



INTERNATIONAL LABOUR ORGANIZATION

**ILO Contribution to the
Review Session on Chapter I of the Monterrey Consensus**

**Role of Decent Work in
“Mobilizing Domestic Financial Resources Development”**

*UN Headquarters, New York
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Distinguished Co-Chairs,

The primary sources of finance for development are domestic, as are the human resources that finance should serve to develop and release. As was well stated in **Chapter 1 of the Monterrey Consensus**, *“sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure are the basis for sustained economic growth, poverty eradication and employment creation.”*

The summary of the President of the General Assembly recorded the view of several participants at the High-level Dialogue on Financing for Development (New York, 23-25 October 2007), that good governance was also based on “protection of human rights and the environment, equal opportunities for all and gender equity.” It further noted that “other key elements of good governance included an active policy towards entrepreneurship, space for private initiative, the provision of decent work, adequate infrastructure, the protection of workers’ rights and a just and effective tax system to finance effective public services.”

Full and productive employment and decent work are at the heart of economically, socially and environmentally sustainable development. Work that is productive and fairly rewarded creates the resources to improve the purchasing power of people living in poverty and raise rates of saving to finance investment and further development. A renewed focus on the institutional and policy environment needed to stimulate more and better jobs is thus deservedly an important component of assessing progress made since Monterrey and identifying actions and initiatives to overcome obstacles and constraints.

Paragraph 16 of the Monterrey Consensus explicitly emphasises the importance of investing in basic economic and social infrastructure, social services and social protection in order for marginalized members of society to better adapt to and benefit from changing economic conditions and opportunities. Looking to the future, this point seems increasingly important as the likelihood of exports to industrial countries will not be sufficient to drive growth and development. As a result, many countries will need to address widening economic and social gaps that hinder a balanced expansion of consumption, savings and productivity growth. The ILO’s dialogue with many countries is thus focussing on key issues such as the environment for sustainable enterprise¹, skill development, and the construction of basic social protection mechanisms including labour intensive infrastructure investment.

This focus is embedded in the understanding that sound and growth-oriented macroeconomic policies are socially rational just as sound and rational social policies are conducive to economic performance. Productive employment, together with productive investment, creates economic growth and this growth is in turn a necessary condition for the sustainable increase of welfare levels in many developing countries. High levels of productive and fairly remunerated employment, i.e. decent work, remains the most important vehicle for the distribution of national income and the distribution of the proceeds of economic growth. In addition, in the long-run high levels of employment and economic performance are necessary to create the fiscal space to finance social transfers and hence maintain high levels of social security for all residents.

However, statistical empirical evidence of the last decade shows clearly that economic growth does not automatically reduce poverty without putting employment promotion and income re-distributive mechanisms (such as social security systems) in place. Otherwise countries with the same levels of GDP per capita would not experience a wide range of different levels of poverty and inequality. Thus, there would not be persistently high levels of poverty and social exclusion in some countries with relatively high levels of GDP per capita. Strong political commitment is required to introduce re-distributive mechanisms that reduce poverty and enhance equality.

¹ International Labour Conference, 96th Session (2007): The Promotion of Sustainable Enterprises, Report VI, and Report of the Committee and resolution concerning the promotion of sustainable enterprises, Provisional Record No. 15. <http://www.ilo.org/public/english/standards/reIm/ilc/ilc96/pdf/pr-15.pdf>

Societies that *de facto* exclude large parts of their workforce from productive employment cannot unlock the full potential for growth and hence, the full fiscal space for a decent level of social protection (i.e. income security in case of general neediness, old age, invalidity, loss of breadwinner, sickness, unemployment, maternity and access to adequate health care levels). The full productive potential of a society can only be unlocked if all people are properly nourished, well educated and healthy. This can best be achieved by social transfers in cash which aim to reduce poverty, facilitate schooling and enhance health status through preventive and curative care.

