] H. Brill; J.A. Brill; C. Feigenbaum: *Investing with your values: Making money and making a difference* (Princeton, Bloomberg Press, 1999). The Domini 400 Social Index outperformed the S&P 500 from 1990 to 1999, although it was less successful in 2000.

SRI funds, initially set up in the United States, have spread to many other countries. In the United States alone, SRI, broadly defined, makes up 13 per cent of the total volume of institutional investments (financial institutions and pension funds), amounting to over US$2,000 billion; it grew at twice the rate of the market between 1997 and 1999. The total number of socially screened mutual funds in the United States increased from 55 in 1995 to 195 in 1999. Other countries show similar trends.[42]

Workers' organizations, in their role as shareholders, are a force in this area. A recent ILO study on SRI pension funds controlled by trade unions estimates the number at 350 with a total capitalization of euro 78 billion.[43] The California Public Employee Retirement System (CalPERS), the largest fund of any kind in the United States, has become a driving force behind SRI. Its investment screening criteria for emerging markets take into account the fundamental principles and rights at work set forth in the ILO Declaration.[44]

An examination by the ILO of the criteria being set for SRI shows that they are widely divergent.[45] One issue is the actual definition and scope of the criteria for what is deemed "socially responsible". A second issue is the extent to which those criteria that reflect social values in the context of work explicitly refer to ILO principles or treat the subject in a manner consistent with ILO standards. A third issue is that verification methods used to measure performance and progress toward certain goals are often inconsistent or absent. Thus, while the phenomenon of SRI is growing, the extent to which it reflects the values and principles of the ILO is variable, and its impact on labour practices remains inconclusive. Nevertheless, in the United States 38 per cent of screened assets are screened on labour issues, from fundamental rights to working conditions and wages.[46] This is certainly a field which will continue to grow in importance.

* * *

All of these institutional developments may contribute to making the ILO's goals more feasible in the global economy. But of course

[42] ILO: *Socially responsible investment*, ILO Social Finance Programme (forthcoming). See also GB.273/WP/SDL/1, op. cit.

[43] ILO: *Socially responsible investment*, op. cit.

[44] See http://www.calpers.com/whatsnew/press/2000/1115a.htm

[45] See GB.273/WP/SDL/1, op. cit.

[46] ILO: *Socially responsible investment*, op. cit.

this is only part of the story; their realization is closely bound up with the path of globalization, its governance and its impact on growth and distribution. And experience tells us that carefully designed public policies can make a difference. The ILO has an important contribution to make in supporting the efforts of governments, workers' and employers' organizations to address the decent work deficit. I turn to these questions in the next chapter.

3. Social progress in a global economy

3.1. The world we work in

There is a growing polarization of opinion regarding the pattern and direction of globalization. Average incomes for the world as a whole are rising, and there is an obvious capacity for innovation and wealth creation. But these gains are accompanied by persistent inequality, growing exclusion, insecurities caused by economic fluctuations, and a feeling that the ground rules are unfair.

The gaps and imbalances between countries are vast and growing. In 1960, per capita GDP in the richest 20 countries was 14 times that in the poorest 20 countries. By 1998 the gap had widened to 34 times.[1] Only 24 per cent of the world's total foreign direct investment (FDI) went to developing countries in 1999, down from 38 per cent over the period 1993-97. Eighty per cent of these FDI flows went to only ten developing countries.[2] Although the share of developing countries in world trade in manufactured goods rose from 23 per cent in 1970 to 38 per cent in 1997, 80 per cent of that increased share was attributable to just 13 economies.[3] The growing digital divide was highlighted in this year's *World Employment Report*.[4] Many countries are marginalized from the world economic system. Economies in transition have lost ground. For too many people the world seems full of

[1] Estimates at purchasing power parity. See V. Spiezia: "The effects of globalization on world income inequality" (ILO, mimeo, 2000). World Bank estimates give a similar increase from 18 times in 1960 to 37 times in 1995. See World Bank: *World Development Report 2000/2001: Attacking poverty*, published by Oxford University Press, New York, 2001.

[2] UNCTAD: *World Investment Report, 2000* (Geneva, 2000).

[3] A.K. Ghose: "Trade liberalization, employment and global inequality", in *International Labour Review*, Vol. 139, No. 3 (Geneva, ILO, 2000). These 13 economies are: Argentina, Brazil, China, Hong Kong (China), India, Indonesia, Republic of Korea, Malaysia, Mexico, Philippines, Singapore, Taiwan (China) and Thailand.

[4] ILO: *World Employment Report 2001: Life at work in the information economy*, Geneva, 2001.

opportunities but they do not see how to connect their lives to the opportunities available.

Questions of legitimacy and sustainability colour perceptions and lead to increasingly acrimonious debates. There are now two extreme views of globalization. Some have caricatured them as "globophobia" and "globophilia". These visions of the world do not intersect. For the "globophiles", globalization is the source of wealth and welfare. It is viable and sustainable, and must be protected against the attacks of the uninformed and ill-intentioned. For the "globophobes", globalization involves the systematic destruction of the planet and its workers in the interests of the wealthy few and large corporations. Far from being a source of progress, it is a menace to humanity.

These two competing visions of the defining phenomenon of our time appear to have little common ground which would permit serious discussion. Exchange is visible mainly in the tear-gas shrouded confrontation in Seattle, the acerbic across-the-ocean exchanges between Davos and Porto Alegre, and the protests that now regularly accompany major meetings of the international financial and trade institutions.

But once we leave caricature behind, I believe that there is a growing awareness on all sides that something needs to be done soon to bridge this divide. We must be capable of responding to the silent frustrations brewing in the hearts of many individuals and their families. They may not have the will, the strength or the possibility to express themselves in the streets. And yet it would be a great mistake to take their silence for acceptance. The present model of globalization is losing support. At the same time, most people understand that, under fair rules, open markets and open societies are part of the solution. Many of those who have the most to gain from making globalization sustainable are acknowledging the need for change. In a recent survey of global CEOs, no one asserted that a free market alone, without effective government rules and institutions, would work to the benefit of business and society.[5] On the side of the critics, too, there are many voices looking for new answers that can sustainably meet the real needs of individuals, their families and communities. From the very turbulence and diversity of this debate, I believe, may emerge the contours of change.

The most enlightened and forward-looking parties share one thing in common: the desire to find a new way ahead for globalization, and

[5] J.E. Garten: *The Mind of the CEO* (New York, Basic Books, 2001), p. 17.

frustration at not being able to do so. But whether business or trade union leaders, government policy-makers or NGO activists, people are much less clear about what the goals should be, and what framework could be used to attain them: how to create new rules, standards, mechanisms and institutions that do for the global economy what we all take for granted at the national level, that is, to guide economic and social mechanisms towards the common interest. Like any crossroads, the global economy needs its traffic lights to tell it where to stop and when to go.

