



INTERNATIONAL ORGANISATION OF EMPLOYERS
ORGANISATION INTERNATIONALE DES EMPLOYEURS
ORGANIZACION INTERNACIONAL DE EMPLEADORES

**IOE STATEMENT BY
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"PROMOTING EMPLOYMENT AND DECENT WORK FOR ALL"

INTRODUCTORY REMARKS

The ILO publication "*Global Employment Trends*", which was launched in Geneva two weeks ago, makes in many ways, for sobering reading. While on the positive side, some 50 million new jobs were produced in 2007, the stark fact is that in too many countries not enough jobs are being created and still, in the first decade of the 21st Century, too many people live in unacceptable poverty.

In the short time allocated to me today, I would like to outline the policy framework that we in the business community feel is essential to reverse this situation and engender economic growth and, consequently, employment.

Let me preface those remarks by stating that we are in a very delicate position today in some respects. The credit crunch that has impacted banking institutions is being played out with potentially serious implications across the globe. Major economies, like the one we are in right now, are threatened by recession, and the financial markets have reacted to these events in a predictable way.

The response by many to this situation has been to accelerate calls for more protectionist policies and economic nationalism. "*Protect our own jobs and industries*", is a refrain by many.

But we must ask ourselves : Is this the key to economic growth and consequent job creation – to close our economies up and naively think we can protect ourselves from any prevailing ill winds ?

I put it to you that our recent history would suggest that it is most definitely not the correct response.

A FRAMEWORK FOR GROWTH AND EMPLOYMENT

I have put forward the framework needed to accelerate growth and employment creation in numerous other fora . Let me very briefly reiterate this framework.

First, is good_and **transparent democracy and governance**, free of corruption. Trust in government is a vital factor in the decisions enterprises will make – such as the decision to invest or to expand operations.

Second, is transparent and un-bureaucratic **regulatory frameworks** that stimulate innovation and promote competition and respect for property rights.

Third, is **open trade and investment policies**. No country has been able to take the step out of poverty without embracing international trade.

Fourth, is **pro-growth macroeconomic policies**, such as low inflation, reasonable and efficient government, and sound financial development.

Fifth, is **physical, productive and social infrastructure** – an essential accompaniment for the growth of economies.

Sixth, is investment in **education and skills** development, which are perhaps the most important means to improve employment prospects, with workers prepared for new technologies.

Seventh, is **labour market policies** that are inclusive and that aim to provide protection to all in the workplace – not just the few in the formal economy, but also those in the informal economy – and promoting productive employment.

Eighth, and closely connected, are **employability and sustainable social protection** systems that are tailored to increasing employment.

Ninth, is a **culture of entrepreneurship and promoting sustainable enterprises**. This is the essential foundation upon which successful economies are built because it challenges existing ways of thinking and forces innovation.

Finally, tenth, is a **climate of dialogue and cooperation**.

A quick look at recent economic development tells us that this framework has proven to work –in some cases, spectacularly.

The great British economist John Maynard Keynes famously said that, when he got new information, he changed his opinions and he then asked of others what they did with new information. Well, to those advocating a return to economic nationalism, let me present what new information we have.

First, we know that trade is an engine of growth and employment. The figures from the “Global Employment Trends” I referenced in the opening of these remarks are depressing.

But compare the situation with thirty years ago when opportunities for countries to sell their products and services were much more limited. Developing country economies in the last ten years have grown faster than in any period since early 1960s.

Second, despite the current economic jitters, we are living in a period of good economic global growth – particularly for developing countries. Economic growth is the essential precondition for economic and social development. *Without growth nothing progresses.*

Third, the global economy has become substantially more integrated through financial globalization, and this has given global savers a wider pool of investments to choose from and borrowers access to a much broader market for savings.

Fourth, access to cheaper products and services has increased the quality of life of many and in real terms put more money into the pockets of ordinary consumers.

Fifth, we know that economic freedom goes hand in hand with political freedom. The world has become a much more free and democratic place in the last twenty years.

Finally, and perhaps most importantly, there is a broad degree of consensus around this framework. The circular ideological polemics that characterized much of the last century are over, at least in many parts of the world.

ADAPTING FOR CHANGE

There is one very important consideration that underpins these policies and that can be summarized in one word – *change*.

Labour markets have changed and are continuing to change beyond recognition. The integration of China, India and the former Eastern bloc countries to the world economy, coupled with population growth, has led to an estimated fourfold increase in the effective global labour supply. By 2050, the world population is set to increase by some two and half billion people!

Technology has changed the way we work. Geography has become less relevant. Investment is increasingly mobile. Any country with the right governance systems and institutions can attract investment and the consequent economic spin-offs that go with it.

This will continue. Indeed, every indication is that it will intensify.

The policies that we choose to stimulate growth and employment creation must be underpinned by this reality and be flexible enough to adapt to changing realities. They must also be designed to be able to assist individuals in adapting to changing labour market conditions, help people affected by market shifts and ensure that they can be directed back into employment.

Policies need to be put in place that help ensure that those disadvantaged by one reform benefit from another, and to foster synergies between policies.

ROLES OF ACTORS

Of course action is harder than words. Governments face competing pressures in where to allocate scant resources. Different national groups have different interests.

So governments need to explain their policy positions. Why they are taking them? Why they are better than the alternatives? And they need to do this in an environment of dialogue and openness.

They need to listen to the perspectives and concerns of the business community, of trade unions and of other relevant stakeholders.

We as social partners also have equally important roles.

Much as government must explain its policy course, business needs to explain why it advocates economic openness. It has to do a better job of explaining why profits matter and how investment and job creation depend heavily on them. And the business community needs to promote an open and honest debate about the policy choices required to attract investment and generate economic growth and employment.

Collectively, we as social partners need to hold our political leaders to account. We are the “score-keepers” and have to ensure that government is staying the course and living up to its promises. That it is acting in the best interests of society as a whole.

Finally, we of course need to work with each other – employers and workers - and in collaboration with government, in ensuring that we get our labour markets working for everybody.

We all have responsibilities.

CONCLUDING REMARKS

We are in many respects at an important fork in the road. We have to choose which direction we will take. We have had such choices in the past.

Let me quote to you something I read in a magazine recently:

“The time is not too distant when everything that machinery and cheap labour can produce will crowd every market. The millions of China, with the millions of India, will offer the cup of cheap machine labour, filled to the brim, to our lips and force us to drink it to the dregs, if we do not learn wisdom”.

It will come as a surprise to you I suspect that this was not written in the last few months, not even the last few years. It is from *The Atlantic Magazine* and was published in 1879.

The point is that fears about the threat of trade and economic openness and their impact on employment are not new. We do not want to curtail the economic freedoms we have and turn the clock back.

Let me conclude by underlining the three key components necessary for the effective implementation of the broad policy framework I outlined.

First, is the need for dialogue in terms of explaining the policy choices we take.

Second, a partnership approach.

Third, our ability to adapt to changing circumstances, taking into account the speed of all this change.

Thank you.

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