

# ECOSOC

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“Creating decent work opportunities  
with productivity growth”

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Some 520 million working women and men are unable to earn enough to lift themselves and their families above the one dollar a day or less per person extreme poverty line. More than twice that amount, 1.4 billion earns \$2 a day or less— the same number as ten years ago and half of the global labour force. Moreover, the number of unemployed worldwide, currently, at about 192 million, climbed to new heights in 2005. The world, in short, is facing a structural challenge for job creation; one that growth alone appears incapable of resolving.

In order to attain the Millennium Development Goals and the UN development agenda both the quantity and the quality of jobs need to be increased in order for people to move out of poverty. Greater attention, therefore, needs to be paid to decent work, defined as opportunities for men and women to obtain productive work, in conditions of freedom, equity, security and human dignity. Decent work is central not only as a source of income, but also as a condition for people to live a self-determined life, and to participate fully as citizens in their communities. As such, it facilitates social integration and social cohesion of societies. An employment strategy that aims to promote full, freely chosen and productive employment with full respect for the Fundamental Principles and Rights at Work should be a foundation of development strategies and be made a central objective of national and international policies.

A policy framework for working out of poverty needs to focus on both creation of decent work and productivity growth. Productivity growth is an important way to improve human welfare and development. It is the catalyst for structural transformation, from agriculture to manufacturing and services. During this transition, workers should obtain better wages and working conditions, reflecting higher productivity. Behind sustained demand increase and structural change lies productivity growth, originating from implementation of increasingly improved production techniques which enterprises need to introduce.

This objective of decent and productive work for all should be pursued through coherent gender-sensitive policies within the multilateral system enhancing macroeconomic and trade-related international cooperation to arrive at a more balanced and coordinated strategy for sustainable global growth and full employment. This includes greater market access, increased development assistance, technology transfer, and support for development of institutional capacities.

National strategies for full and productive employment and decent work are likely to vary widely according to country circumstances. Global rules and policies on trade and finance should therefore allow space for policy autonomy in developing countries, and do so by honouring commitments made in the Monterrey Declaration. There is a need to promote more transparency and coherence for countries to manage investment in a way that ensures that the benefits are realised. Phasing trade reform carefully and ensuring that labour markets are prepared at each step can make trade policy more employment-friendly.

Employment policies need to be fully integrated into national development and growth strategies, and supporting frameworks such as poverty reduction strategies (PRSs). This would include promoting an enabling economic environment, including good governance, appropriate policy and regulatory frameworks, sound macroeconomic policies, transparency, appropriate laws for property rights, adequate infrastructure, and a developed financial sector.

### **Labour market policies**

A common challenge to which all integrating economies nowadays have to respond is that structural change and labour market adjustment have become quasi-permanent features of national economies in a globalised world. Consequently, the social protection system that should accompany structural change has also to be institutionalised. This requires reforms of the social security system, especially regarding its aspects traditionally linked to the holding of a formal, stable job. Policies should also facilitate sectoral and inter-firm mobility of workers that is crucial in face of rapid technological

change and increased competition. In addition, social protection is needed to reduce income risk from labour displacement associated with global competitive pressures.

Labour market flexibility and employment security are not mutually exclusive objectives, but with appropriate policy regimes should reinforce each other. Although there is no one-size-fits-all model of labour market policies, there are some institutional characteristics that, if put in place, could help improve the effectiveness of labour markets. First, social dialogue is instrumental for designing and implementing flexibility-cum-security programmes and necessary for promoting acceptance of change in labour policies. Effective policy-making and implementation of employment and labour market policies requires the active engagement of employers and workers through their freely chosen and representative organisations. Sound labour-management relations and collective bargaining can also contribute to the management of change and the raising of the productive performance of enterprises and the economy as a whole. Such approaches can support Governments in improving the quality, relevance, timeliness, and balance of public policies to accommodate change and to promote decent and productive work. Second, active labour market policy should be included as a central component of macroeconomic policy. Third, there is the need for a stable policy framework for active labour market policies, for example by establishing labour market policies as a component of public policy. Fourth, public expenditure needs to adjust automatically, or at least rapidly, to the changing phases of the business cycle.

Rapidly changing skill requirements call for a comprehensive effort to increase the educational level in all countries but especially in developing countries. This would call for national policies for an integrated educational system in which workers skill be permanently upgraded and youth are being prepared for the challenges of globalization. In order to mainstream youth employment into national development strategies, measures to enhance the employability of youth should be a key component of active labour market policies and educational reforms.