Amidst the divergences, I have found widespread receptiveness to the idea that achieving greater opportunities of decent work for all is an appropriate goal for the global economy. Since the ILO's Decent Work Agenda has been forged through a process of tripartite dialogue, necessarily accommodating initially divergent views and perspectives, this observation is perhaps less surprising than it might at first appear. I believe that we should explore the potential of this agenda to help bridge the divide between the conflicting views of globalization. It is vital that the opportunities of the global economy not be lost.

There is an urgent need to strengthen the global capacity to promote social objectives alongside economic ones. This could be achieved through new mechanisms for resource transfers, new roles for the private sector, a reappraisal of the trade and finance agenda for social and economic development, a more coherent and integrated approach by the Bretton Woods institutions and the rest of the multilateral system, the emerging role of "market activism" to promote certain values, a hard look at global income distribution patterns, or through other means. We need dialogue, consensus and partnership at the international level, and a willingness to look beyond our immediate interests and concerns towards the institutional framework which can support the interests of all in the global economy.

We need a rules-based international system that is fair to all. Fairness, as perceived by individuals and their families as well as by developing countries, is the cornerstone of legitimacy.

This means that new routes towards the governance of globalization must emerge. Governance is not just about government, but about the way society as a whole manages its affairs. That includes the ways in which values and social goals affect people's behaviour – as reflected in new rules and objectives for investors, new goals for companies, new instruments for social dialogue. The ILO's tripartite structure is a crucial asset in the endeavour to meet these challenges, for

the legitimacy of policies, standards and recommendations based on a tripartite consensus is strong. We must all be ready to change our mindsets and methods of work.

Debates over trade and labour standards

Current controversies over trade and labour standards illustrate the challenges very well. There have been intense debates over the effects of trade and foreign direct investment on employment and working conditions in the global economy, and concerns have been expressed that development objectives may be pursued at the expense of workers' rights.[6]

Three types of arguments have been advanced for the importance of core labour standards in the context of an integrating global economy.

- Firstly, there are arguments based simply on the unacceptability of exploitative labour practices such as child labour and forced labour, and the need to promote universal respect for basic human rights in a global economy.
- Secondly, there are arguments about "unfair competition" in the global economy, and its implications for labour standards. There are fears that increased economic integration is placing downward pressure on social welfare programmes and labour standards (a "race to the bottom"). Part of this relates to whether, as a result of increasing international trade and the mobility of capital, poor labour standards and labour market conditions in some countries lead to deteriorating labour market conditions in others.
- Thirdly, there is an argument that core labour standards provide the framework for the realization of other labour standards and developmental objectives and thus promote social progress alongside the economic development expected from trade and capital flows.

These issues have led to heated debates on labour conditionality and linkages. Some have argued that core labour standards are an

[6] See D. Brown: "International trade and core labour standards: A survey of the recent literature", in *Labour Market and Social Policy - Occasional Papers No. 43* (OECD, Paris, 2000); E. Lee: "Globalization and labour standards: A review of issues", in *International Labour Review*, Vol. 136, No. 2 (Geneva, ILO, 1997). On freedom of association and the right to collective bargaining specifically, see, for example, ILO: Governing Body doc. GB.279/WP/SDG/2, 279th Session, November 2000.

imposition of rich developed countries on poor developing countries which cannot afford them, with a more or less vocal admonition that different cultures can have different human rights standards. These debates have taken place in a number of different forums, including the tripartite forums of the ILO, where the Organization has been able to re-examine its own mandate, instruments and objectives in the context of growing economic interdependence.

Four important areas of consensus emerged over the past decade.

Firstly, from the Copenhagen Social Summit in 1995 to the adoption of the ILO Declaration on Fundamental Principles and Rights at Work in 1998, an international consensus was forged on the content of the core labour standards that would provide a social floor to the global economy.[7] This set of principles and rights gives specific expression to basic human rights in the world of work.

Secondly, the international community has on numerous occasions reaffirmed the competence of the ILO in setting and administering the standards concerned.[8]

Thirdly, in respect of the social clause debate, which was characterized by allegations of "unfair trade" on the one side and "disguised protectionism" on the other, both the WTO Singapore Ministerial Declaration of 1996 and the ILO Declaration on Fundamental Principles and Rights at Work affirm that labour standards should not be used for protectionist trade purposes and that the compar-

[7] These concern: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of compulsory or forced labour; the effective abolition of child labour; the elimination of discrimination in occupation and employment.

[8] "Governments should enhance the quality of work and employment by: […] (b) Safeguarding and promoting respect for basic workers' rights, including the prohibition of forced labour and child labour, freedom of association and the right to organize and bargain collectively, equal remuneration for men and women for work of equal value, and non-discrimination in employment, fully implementing the conventions of the International Labour Organization (ILO) in the case of States parties to those conventions, and taking into account the principles embodied in those conventions in the case of those countries that are not States parties to thus achieve truly sustained economic growth and sustainable development." (Programme of Action of the World Summit for Social Development, para. 54, 1995); "We renew our commitment to the observance of internationally recognized core labour standards. The International Labour Organization is the competent body to set and deal with these standards and we affirm our support for its work in promoting them." (WTO Singapore Ministerial Declaration adopted 13 December 1996, para. 4).

ative advantage of any country should not be called into question.[9] That is, the comparative advantage that some countries enjoy by virtue of a relative abundance of lower-cost labour has been affirmed as a legitimate advantage in trade, as it was historically for today's industrialized countries.

The ILO has taken this issue further, stressing that labour standards are not merely significant in respect of trade, but equally significant for technology, finance, investment, enterprise development and other areas. Thus the fourth and related area of consensus that has emerged in the context of the ILO is an affirmation that these fundamental principles and rights at work are an integral part of development itself. What is more, these labour standards and the labour market institutions that are built on them have economic dividends, an argument which is developed in Chapter 2. That is why I do not believe that denying basic rights at work can ever constitute a sound foundation of any country's export strategy.

The ILO approach to standards promotion is based on advocacy, voice and partnership. It works through the dynamics of social awareness and economic development, with the participation of the State as well as of civil society, business and public opinion. It relies on voluntary national action supported by an enabling international framework, operating under impartial procedures and democratic supervision, with tripartite participation. It acknowledges that empowering people to uphold their rights is a time-tested way to change society. Ultimately, we must not forget that social progress and social advancement of workers have come through different forms of social struggle and social dialogue, which have driven legislative and institutional change. The ILO Convention system is a result of those processes.

