

Intervention Aart-Jan de Geus
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Distinguished colleagues, ladies and gentlemen,

I am honoured to be able to take part in this panel. I thank the United Nations for creating this opportunity for me to express my view on creating decent work opportunities with productivity growth.

While preparing this round table I concluded that many people inside and outside international organisations are thinking about solutions for the problems we are faced with regarding full and productive employment and decent work for all. Let us work together in a coherent way on this issue. ECOSOC could play a role in enhancing coherence between all actors involved, such as the International Labour Organisation, the United Nations organisations, the Bretton Woods institutions, etc.

Let me now turn to the issue of this workshop.

Does productivity growth leads automatically to the creation of decent work? I have strong doubts if this is the case. The basis is the creation of full and

productive employment and decent work for all. This is a great challenge, in which productivity growth plays a role. The challenge of creation of decent work is of a more complex nature. It has many angles, viewpoints and global, regional and national aspects. Solutions will not come easy.

I could underline the statement that sustainable growth of productivity and decent work are mutually reinforcing. Decent work is the key to sustainable productivity growth and vice versa. Sustainable is here the key word, that means for instance that the decent work agenda of the ILO is implemented.

The Decent Work Agenda of The ILO emphasizes the importance of human and social capital for sustainable growth in productivity. Every person in any country aspire to engage in decent work.

And let me be clear on this: Decent work is about providing access to quality employment. It is also about protecting workers and their rights, adequate social protection and social dialogue. Essential goals, if workers are to recognize a personal stake in enhancing competitiveness and productivity. The Decent work Agenda of the ILO will be a key factor in achieving sustained productivity in a highly competitive world. This will require:

- Employment promotion is integral to economic growth plans
- Both quality and quantity of jobs are equally guaranteed
- Enhancing of skills and employability are primary goals
- The rights of workers are protected

- The workforce has access to basic protection

Such employment nurtures self esteem, permits self-fulfilment, and provides for the voice of workers to be heard. These, in turn, are the prerequisites for full worker participation in enhancing productivity.

Securing decent work for women and men everywhere is the most widespread need, shared by people, families and communities in every society, and at all levels of development. Decent work is a global demand today, confronting political and business leadership worldwide. Much of our common future depends on how we meet this challenge.

Let me illustrate this by two interesting viewpoints of respectively the Worldbank and the UNCTAD on meeting this challenge:

An important key towards productivity growth is investment and access to global markets. Creating more and better jobs requires strong and sustainable growth, as well as an increase in the employment content of growth. The empirical evidence supplied by the World Bank suggests that certain firms, often small and medium sized ones, are more labour intensive, than others.

Most important is to create a level playing field for all enterprises: Very often small and medium sized enterprises are disproportionally affected by a poor investment climate. Potentially innovative firms that can contribute to the

creation of good jobs, are often hampered by regulations and lack access to markets and capital in many developing countries. Lack of competition and preference treatment for large and well established businesses often create incentives for enterprises to adopt more capital intensive productive methods.

In its macro-economic analysis UNCTAD has shown that income growth is sustainable if it is based on sustainable investment growth. Sustainable income growth is the most important provider of decent jobs. The successful countries of the past, Asia in particular, have succeeded in employing a profit-investment-nexus to establish these conditions. Linkage between capital accumulation, technological progress and structural change constitute the basis for dynamics reflected in rapid and sustainable productivity and employment growth, rising living standards and a successful integration into the international economy. Investment holds a central place in this interplay, because it simultaneously generates income, creates new jobs, expands productive capacity and carries technological progress, skills acquisition and institutional deepening.

Countries raise the standard of living of their populations by raising labour productivity through capital deepening. This is associated with a substantial change in the sectoral pattern of production and employment.

From agriculture to industry, from labour-intensive activities to a growing range of capital and technology intensive activities. The production structure of an

economy is of key importance for the development process and for the supply of decent jobs, because the level of productivity and the potential for the technical progress and productivity growth vary significantly across agriculture, industry and services.

But a society with decent work for all creates also productivity growth. In Europe we have been working together in the European Employment strategy and the Lisbon process towards more and better jobs. Amidst the circumstances of global competition EU Member States have to simultaneously increase employment levels and improve productivity. All Member States must consider what measures, even small steps, can be taken to improve labour productivity, business performance and the ability of enterprises to adapt to the structural changes in the global market. Improving labour productivity is not an end in itself, but a means to manage these changes and increase people's welfare. The quality of working life has to be improved, if we want to increase labour productivity. Workplaces have to enhance the organisation of work so that both the quality of work and the creativity and innovation of employees increase, which in turn improves productivity.

Consequently the government in the Netherlands is working hard on realising these European plans. What have we done in the past few years? I will mention six far-reaching measures.

1. We have tackled the social assistance system. Since the introduction of the Work and Social Assistance Act in January 2004, it is no longer benefits but work that is central. In other words, it's all about activating people. And the results are visible: we have fewer people drawing benefits and more people in work. To be precise, there were 336.000 people drawing benefits in 2003 compared with 328.000 at the end of last year.
2. We have reformed the invalidity insurance system. And once again a key element is activation. The Work and Income (Ability to Work) Act enables us now to look at what people can still do rather than what they can no longer do. And here too the first signs are positive. The number of people incapacitated for work is falling. And the number of new claimants is also dropping. In 2002 the number of new claimants was still up at 92.000. This year it is expected to be around 30.000.

As a result of the reforms of the social security system and the changes to the Unemployment Insurance Act (WW) and the Invalidity Insurance Act (WAO), the total expenditure on social security will fall. It falls by over 6

billion euro next year. In addition, the WAO contribution has fallen from 7.6 percent in 2004 to 6.4 percent this year. As employers you benefit from this.

3. Furthermore, early retirement and pre-pension have been tackled and the policy is now to raise the effective exit age from the labor market. In other words: to keep older people working for longer.
4. The health insurance system has been reformed.
5. The regulatory burden on businesses has been tackled.
6. And, slowly but surely, public finances are once again being put on a sound footing. The budget deficit has fallen sharply in recent years. In 2003 we still exceeded the European standard of 3% of GDP. Last year the EMU deficit was 0.% of GDP.

These six measures have really helped the economic recovery. In a lasting way. It is sound policy. And it also demonstrates solidarity, for our aim was to get more people into work. We are convinced that work is valuable to the well-being of the individual. And this will help us to maintain the welfare state.

The importance of the Dutch reforms is endorsed internationally. The IMF expressed a positive view in its Public Information Notice of July 2005. And the OECD too refers to 'a very substantial program of reforms of its labor market and social security institutions'. This quote is from the OECD's 'Economic Survey of the Netherlands' of December 2005.

The European Commission too has praised our reform policy in its progress report on the Renewed Lisbon Strategy.

What conclusions can we draw?

1. Importance of policy coherence on national, international and multilateral level. Working together, informing each other and reinforcing each others efforts on full and productive employment and decent work for all.
2. ECOSOC has a role to play in this framework. Multilateral institutions can find in ECOSOC a platform where they can work on policy coherence on the issue of decent work.
3. The Secretary General could contribute to the process, by including in his report on the follow up to the outcome of the Millenium Summit and the World Summit, the progress achieved on both the policy and the

operational level of the creation of an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development.

4. Finally we must underline the importance of the ILO Decent Work agenda and the ILO Decent Work Country programs, that already have shown to be very successful in implementing policies and achieving results on full and productive employment and decent work for all.

I Thank you.