Social transfers in the form of social security benefits are thus an investment in people and in national development processes. When governments, social partners and civic society are shaping policies for low- and middle-income countries, as well as most high-income countries, it should be noted that social protection systems can achieve simultaneously social, economic, and employment objectives provided they are carefully designed and do not lead to wasteful administrative overheads and perverse incentives.

The time is right to define a basic set of social security benefits, i.e. a **social security floor**, which should be achieved by all countries in the shortest possible time. The ILO defines the social security floor as a set of four essential social security guarantees:

- 1) Universal guarantee of access to basic health benefits, through a pluralistic set of sub-systems linked together: basically a public health service funded by taxes, social and private insurance and micro-insurance systems;
- 2) Guaranteed income security for all children through family/child benefits aimed to facilitate access to basic social services: education, health, housing;
- 3) Guaranteed access to basic means tested/self targeting social assistance for the poor and unemployed in active age groups;
- 4) Guaranteed income security for people in old age, invalidity and survivors through basic pensions.

This basic set of social protection benefits can only be credibly promoted if it can be demonstrated that it is affordable. Fiscal space is always limited. Obviously, at early stages of development the space is more limited than at later stages, so the introduction of social security benefits may have to be sequenced by order of priority. There are positive examples from countries like **Brazil, Chile, Mexico, India, Namibia** and **South Africa** where elements of the social floor are already successfully being implemented. In addition ILO actuarial research has shown in the case of 22 developing countries in Africa, Asia and Latin America that some form of basic social security can be afforded by virtually all countries. The effects of a basic benefit package on poverty reductions could be quite dramatic. The results of a distributional analysis² show that the combination of a modest cash benefit for children and a modest pension, which could be an entry level benefit package for poorer countries (such as **Tanzania** and **Senegal**), could reduce the poverty head count by about 40 per cent – a major contribution to the achievement of MDG one. This set of benefits would cost not more than about 4 per cent of GDP.

It is with this realization that the ILO fully concurs with the assessment in Report of the Secretary-General on Follow-up to and implementation of the outcome of the International Conference on Financing for Development that “national development strategies should give priority to policies that foster the progressive realization of decent work for all, thereby mobilizing resources in the fight against poverty; Emphasis on human resource development and active labour market policies, including training, are prerequisites for achieving this objective; Employment impact assessments should be part of policy design and evaluation; Countries should take

² Gassmann and Behrendt (2006), **International Labour Office Discussion Paper No. 15. Cash Benefits in Low-Income Countries: Simulating the Effects on Poverty Reduction for Senegal and Tanzania.**

advantage of the current favourable conditions to establish effective safety-net systems that will enhance the efficient functioning of their labour markets." (paragraph 18)

Towards this end, the ILO has developed its Decent Work Agenda particularly through Decent Work Country Programmes. These programmes aim to achieve a more coherent and pragmatic approach to development at the national level and provide an integrated response to the priorities developed by governments in consultation with employers' and workers organizations. The ILO has also stepped up its collaboration with international partner agencies in pursuit of the decision of the Economic and Social Council to mainstream the goals of full and productive employment and decent work for all in their policies, programmes and activities. In this regard the ILO is collaborating with relevant agencies of the United Nations in using, adapting and evaluating the application of the Toolkit for Mainstreaming Employment and Decent Work, developed by the ILO and endorsed by the United Nations Chief Executives Board for Coordination.

Overall, increased efforts to ensure that macroeconomic strategies for development are based on the importance of generating increasing decent work opportunities are a key element for the strengthening of the Monterrey Consensus. It is progressively more apparent that there is a need to implement an integrated and coherent employment and social policy concept that pursues the twin objective of employment and social security. Achieving both simultaneously is vital to a more inclusive process of globalization. At the global level, the ILO's Decent Work agenda provides a global framework for action across the key issues of employment and enterprise development, social protection, international labour standards and social dialogue. Without a decent job a worker's life cannot be decent and without social protection neither work nor life can be decent. The ILO looks forward to participating in the intergovernmental and interagency processes for improved policy coherence set in motion by the system-wide Review called for by the General Assembly.

Thank You.