We must continue to pursue the goal of placing a social floor under the global economy, in ways which are acceptable to both developing and developed countries. Beyond debates in other organizations, the ILO is determined to reinforce its own action, in terms of its established mandate and procedures. But if this approach is to

[9] "The International Labour Conference, […] 5. Stresses that labour standards should not be used for protectionist trade purposes, and that nothing in this Declaration and its follow-up shall be invoked or otherwise used for such purposes; in addition, the comparative advantage of any country should in no way be called into question by this Declaration and its follow-up." *ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up*, (Geneva, ILO, 1998). See also WTO Singapore Ministerial Declaration, adopted 13 December 1996.

prevail and be accepted by all, it must be seen to be effective, both in terms of public opinion in all countries, and in terms of results on the ground. How the ILO can be further empowered to pursue this task is certainly an issue to be addressed.

Employment in an integrating world

The debate about globalization is by no means only about standards; it is also about employment. Participation in the global economy provides the main opportunities for growth and development today. The internationalization of production has opened up new avenues for the transfer of capital, technology and skills, and for the generation of employment and income. However, a significant number of workers in industrialized countries, and increasingly in middle-income countries, fear that their jobs are being exported to lower labour-cost countries. And workers in many developing countries assert that they have seen none of the benefits that integration into the world economy was supposed to deliver.

Technological advance, a driving force behind the global integration of economies, has clearly generated new employment opportunities. For example, as a result of advances in ICT, information is more readily accessible and can now be transmitted from most places in the world. This provides opportunities for the growth of high-tech service industries and telecentres in geographic locations far from the main financial and industrial centres, which in turn creates opportunities for jobs and improved incomes.

Trade, another key aspect of the dynamics of the global economy, has also been an engine of employment creation in many economies that have succeeded in penetrating global markets. A number of developing countries have successfully established themselves as exporters of modern manufactured goods, and in these economies trade-induced growth has led to rapid increases in both employment and wages.[10]

So there are many success stories. But success in the overall statistics is not necessarily reflected in the lives of families. You cannot just go to the central bank and ask for your GDP per capita. “The country is doing fine but I am very insecure” sums up the sentiments of many. Many countries are still struggling to compete in open markets and facing high transitional costs, with adverse consequences for growth,

[10] A.K. Ghose: “Trade liberalization, employment and global inequality”, op. cit.

employment and wages.[11] The experience of these countries shows that it is not just the liberalization of trade that generates growth and employment. Many least developed countries, in particular, need infrastructure and institutions in place in order to benefit from the opportunities created by the expansion of world trade. Decent work in these countries is first and foremost a development challenge.[12] However, domestic policies to address the development challenge are unlikely to be successful unless supported by adequate external finance,[13] and substantial visible and invisible barriers to exports – especially in agricultural products and textiles – remain, preventing many of these countries from accessing those global markets in which they enjoy particular advantages.

Foreign direct investment and trade often go together. For example a great deal of international trade is internalized in the transactions within and between multinational enterprises (MNEs), their affiliates and contracting partners. Here investment and trade are part of the complex, cross-border organization of work and production. This internationalization of production has created opportunities for growth and employment. FDI can induce (or "crowd in") higher levels of domestic investment, lead to the diffusion of technology and the transfer and upgrading of skills, and it can spur productivity improvements in local firms, generating both direct and indirect employment. But FDI can also have adverse employment effects as a result of plant relocations or the restructuring that often follows a foreign acquisition – and mergers and acquisitions account for an increasing proportion of FDI flows.

Trade and investment issues are of course on the agenda of UNCTAD and the WTO, and of the United Nations Conferences on the Least Developed Countries. There is widespread support for increasing global market access for least developed countries and enhancing financing for development. But there are many unresolved

[11] For example, despite substantial trade liberalization in recent years, and an increase in trade in relation to GDP, Africa's share of world trade has failed to rise and remains less than half its level of the late 1970s. See IMF: *World Economic Outlook 2001*, Washington, DC.

[12] S. Hayter: *Institutions and labour policy in an integrating world*, ILO Working Paper (forthcoming).

[13] According to UNCTAD's *Least Developed Countries 2000 Report*, external sources of finance remain crucial for the central accumulation and budgetary processes in these countries, and official sources will continue to provide most of that external finance.

issues here, and agreement on a coordinated international policy response is hard to achieve.

There continues to be a lively debate on the employment effects of globalization. They involve not only flows of capital and goods, but also of labour: growing international income inequalities are a powerful incentive for migration, both legal and illegal.[14] What is clear is that integration into the world economy is part of a development strategy, part of an employment strategy, not a substitute for one. Integration will mean job losses in certain sectors and employment creation in others. Public policies play an important role in leveraging the positive direct and indirect employment effects that integration can deliver. They are also central to facilitating adjustment. Industrial policies can promote linkages between FDI and domestic enterprises and enhance its indirect employment-creating effects; there is, however, always a risk that the intense competition in the global economy will put downward pressure on the quality of employment. Strong labour market institutions to give people voice and security, as well as adjustment assistance and skills development policies, are needed to counter these pressures and enable workers to take advantage of employment opportunities opening up in new sectors of the economy. For that to happen, employment goals have to be given a much higher political priority.

It's a package

I believe that bringing the goals of employment and standards together, and linking them to the other decent work issues of security and social dialogue, is the key to moving beyond current unresolved debates. In reality, the relationships between labour standards and international trade, or trade and employment, are much more complex than they may appear to be on the surface. Core labour standards and employment both form part of the broader Decent Work Agenda; trade is just one aspect of the dynamics of the global economy. The issue, then, is one of promoting decent work in the global economy, and more generally, addressing better the social dimensions of globalization, rather than focusing exclusively on a narrow linkage between core standards and trade, or exclusively on employment and growth. Labour and other social policies need to be a part of a coherent development strategy, in which the response to global opportunities depends on an integrated view of interdependent econ-

[14] See P. Stalker: *Workers without frontiers: The impact of globalization on international migration*, ILO and Lynn Rienner Publishers, Inc., 2000.

omic and social objectives. This is precisely the aim of the decent work approach, which covers a critical part of the economic and social policy agenda and can play a strategic role in building a global framework. It is the essential feature of this approach that fundamental rights must be promoted in parallel and in synergy with employment, social protection and social dialogue.

Building consensus

These are issues on which it is necessary to go beyond the apparently deadlocked debates in the international arena today towards the building of a wider consensus in which both rights and other developmental goals comfortably coexist. In moving towards an approach which can satisfy the different interests concerned, the existing Governing Body Working Party on the Social Dimension of Globalization provides a valuable institutional framework. It could play an expanded role in the search for tripartite and global agreement on specific initiatives and actions to promote decent work in the global economy.

