

**Remarks by José M. Salazar,
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At OECD Forum: “What works, for whom, and at what costs” in
OECD High Level Conference:
Boosting Jobs and Incomes: Lessons from OECD Country
Experiences
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I would like to start by thanking John Martin and Angel Gurría for their kind invitation to the ILO to participate in this Forum and panel.

And I would like to congratulate the OECD for the very valuable analytical and policy contribution around the original Jobs Strategy of 1994 and now its reassessment. At the ILO we have of course followed this process very closely.

I would like to divide my comments in two parts:

- First, informing you about the recent developments in the ILO on employment issues.
- Second, comments on the OECD Jobs Strategy. In doing so I will also comment on some of the issues raised by the keynote speakers.

A. The ILO and the Decent Work Agenda

As you know the ILO vision of the employment challenges facing the world today is based on the concept of decent work which has four basic pillars: international labour rights and standards, employment creation, social protection and social dialogue.

Until recently the ILO had been a relatively lonely voice in advancing the decent work agenda. Not any more. As you know, at last year’s UN World Summit in New York, world leaders agreed “to make the goals of full and productive employment and decent work for all, including women and young people” a central objective of national and international policies, and of national development strategies, including poverty reduction strategies. Employment and decent work has also been a prominent priority in regional Summit Meetings in Africa, the Americas and other regions. And last May the European Union adopted a Communication on Decent Work.

In this new phase our priority is to make the Decent Work Agenda more operational in terms of the policy messages, guidelines and tools, as well as regarding the links and interdependencies between the key policy areas. This is why we are so interested in the policy dialogue that has been taking place in the OECD on precisely these issues for OECD members, and the lessons we can derive for other ILO members.

In 2003 the ILO approved the Global Employment Agenda, which adopted an employment policy framework that distinguishes demand-side and supply-side measures, macro- and micro-level interventions, as well as quantitative and qualitative aspects. At the moment, we are in the process of revising the basic framework of the Global Employment Agenda to make it more operational and user friendly for governments and social partners in its application at the national level. (I have several copies of this document for those of you interested in more details on how we are going about this task). And our basic vehicle for technical assistance and capacity building at the national level is now what we call Decent Work Country Programmes.

B. The OECD Jobs Strategy and its reassessment

With this background, let me now turn to the Jobs Strategy. We subscribe to much of what the OECD has put forward. But I want to stress a few points.

1. Job Quality

First, as you know job quality is central to the ILO mandate of creating not only more but also better jobs, which is at the core of our Decent Work Agenda. With globalization and technological change, employment structures but also working conditions are changing fast, with a higher incidence of flexible-work arrangements, temporary work, part-time work, etc as well as disguised and triangular employment relationships. The nature of these profound changes in the employment relationship was the subject of discussion of this years' International Labour Conference at the ILO. So it would seem appropriate for the Job Strategy to focus more on these and other dimensions of job quality, as it is doing in the case of the informal economy particularly in light of the weight of informality in some of the new members.

2. The Anglo Saxon vs Nordic models and labour market performance

Second, we support the idea that good employment performance can be achieved with different mixes of labour market institutions, ...our own research has shown that the so called Anglo Saxon and Nordic models can produce similar labour market outcomes in terms of employment quantity, but that at the same time Northern European countries do better in terms of social policy, equity and employment quality, with lower inequality, more job security, lower incidence of poverty and a stronger social safety net. It has also found that cooperative labour relations lead to better workplace practices and have a positive influence on productivity.

It is also important to remember that in the World Competitiveness Report, 3 of the 4 countries at the top of the list are European Welfare states (Finland, Sweden, Denmark).

So in this respect we find ourselves closer to the OECD Secretariat's position than to Professor Heckman's argument. In fact, if the indicators of labour market performance are broadened to better take into account job quality, as they should be, and social indicators such as income distribution, poverty rates and job security are taken into account, the success of the European welfare states do not look as an illusion.

So it seems wise to conclude that there is more than one model for success, and that we need to make allowance for diversity in terms of national specificities, history, institutions and initial conditions. This insight is strengthened when one looks, as we do in the ILO, beyond OECD membership to the wide experience in developing and emerging economies.