### **Rural development and agricultural policies**

During the past decades there has been a period of policy neglect of the agricultural and rural sectors at the national level. There needs to be a renewed focus on rural development with a view to expanding market access, decent work, and productivity. In developing countries with surplus labour, agricultural policies should, as a general principle, be as employment friendly as possible by not overemphasizing mechanization that leads to sub-optimal displacement of labour.

The rural poor, in particular rural women, should be helped to secure rights on their land and access to other resources, including water, forest genetic resources, fertilisers, and appropriate technology. Land reforms can be instrumental in this regard. The promotion of labour-intensive approaches for building and maintenance of rural infrastructure can thereby offer new skills, employment opportunities and income for rural workers.

Considering the positive interaction between rural on- and off-farm economic activities and the importance of productive diversification for rural employment generation and growth, Governments should proactively facilitate the development of productive and remunerative non-farm activities as a means to create employment and to deepen linkages between the agricultural sector and the broader economy as well as to expand lending beyond micro-credit to meet the needs of the agricultural cycle.

In light of the negative effects of agricultural trade distortions on local producers in developing countries, it is imperative that any international strategy towards employment generation in the agricultural sector address, especially through the Doha round of trade negotiations, issues of agricultural trade and market access, reduction of trade barriers, building capacity and minimisation of the effects of commodity price fluctuations, taking fully into account the special needs of LDCs arising from preference erosion, price shifts, and increased market competition.

## **Enterprise development**

In order to facilitate structural transformation, Governments should design effective enterprise development in areas of potential comparative advantage. To upgrade the productivity and to access new markets, countries need to create an enabling environment in terms of secure property rights and contract enforcement, infrastructure requirements and access to support services. Backward and forward production linkages can be particularly beneficial to the development of SMEs and, consequently, to employment generation.

SMEs are of particular importance as they are essential in creating employment opportunities and a main source of economic growth, while increasing competition and contributing to a more equitable distribution of income. However, decent work deficits in informally operating enterprises are particularly pervasive in terms of low pay, income insecurity, social protection, rights at work, and social dialogue. Therefore, while, in the short term, policies to improve the productivity in informal economies, for example, through access to credit, could be contemplated over the long-term, the goal should be to make jobs in the informal economy gradually more formalised, where they will be covered by labour laws and standards. To this end, improvements in the policy and legal environment are needed to lower the costs of establishing and operating businesses.

Governments and institutions should encourage and facilitate mutually beneficial supply chain linkages by providing an inclusive industrial policy framework and by encouraging lead firms' participation in voluntary agreements. Respect for the 1998 Declaration on Fundamental Principles and Rights at Work should be strengthened in all countries, as it provides a set of minimum social ground rules for labour in a globalizing world economy. Inter-firm cooperation, in the form of business clusters, can provide an effective alternative to supply chain linkages that can help SMEs to overcome their traditional weaknesses of isolation, and lack of economies of scale and scope.

## **Making decent work a global goal and a national reality**

There is a need for continuing efforts towards and focus on the goal of decent work for all. The Council has various options for enhancing a system-wide follow-up to the commitment to decent work for all in the Summit Outcome document. Some of the possibilities are outlined in the Secretary-General's report and the Conference room paper for the High Level Segment. A more informal exchange of ideas over how to meet the challenge of improving national and international mechanisms for coherent pursuit of the goal of decent work for all would be most useful. Looking to the future and the 2015 target date for the Millennium Development Goals, decent work for all is a cross-cutting objective that can make a vital contribution to achieving all the other goals. Decent work should therefore be a central part of any development strategy. In this connection, active engagement by agencies in the development and use of the "tool kit" to promote decent work currently being developed by the ILO at the request of the Chief Executives Board is an important operational step to facilitate, system-wide follow-up and appropriate ways of integrating decent work into the agencies' strategic objectives, policies, programmes and activities.

## **Suggestions for the roundtable discussion**

Delegations may wish to consider the following two key questions:

- How can decent work and productive employment be made a international and national goal for development policies?

- Are international institutions and national policy makers moving towards stronger commitment and action to achieve full employment and decent work? If not, what international and national policy changes need to be envisaged to make decent work a global goal?