Unfortunately, at the moment there are sharply differing perceptions on how well the global economy is working and how access to the new opportunities should be encouraged. The Working Party offers one of the few existing forums where constructive debate on the social dimensions of globalization is possible. Its membership includes many of the key actors of the global debate, but in a setting where ideas can be exchanged more freely than in a negotiation over immediate interests. Potentially it has an important role in the construction of a common vision on how to make globalization work for everyone. Our challenge is to find ways of building sufficient trust so that the Working Party can move forward and help to fill the institutional vacuum in cooperation with others. To do so, its presence and priority will have to be upgraded, and the alternative ways in which this may be done are presently under review in the Working Party itself.

3.2. New orientations for ILO action

The notion of decent work develops, in a twenty-first century setting, the fundamental objectives of the ILO as defined in its Constitution and the Declaration of Philadelphia. It seeks to provide a synthetic and dynamic vision of their content. Putting this into practice in the new global environment means that we need to revisit the ILO's policy instruments with a view to keeping them up to date and identifying new challenges and opportunities.

In this section I first look at the role of normative action in the Decent Work Agenda; examine some of the ways in which the ILO might respond to the growth of private initiatives discussed in the previous chapter; and discuss the implications for the ILO's efforts to integrate decent work goals into broader development strategy. I also point to some priorities for the ILO's information base in the light of this agenda.

Normative action and decent work

Normative action is an indispensable tool to make decent work a reality.

Firstly, normative action helps to clarify the meaning of decent work: standards provide an authoritative answer to the question of what decent work implies in concrete terms as regards the preconditions (fundamental principles and rights), its content (work that meets certain criteria of quality and security) and the process whereby it can be achieved (social dialogue).

Secondly, it helps to put the Decent Work Agenda into practice: standards are a stern indicator of progress towards the achievement of ILO objectives, not through lip-service but in law and in practice, and the ILO supervisory system is the most advanced means available for monitoring the implementation of ratified Conventions and for encouraging compliance with Recommendations. We are exploring further the potential of the Constitution, as well as the readiness of constituents to use it, as exemplified in the recent application of article 33 in the case of forced labour in Myanmar (Burma).[15] The supervisory system needs to be modernized to make it less cumbersome, more efficient and more effective in solving problems. We need to enhance the reporting and legal procedures with a proactive capacity to help solve the problems through other instruments at the disposal of the ILO as a whole.

The relationship between normative action and decent work is, however, by no means one-way traffic. The notion of decent work may also represent a new frontier for normative action. Let me explain.

At first sight, the methods of normative action do not seem well adapted to the Decent Work Agenda. Decent work is universal in concept and its components are interdependent; by contrast, norm-

[15] See International Labour Conference, 88th Session, 2000, *Provisional Record 6-4*; and Governing Body doc. GB.279/6/2.

ative action is voluntary and necessarily fragmented in practice, as it seeks to break down the general objectives of the Constitution into a certain number of specific problems to which it offers concrete solutions through Conventions and Recommendations. So the existing normative methods cannot ensure parallel and coherent progress on all the fronts of decent work. Neither can they guarantee the universal application of any of the specific standards across countries and sectors; the effectiveness of standards in the informal economy, in particular, is often questioned.

Recent developments have shown, however, that there are ways by which normative action can address these apparent limitations.

Firstly, the issue of universality. The aspiration to decent work is universal and so is our obligation to fulfil it to the best of our abilities. But the content of this aspiration depends on the circumstances and possibilities in each country. Ensuring the universality of decent work does not mean imposing a fixed uniform pattern. It means ensuring universality of progress in its various dimensions. A necessary, if not sufficient, requirement is the universal guarantee of the basic principles and rights, which are the basic instruments for such progress. As already noted, this is precisely what the Declaration is about.

Secondly, the issue of interdependence. The interdependence of the ingredients of decent work does not mean that there is a magic and uniform formula for combining them. As I have already noted, difficult trade-offs may sometimes arise, and it is appropriate and inevitable to leave it to each Member to resolve them in the light of the special circumstances and preferences obtaining in each country. The real question is therefore how normative action, despite its fragmented nature, can best assist Members in making such choices more meaningful and better informed.

The combination of the Declaration, and the new integrated approach to standards which the Governing Body adopted on an experimental basis last November, provide a way forward. The Declaration is about giving workers the possibility to have their voice heard on a collective and individual basis, and so to influence public choices. And the integrated approach, which aims at strengthening the coherence of standards by grouping them in families around the four dimensions of decent work, will also provide a framework for a systematic evaluation of their impact. This evaluation should document the positive linkages between families of standards and so encourage member States to make simultaneous progress on each of the fronts of decent work.

Does this exhaust the potential of normative action to promote decent work? I do not believe so. There are still a number of possibilities, in particular as regards our action in favour of fundamental principles, that we could adopt without overstepping the boundaries of voluntarism.

To take one illustration, we could think of specific actions to eliminate the practices which are most contrary to the spirit of the Declaration. For example, governments could agree to eliminate the exceptions to fundamental principles and rights which are found in some export processing zones (EPZs). We could, indeed, make it a goal to transform EPZs into the paragons of the global economy, in so far as respect for the Declaration is concerned. Under the aegis of the Global Compact we could promote dialogue between governments, workers and businesses operating in EPZs so that guarantees demanded by companies as a condition of investment in these zones, or their management practices, do not undermine the principles and rights of the Declaration. One practical first step could be for the ILO to open a voluntary register of all countries committed to respecting the Declaration in EPZs, reinforced by specific technical cooperation programmes to support the constituents in that endeavour.

One can also consider that the ILO could be requested by all parties concerned to give a technical opinion or help mediate on issues on which social dialogue or tripartite agreement is proving difficult. If we can all develop sufficient trust in our methods of work, there are many ways in which the Office can respond to requests to collaborate as an "honest broker". An illustration of this is my recent experience with Colombia and Venezuela, where the good offices of the ILO have helped to advance a tripartite understanding on difficult and complex issues. In Argentina a recent decree in relation to social dialogue refers to the ILO as observer and adviser in the process.

In another field, the remarkable success of Convention No. 182 should be followed up by worldwide action to support governments that put in place voluntary time-bound programmes to eliminate the worst forms of child labour, the specific time frame and modalities depending on national possibilities.

We should continue to explore other new mechanisms and institutions in the field of standards. We should be open to innovations which could permit countries to progress faster, on a voluntary basis.