3. Macroeconomic policies

Third, the restated jobs strategy correctly emphasises the importance of macro-economic stability. This is also the first key policy area of the ILO Global Employment Agenda. The challenge, that has been much discussed in the Employment and Social Policy Committee of the ILO, is of course how to strike the right balance, how to balance economic stability and social objectives? Stabilization "at all costs" can be economically inefficient and socially inequitable. Structural adjustment and "fiscal austerity" policies must avoid limiting investment in human resources, health, education, key infrastructure or targeted employment

and poverty programmes. Fiscal space for these critical public expenditures should be preserved.

In the macroeconomic area, the challenge is also one of attention, commitment and implementation. As the SG of the UN, Mr Koffi Annan, said at the EU-Latin America and Caribbean Summit in Vienna last month: “when discussing macroeconomic policies there should be an institutionalized reflex which constantly asks “what can this do for jobs?”

4. The objectives of the restated strategy

Fourth, the Jobs Strategy restatement is quite right in moving into new questions such as how to cope with population ageing and how to cope with adjustment induced by globalization. In this sense my impression is that the critique of Professor Heckman that by focusing exclusively on unemployment the report and the OECD countries have an outdated view of labour markets is not quite accurate.

What I would argue is that there can be a bit more consistency between the rich diagnosis of the issues on the one hand, and the restated guidelines, on the other, particularly as regards target groups. For instance, the diagnosis stresses the obstacles that women and young people face for participating in the labour market, however, there are no specific guidelines in the Restated Job Strategy particularly for youth, as there are for older workers. The same can be said of regional labour-market imbalances.

- New issues and questions is not to say that unemployment does not continue to be an important problem in Europe, and in this respect I sympathize with Professor Lindbeck’s view that much more fundamental reforms are needed than expanded active labour market policies, some of them to address directly the asymmetry of market power between insiders and outsiders, although precisely for this reason many of them are politically difficult to implement. (Reduced minimum wages, stop automatic execution of collective wage agreements, softening of EPL).

5. Benefit dependency: design of unemployment benefits and ALMPs

Fifth, on benefit dependency the ILO research results also support the OECD view that the “activation and mutual obligations” approaches can indeed co-exist with relatively generous unemployment benefits and that what is needed is a judicious mix of incentives. The new challenge here, as the report points out, is to apply this approach with a right balance of

carrots and sticks to the large numbers of people drawing other non-employment benefits (such as sickness/disability, lone parent and early retirement).

6. Demand side issues and growth

Sixth, in the area of demand-side issues fresh thinking is important, as the discussion has traditionally been dominated by supply side issues. In this regard I find the Restated Job Strategy a bit shy on the growth objectives and the means to achieve it.

Pillar C emphasizes removal of product-market obstacles (such as legal impediments to entry of new firms, reduction of start-up costs and the need to nurture an entrepreneurial climate) and I know there was an explicitly decision to take out the part of the original Jobs Strategy having to do with the creation and diffusion of technological know how to see it as part of the OECD Growth Study. The point is that the need to have strong and dynamic growth and what can be done about its main drivers should be seen as an integral part of a Jobs Strategy. This is the way it is seen in the ILO Global Employment Agenda and I personally miss this element in the restated strategy. This would lead to more emphasis on issues like trade and market access, the investment climate, regional integration, and enterprise creation, among others.

7. Labour Force Skills and competencies

Seventh, the issue of Human Resource Development is one which the ILO has discussed extensively and there is a specific recommendation, Recommendation 195 on the subject, approved by the International Labour Conference which has a lot of common ground with Pillar D on improving labour force skills and competencies.

Professor Heckman is right in stressing the need for a life cycle skill policy and the crucial importance of early interventions and a right start in education and core skills in the early years. The education failure of today is the employment and income problem of tomorrow. So an integrated approach is highly desirable. But I do not think we can go to the extreme of saying that because this is the case, later interventions are inefficient and ALMPs targeted toward older workers are mistaken. As Professor Lisa Lynch pointed out, the demographic reality of the next decades means that it is not possible to rely only on youth to supply the skill needs, because the youth cohort will not be large enough to offset declines in the labour force from retirement.

8. Implementation of integrated employment policy

Finally, a point on the challenge of implementation of integrated employment policies. These policies have demand side and supply side aspects, macro and micro measures, quantitative and qualitative dimensions. This comprehensive nature and the multiple complementarities and synergies between elements, means that their implementation requires coordination across a range of government agencies and intensive social dialogue. This process is so important that it should be the subject of more careful study of good practices and to some good practice guidelines. It is an issue which is now receiving a lot of attention in the ILO. And I am glad to know that it is precisely the focus of tomorrow's High Level Meeting.

Thank you.