Responding to new private initiatives in the social sphere

As the final section of Chapter 2 shows, there is a rapid growth of new private initiatives concerned with various aspects of decent

work and other social issues. They concern citizens, consumers, investors, workers, companies and other private actors, who are increasingly taking social goals and conditions into account in their behaviour. The proliferation of these initiatives is encouraging, but it may also be a source of confusion, because their content and objectives vary enormously. There is a need for common frameworks, and for monitoring and verification, if these initiatives are to be credible. They are emerging independently of the ILO, but it is not surprising that, increasingly, people involved in them ask us for guidance, because of the ILO's authority, impartiality and independence.

This is a new area for the ILO. It has great potential as a way of promoting our values, but it also involves complex issues which need to be thought through carefully. There is an obvious danger that private initiatives will pick and choose from the ILO agenda, or that verification systems will be flawed. If the ILO and its constituents are to take advantage of the potentially favourable terrain, we have first to establish some ground rules and determine the types of initiatives in which the Organization might take an interest. For instance, the ILO is likely to be concerned only with initiatives which are strictly voluntary; and they would have to be consistent with the goals of the Decent Work Agenda.

Despite the complexity of the issue, we must respond to the growth of this field. The ILO should be in a position to provide reference points and respond to voluntary requests that do not affect our autonomy and independence. For example, we might do this by documenting socially responsible choices in markets, and supporting private initiatives to realize the Declaration along the supply chain. We could thus breathe the goals, policy objectives and methods of decent work into their systems; and what better way to do this than through social dialogue?

We – the Office and the constituents working together – also need to build knowledge on these initiatives and the institutions that are emerging at the global level. The United Nations Secretary-General's Global Compact provides one example in which we are already engaged. We should know more about socially responsible investment, how it is spreading and working, and its contribution to both economic and social goals. Pension funds are now important actors in this field and their role also needs to be better understood. Several ILO programmes are already pursuing these issues, and I believe that our efforts should be reinforced.

Decent work in development strategy

In Chapter 2, I argued that decent work is at the heart of a development agenda. If decent work is the objective, there has to be enough work for all who want it, so the challenge remains of meeting our institutional goal of "full, productive and freely chosen employment". The persistent employment gap in the global economy has led to reiterated calls for the development of more effective and comprehensive strategies to promote employment. The Ninth Summit of the Heads of State and Government of the Group of 15 called upon the ILO to launch a comprehensive employment strategy in 1999. That call was endorsed by the G-77 Summit in April 2000. The Special Session of the United Nations General Assembly on the follow-up to the Social Summit in June 2000 recognized the need for "a coherent and coordinated international strategy on employment", and supported ILO efforts to pursue this goal.

Our response is the development of a Global Agenda for Employment, which will be discussed at the Global Employment Forum in November. There are four key features of the Agenda.

- Firstly, it aims to be comprehensive, capturing the key policy issues which affect employment, whether it be entrepreneurship, an enabling environment for investment, labour market policy, gender inequalities, health, skills, trade, technology or macroeconomic policy.
- Secondly, it provides a platform for alliances and partnerships within and outside the multilateral system among all those able to contribute to the promotion of decent work.
- Thirdly, while centred on employment, it is positioned as part of the decent work framework, so the linkages to social protection, fundamental rights and social dialogue are an essential part of the approach. The gender perspective is emphasized in all these areas.
- Fourthly, and perhaps most important, it is built around a positive vision of the contribution of the labour force to growth and prosperity. Employment is about fully developing and using human capabilities.

This comprehensive approach to employment policy is also being applied at the regional level, notably in the Jobs for Africa programme.

The key to putting decent work at the heart of development lies in the variety of working situations found in the informal economy

and in small enterprises. It is here that most jobs are created, and here is where employment contributes most to the reduction of poverty. But it is also here that the greatest problems of social protection, of representation and of rights are found.

It is up to us to show that rights at work and social protection have meaning for the informal economy. The examples given in Chapter 2 show that this is possible. Safety nets need to reach beyond the formal economy. There is a need to expand education and training to overcome exclusion in the informal economy, to improve enterprise performance as well as workers' employability and productivity, and to progressively transform survival activities into opportunities for decent work; to show that in the informal enterprise, too, moving towards decent work has an economic dividend. As technology threatens to deepen divides in the world of work, we have to build bridges between the knowledge economy and the informal economy.

There are many initiatives across the Office which tackle the challenge of the informal economy from one angle or another: better statistics; microfinance and efforts to overcome obstacles to the creation and growth of small and micro-enterprises; new forms of organization; innovative ways of providing social protection, safer workplaces or income security; action against informal child labour. Much of the informal economy is rural, and we should renew our work on rural employment in cooperation with FAO. An internal task force is already looking at informal employment from different angles. I believe we should do all this and more, and build on the increasing interest expressed by employers' and workers' organizations.

At next year's Conference we will look more deeply at this issue. I believe that this is a critical area of work for the future, and that debate will be an important milestone. Between now and then, I plan to put the people and families who depend on the informal economy high on the priority list of the ILO as a whole. Why? Because people in informal work represent the largest concentration of needs without voice, the silent majority of the world economy.

Beyond the informal economy and overlapping with it lies a sector of micro- and small enterprises (MSEs). Here, supporting entrepreneurship is the key to opening up opportunities for more people to participate in economic growth. We have to do our part to create an environment that helps convert abundant personal initiative into jobs and wealth; an environment that is friendly to the spirit of entrepreneurship. We must also help to show how MSEs can also be places of decent work for their employees. Many new small enterprises are

started by women, young people and the poor – we have to ensure that this becomes a leading strategy to assist people out of marginalization rather than a last resort for labour absorption. We need to look at the many legal and institutional obstacles to enterprise creation and growth, and promote the coordinated action needed to remove unnecessary barriers. It makes sense for the ILO to become the lead agency supporting small enterprise creation.

The vision, creativity and determination of business entrepreneurs is the source of new products and services and, sometimes, of entirely new industries. "Social" entrepreneurs[16] have the same qualities, but use them to create sustainable market-based solutions to social problems. They work on whatever is stuck. We would all benefit if social entrepreneurship initiatives were brought into mainstream policy, so as not to be constantly going against the tide, but helping to change its course. Over the last two decades, business people in the formal economy have also embraced the idea of "doing well by doing good" and have created many hybrids, so that social entrepreneurship has different manifestations. It is notable that they naturally reach out to people in the informal economy, and are strongly focused on ending the "digital divide" and using technology to leapfrog development.[17]

Partnerships are needed among the ILO's constituents, with multinational companies, as well as with community-based organizations. The ILO is already collaborating with the Microcredit Summit Campaign, which has set the goal of ensuring that 100 million of the world's poorest families, especially the women of those families, receive credit for self-employment and other financial and business services by the year 2005.[18] I co-chair the council of United Nations agencies for the Campaign, which is working with practitioners, Heads of State, advocates, banks, and others, each from their own position, to achieve this collective, global and time-bound goal.

All of these elements have to be taken into account in an integrated approach to decent work and development. Our multidisci-

[16] See http://www.ashoka.org for the group that pioneered the term "social entrepreneur" two decades ago, and for a description of leading social entrepreneurs in 41 countries.

[17] See, for example, http://www.inaise.org for the International Association of Investors in the Social Economy; http://www.svn.org for the Social Venture Network; and http://www.bsr.org for Business for Social Responsibility.

[18] The movement was launched by the Microcredit Summit held in 1997, which brought together more than 2,800 people from 137 countries.

plinary teams will be responsible for applying these ideas at the national level, responding to the expressed needs of the ILO's constituents in each country. They will come together at the regional level in decent work teams, whose task is to strengthen regional capabilities, support national action and build strong linkages with the programmes under development in each of the sectors of the ILO programme.

Improving the ILO's information base on decent work

One important area in which we clearly need to invest is our information systems. In order to effectively promote the goal of decent work for all, the Office must be able to measure and monitor progress and deficits, and to respond to the demands of constituents and the general public for information about these issues. We have to have up-to-date and readily usable information on all aspects of decent work which can support diagnosis, evaluation and policy design.

At present our information systems provide only a partial, and sometimes only a rudimentary, picture of decent work deficits. There are pressing needs in all four dimensions of decent work. We need to know much more about how frequently workers face a loss of *fundamental rights at work*, both through statistical data on issues such as the extent of child labour and discrimination and through systematic qualitative information, which may help pinpoint restrictions on workers' rights to organize and bargain collectively. We already have a lot of information on *employment*, but we need much more systematic information on *employment deficits*, including indicators of quality of employment and workers' incomes, especially for the working poor. We need to know how many workers are without *social protection* and *security at work* and face inadequate or dangerous working conditions. We need to know much more about the extent of *social dialogue* among our constituents, and about deficits in voice representation in general. All of this information should be broken down by gender.

Several programmes have started to address these needs, but creating and maintaining a sufficiently comprehensive and informative data system of decent work indicators and deficits will be a major challenge for the Office. We also need to go beyond measuring deficits to measuring and recording successful policy initiatives. To make this possible, all the sectors, the Bureau of Statistics and the regions are increasingly expected to work together toward this common goal, and I have created an internal advisory committee to guide this process. If there is one place in the world where people can turn for

quality information on decent work, it should be the ILO. We need to make a major investment in the design and implementation of our data and statistical base. We have defined our four strategic objectives and we now need to measure our progress.

3.3. The challenges for governments and for workers' and employers' organizations

Ultimately, the impact of the ILO depends on the effectiveness of our internal partnerships – the Organization's constituents working together on diagnoses and solutions. There is a common endeavour here, in which national constituents must be part of the global movement. This participation is reflected in the Conference and many specific meetings, but is not always fully exploited in the day-to-day work of the Office at the country and regional levels. The impact of the ILO will be much greater if our constituents worldwide express their full ownership of the agenda as a whole, actively promote it and develop their own initiatives. For that to happen, the Organization has to offer strategic support and services to governments and workers' and employers' organizations in the major challenges they are facing, and make this an integral part of the Decent Work Agenda.

The foregoing sections make it clear that globalization does not reduce the responsibility of the State. On the contrary, governments face many and changing challenges in addressing the decent work deficit in their countries. If they remain bogged down in old ideas, they may indeed be overrun by globalization. But in reality, public policy remains fundamental if the global economy is to deliver social and economic progress. Governments have to promote an enabling environment for organizations of workers and enterprises. They need to build and support the institutions which defend rights, promote access, combat inequality and exclusion and enhance security. As we have seen, they have considerable scope to promote employment. They need to work together, at the international level, to establish ground rules which have widespread legitimacy and are respected by all. The challenges are effectiveness, competence, credibility and responsiveness to the needs of citizens.

Workers' organizations, too, are called on to set new goals and work in new ways. The economic, social and political environment in which trade unions organize and represent working people is changing dramatically all over the world, obliging unions to rethink their role and strategies. The era of concentrated mass production is ending, and in the future unions will have to operate in large numbers of much smaller units of employment, increasingly in the

private service sector. Collective bargaining is likely to become more dispersed.

The pattern of employment is changing as well. The proportion of women in the workforce is increasing. The share of regular full-time workers is declining, partly because of the growth of flexible jobs in new production systems. Unions consider that they must adopt new organizing techniques to meet the needs of "atypical" workers and help them to win their rights. In the flexible new economy, some unions are offering new services such as skills development and social protection, aiming to provide security which is otherwise lacking. A major challenge facing unions is to find new ways to ensure that family responsibilities and participation in the community can be combined with productive and fulfilling employment. The challenge for unions goes beyond the workplace to reflect, in the services they provide, their members' many other needs.

Multinational enterprises are creating integrated global production systems both by their direct investment and through complex chains of subcontracting. Representing the interests of workers in these systems is faced with many difficulties. Unions are having to develop new strategies, for instance, trying to use codes of conduct to open up opportunities to organize and represent workers in MNEs and in their production and service chains. They are also creating and servicing international union structures to act as focal points for global or regional discussions with MNEs, notably through the international trade secretariats. I have given examples in Chapter 2. They constitute the global counterpart to the dispersion of negotiation at the firm level.

Workers in the informal economy of the developing world need unions more than most because they have no recourse to law or social insurance. But there are huge obstacles to workers' organizing, often because of the inability of the public authorities to protect activists and the transient nature of much informal work. Nevertheless, all kinds of community and trades-based organizations are springing up and many deserve the support of established unions, public authorities and the international community. People living on a day-to-day basis need to be helped to organize and become more productive, and to be progressively covered by legal and institutional structures. If not, given the size of the informal economy, the gap between the formal and the informal will continue to be the most important divide in society, and a hindrance to equitable growth.

The challenges for employers and their organizations are no less dramatic. Indeed, many of them parallel those facing workers.

Employers' organizations, too, face the problem of identifying and developing services that would meet the needs of enterprises in the new global economy. Increasingly, this includes a cross-border dimension. Often having to compete with other providers of enterprise services, such as business consultants, they have to constantly raise the knowledge and skill intensity of what they offer. In a context of liberalization and globalization, the survival of enterprises and the jobs and incomes they produce depend on their competitiveness. Employers' organizations are no exception to this rule.

In their representative role, most employers' organizations continue to cover mainly the larger formal sector enterprises. Some have developed services for smaller enterprises which have thus been drawn into membership. However, despite the importance of informal economy enterprises in many countries, they effectively have no voice in employers' organizations, although it is in the interests of everybody, not least the formal sector enterprises, that productivity and purchasing power increase in the informal economy so that it can contribute more to the national economy and deepen the market.

There are a number of institutional and legislative obstacles which can be addressed. One recent book, for example, reveals the role that the absence of property rights and other legal protection plays in perpetuating informality.[19] The availability of such rights forms, in fact, part of the very basis on which the formal sector itself developed. It therefore requires only some effort, but no great leap of faith, for formal sector employers to embrace in their representative agenda the conditions that would help informal economy producers to emerge from their present circumstances.

Employers' organizations have widely endorsed the United Nations Secretary-General's Global Compact, which incorporates objectives that they themselves participated in developing, in so far as it includes the core of the ILO Declaration on Fundamental Principles and Rights at Work, in addition to other human rights and environmental concerns. The challenge now is to make it into a set of principles that will be reflected in the day-to-day management of all enterprises everywhere. Ultimately, this is a matter that goes to the heart of the private enterprise system, because it reflects the basic demands that society makes of those who want to exercise the economic freedoms it offers.

[19] Hernando de Soto: *The mystery of capital: Why capitalism triumphs in the West and fails everywhere else* (Bantam Press, 2000).

These challenges for workers' and employers' organizations are very closely related to the agenda laid out in the previous sections. Both workers and employers are responding to globalization and the changing contours of the global economy, concerned that the competition for market share should not undermine the genuine cooperation required for efficient production. Both need to be concerned with the ways in which basic principles and rights are promoted in the global economy, whether through legal instruments or less formal codes. Both need to be concerned with linking the quality of output to the quality of working relations. But at the same time, both recognize the importance of the informal economy and the small enterprise for the effectiveness of their action.

I believe that more effective organization is the key for both workers and employers. It is the precondition for constructive social dialogue, which seeks to find solutions to conflicts and identify areas for improved performance. It is the key to improved conditions of employment, a good rate of return on investment and increasing employment. We should work together to strengthen the capabilities of workers and employers to promote the Decent Work Agenda. The Turin Centre, for instance, could explore ways of multiplying its training for trade unionists and entrepreneurs on key issues, including leadership, the capabilities needed to promote fundamental principles and rights at work, gender equality, organizing strategies for the informal economy, and other priorities aimed at making decent work a reality.

3.4. Outreach and alliances

Cohesive tripartism is the ILO's bedrock. It is an absolute precondition for the Organization's success, but it will not be enough on its own. This has to be a house which is open to the rest of the world. We need to understand the goals of other social actors, and how they relate to decent work objectives. The ILO and its constituents need to search systematically for common ground with the organizations of the multilateral system, with national governments beyond those responsible for labour issues, and with other actors in the economic and cultural spheres of society who share our values. Where it finds common ground, the ILO must be ready to act as a team player and a partner, for this will increase our chances of having an impact that matches the scale of our ambitions.

Let me start with the multilateral system. I am making strenuous endeavours to strengthen partnership between the ILO and other organizations in the multilateral system. This is a more formidable task than it should be, because, as I have seen over many years, habits of

fragmentation and defensive "turf protection" have made the system an archipelago of basically unconnected islands. The organizations concerned, including the ILO, can all point to instances of cooperation and coordination, as I will do below. But there is no getting away from the reality that the integrated thinking and action required to address the challenges of the global economy are still missing. The multilateral system must respond to persistent demands for new, better and more coherent international frameworks. We have made progress, but not enough. I believe that the multilateral system is still underperforming in this respect.

From the ILO we must push for greater unity of action. In turn, the ILO must stand ready to engage as a committed team player. This means not only working together but taking on board each others' goals. Just as the ILO has to integrate the need for sound macroeconomic policies into its understanding, so the Bretton Woods institutions should make decent work development objectives a part of their basic framework. I believe that a system-wide commitment to promoting decent work, as a major development goal and an instrument to reduce poverty, would not only benefit all our constituents, but would also enrich the policy agenda of other organizations.

That does not mean that we will always be in agreement, and the ILO and the IMF or the World Bank may not come to the same conclusions in any given case. Each organization has its own identity and constituents, and its own mandate. From our perspective, *when it comes to the hard decisions there is no reason why it should so often be the social goals that are sacrificed*.

But there has to be an understanding that we do not undermine each other's priorities. It would be a form of "multilateral schizophrenia" if each organization, with essentially the same governmental membership, should behave as if its sole responsibility were to discharge its own mandate irrespective of the others. This practice is leading today to conflicting policy advice to the same governments by different agencies. There is much we can do in an honest and open exchange among secretariats. But let us not fool ourselves. The real responsibility to give political guidance on these issues lies with governments. They have taken too long to bite this bullet. More general calls for greater cooperation are simply insufficient.

As far as the ILO is concerned, this is particularly important with regard to fundamental rights. I have been particularly insistent on the issue of freedom of association, because I find that other organizations do not always appreciate that, for the ILO, this is a cornerstone

of its identity. Nevertheless, I believe that it is possible to build policy coherence around the decent work strategic objectives precisely because it is an integrated agenda which tackles economic and social development goals together, and which occupies common ground among different organizations.

A call for greater bilateral cooperation with other international organizations was part of my Report two years ago. We are working with the Bretton Woods institutions to build the goals of employment and decent work into country-level poverty reduction strategies. We are working with the United Nations Secretary-General on the Global Compact. Another critical alliance is the United Nations Policy Network on Youth Employment, a partnership between the United Nations, the World Bank and the ILO, to determine what works in combating youth unemployment. We have worked with UNCTAD on making employment part of the strategy for the least developed countries, with UNICEF on child labour, with several United Nations bodies on crisis response and reconstruction, with WHO on safe work, with UNAIDS on the code of practice on HIV/AIDS in the world of work, with UNDP and UNIFEM on microfinance. But we need a stronger sense of common purpose if the global challenges are to be met.

The policy identity given by the Decent Work Agenda also opens up possibilities for developing new initiatives in partnership with individual governments and regional organizations, beyond our regular technical cooperation and advisory work. This may involve knowledge sharing and joint reflection, as has been the case, for example, in recent and current collaboration with the European Union, with the French Ministry of Employment and Solidarity and with the Canadian Government. It may involve the launching of new areas of work – partnership with the United States helped us launch our new Programme on HIV/AIDS in the World of Work. It can involve developing regional perspectives and initiatives, as has been the case in our collaborations with Mercosur and with the Inter-American Conference of Ministers of Labour, for instance, or arising out of a dialogue which I have recently initiated with the Labour Ministers of the Gulf Cooperation Council. Such partnerships multiply and enrich the work of the Office.

Outreach must also extend beyond governments and multilateral institutions to other actors. In both of the competing forums in Davos and Porto Alegre earlier this year, what was striking was the enormous diversity of actors present – governments, employers, trade unions, international organizations, parliamentarians and politicians, spiritual leaders, writers and journalists, academics and grass-roots

organizers – and the focus of their attention on the social aspects of globalization which are on the ILO agenda.

A powerful process is under way, as new forms of organization, protest and debate emerge. There is a palpable change in the air. These actors offer a rich source of ideas, innovation and action. Some of them are already important partners for the ILO. Our campaigns on ending child labour and promoting the Declaration, our work with microfinance organizations and the informal economy, our strategy to advance gender equality and social investment, to name just a few, depend on vibrant collaboration with a broad range of actors.

All of the ILO's constituents are responding to this new environment. Governments and local authorities regularly engage business and civil society. Many have gone beyond briefings and consultations to constructing real partnerships. Some trade unions have launched aggressive new strategies to mobilize the "unseen and uninvited" into their ranks, and the protest movement, from Seattle to Porto Alegre, has a significant trade union presence. The private sector, particularly large corporations, are cooperating with citizen sector organizations for a host of purposes, from codes of conduct to bridging the digital divide. There are membership organizations for new economy freelance workers and chambers of commerce for micro-entrepreneurs. Coalitions of students, activists and religious leaders have successfully influenced consumers and investors, who in turn are also organizing and using their market clout to alter corporate production and practices. As I mentioned before, I believe that what I call "market activism" is very much on the rise, and is likely to play an important role in ILO issues.

The ILO, like its constituents, must respond. We can be more effective when we take full advantage of outreach to actors beyond our walls who share our objectives.

For those who need to hear it again, let me reaffirm my commitment to the ILO as a tripartite institution. This is under no threat, and there can be no question of any erosion of the constitutional and policy-making prerogatives of its tripartite constituency. Civil society organizations, with their wide range of concerns and in their many forms, are not about to displace trade unions and employers' organizations from their representational role within the ILO. It is very difficult for them to have the membership-based democratic mandate which is found among organized workers and employers. The voting composition of the Governing Body and the Conference are not in danger. And yet, within the ILO, there continues to be reticence and

insecurity about engaging outside actors. I believe this is a mistake. The biggest strategic error this Organization could commit is to believe that tripartite dialogue is sufficient on its own to understand what is going on in today's societies.

But ultimately, embedded in the question of partnerships, there is a question of legitimacy. Today, faith in representative organizations of all types has declined as their capacity to deliver what people seek has diminished. Governments and international organizations, NGOs, political parties, corporations, trade unions and others are all criticized in different ways as ineffective. Many people around the world feel that their needs are not being met and their voices not heard, that there is growing inequality and insecurity, that the ground rules are not fair. There is a sense that important values are being neglected. They naturally question those who are perceived as having the power or the responsibility to change the way things are going.

How can legitimacy be enhanced? I believe that it is critical for those in authority to have the capacity to acknowledge and respond to the diverse voices in society, as well as the ability to work for and with people. They need to be in permanent contact with changing grass-roots realities.

In the end, legitimacy comes from a sense of what is right and fair, whether reasonable demands are met, and whether local, national and global institutions can deliver what they have promised. The good news is that people all over the world are speaking out – some on the streets but far more in their communities. This citizen leadership makes me hopeful. It takes many forms. People are making changes, examining old assumptions, trying new ways of life and new ways of organizing themselves. Connecting with these realities is a challenge for the ILO, too.

Legitimacy was what sustained the struggles of Nelson Mandela in South Africa, Lech Walesa in Poland and democrats in Chile, as they confronted authoritarian regimes. In each case, the moral authority of the ILO contributed to their legitimacy, within a wider social movement. Once democracy had been established, they acknowledged the backing they had received from the ILO.

But the ILO's contribution goes beyond its moral authority. Ultimately, it is the linkage between that authority and the values which underpin it on the one hand, and the economic and social goals of the Decent Work Agenda on the other, which constitute the ILO's distinctive contribution and form the basis on which its partnerships must develop.

3.5. Steering a steady course

To make decent work a reality we must continue to move forward on the basis of a strong and cohesive tripartism. We must stand firm by the commitments made two years ago as we launched the Decent Work Agenda. Putting the agenda together was painstaking and difficult, and those who entered into it did not do so lightly. The Organization has drawn significant benefit from what we started together in 1999. It has been the basis of the reorganization of the Office and the launching pad from which to project its message and its influence.

From the beginning this has never been an easy or a soft agenda. As I have been insisting throughout this Report, combining its rights, employment, protection and dialogue components into an integrated whole is a major effort, in which the Organization is deeply engaged. Equally, all those who backed the agenda were embarking on a major political commitment to a common purpose. Its true importance lies in the fact that it is an integrated approach to the contemporary world of work.

This means that it is simply not possible to disassemble the Decent Work Agenda without destroying its meaning. Depending as it does on a delicate balance of interests and an implicit contract between constituents, there is no space for the selective pursuit of some of its objectives. There will be different emphasis placed on one or another part of the agenda according to national priorities and circumstance, but we must ensure that we do not pursue some objectives at the expense of others.

There is no intent to idealize the notion of cohesive tripartism. It will not and should not erase the distinctive and at times opposing interests of the ILO's constituents, any more than cooperative industrial relations remove from the workplace the competing demands of labour and capital. But it is the basis for common action. From the most practical of perspectives, the period since the adoption of the ILO Declaration, Convention No. 182 and the Decent Work Agenda has shown what the ILO is capable of when it brings together the efforts of governments, employers and workers behind commonly agreed targets. We all remember how difficult things can get once confrontation sets in. It is self-evident that cohesive tripartism will come under strain periodically, and with greater frequency when the issues tackled become more controversial. This is healthy and even constructive – so long as the common commitment to the overall agenda holds good.

The hopes and fears associated with globalization over the last decade are falling into perspective. The policies which are needed if globalization is to work for all are becoming clearer, and they point to the ILO's agenda. This Report suggests ways that the ILO and its constituents can respond. The Organization must connect with the wider world through learning, leadership and leverage. Learning, by listening to others, deepening our knowledge base and reflecting the needs of individuals and their families in our work. Leadership, by advocating our values and demonstrating that they provide a realistic platform for social progress. Leverage, by attracting others to our goals and promoting common efforts to achieve them. This calls for creativity, new ways of working and new forms of outreach. All together, we have the opportunity to help reduce the global decent work deficit. Let us seize it.