



## **Governing Body**

320th Session, Geneva, 13–27 March 2014

GB.320/POL/INF/2

Policy Development Section

**POL**

**FOR INFORMATION**

### **Outcomes of the Employers’ Symposium on the Future of Work (Geneva, 5–6 December 2013) and the Workers’ Symposium on Income Inequality, Labour Market Institutions and Workers’ Power (Geneva, 10–12 December 2013)**

**Summary:** This paper presents the outcomes of the symposia that were held in December 2013 for employers and for workers respectively.

**Author unit:** Bureau for Employers’ Activities (ACT/EMP) and Bureau for Workers’ Activities (ACTRAV).

**Related documents:** GB.318/PV.



## Employers' Symposium on the Future of Work (Geneva, 5–6 December 2013)

1. As approved by the Governing Body at its June 2013 session,<sup>1</sup> the Employers' Symposium on the Future of Work took place in Geneva on 5–6 December 2013. It was attended by 33 employer participants, as well as by leading scholars on the topics addressed.
2. The symposium considered two important trends that were being observed in academic circles: the decline of the standard employment relationship and the polarization of the labour force. It also looked at one of the most significant factors behind both these trends, the impact of technology on jobs.
3. The standard open-ended employment contract, which became the norm in the last century, provided stability and predictability to workers and improved their standards of living in many countries. Workplace regulations, and many social benefits, are still based on the premise of such a relationship. It is now observed that the number of workers with such employment relationships is declining, while many other kinds of work arrangements are increasing. The social and economic context of work has changed irrevocably, and the new arrangements meet diverse needs of both enterprises and workers. What is needed is a regulatory and institutional framework that provides protection and security without linking it necessarily to standard employment contracts.
4. The polarization of the workforce, sometimes referred to as the “hollowing of the middle”, is a phenomenon observed mainly in advanced economies, but could soon affect formal jobs in emerging economies as well. It consists of a decline in the proportion of middle-skilled, middle-income jobs as compared to high-end jobs on the one hand and low-skilled low-paying jobs on the other. This is of concern because most workers are in those middle-skilled jobs, and will have to either qualify and compete for the relatively fewer high-end jobs or accept to move down the income ladder, below their potential. This polarization is one of the factors that are increasing inequality in incomes and opportunities. Technology is a major driver of this phenomenon, but not the only one. Global economic integration, the search for efficiency and relative costs also contribute to it.
5. These trends can be destabilizing if the policy frameworks within which they occur are not adapted in order to give workers a sense of security and confidence, and enterprises the opportunity to prosper and create jobs, in a world that is very different from the one for which most of today's policies and regulations were conceived.
6. It was also noted that there are many other factors as well, such as demographic transitions and environmental policies, which will potentially change the nature of work and the role it plays. The purpose of the symposium was therefore not to adopt conclusions, but to begin examining the question on the basis of available evidence.
7. Participants saw that it was necessary to further study the nature and causes of long-term changes to work in different contexts, especially in emerging economies, in order that they be better understood. Improving educational outcomes and instituting lifelong learning will necessarily be key measures to prepare workers for the emerging situation. All policy options available to meet the identified needs of enterprises and workers, especially youth, should be examined; account should be taken of initiatives already being tried in various countries and enterprises. Both the potential benefits and the trade-offs of each policy

<sup>1</sup> GB.318/PV, paras 92–93.

option need to be estimated. Several participants insisted on the need for evidence-based research to inform all such consideration of policy.

8. The report of the symposium, as well as the papers submitted to it, can be found at <http://www.ilo.org/employersymposium>.

## **Workers' Symposium on Income Inequality, Labour Market Institutions and Workers' Power (Geneva, 10–12 December 2013)**

9. The 2013 ACTRAV symposium discussed the challenge of inequality and its impact on the living conditions of working families as well as its social and political impact on societies at large. Inequality has not only severe negative social and public health effects on all segments of society, but it also hampers long-term economic growth and has been one of the key underlying causes of the global financial and economic crisis. Productivity gains are not shared equitably and are largely captured by top-income earners. Over-indebtedness of households, as well as speculative bubbles are the result of these unsustainable developments.
10. If the crisis which has thrown millions of people into poverty and unemployment has increased inequality, the policy response in most countries has further deepened it. Severe fiscal austerity has led to the erosion of key public services, social transfers and infrastructure investment that have a strong income effect on poor households. Despite their proven poverty-reduction effects, social security systems are under attack in over 80 countries worldwide. Raising regressive consumption taxes instead of strengthening progressive taxation is forcing ordinary people to pay for this crisis and further deepens inequality. The policy of wage restraint over the last decade has not only widened the income gap, but also hampers economic growth and risks to produce deflationary trends in particular in the Eurozone that risks to experience Japanese-like economic stagnation.
11. The active proliferation of precarious, non-standard forms of employment has contributed to the declining wage share by eroding collective bargaining institutions and in practice denying fundamental labour rights to an increasing segment of the workforce. This has allowed for extreme forms of profit maximization, an explosion in luxury consumption and speculative misallocation of resources.
12. The causes of and policy responses to inequality were discussed by a wide range of international experts and leaders including the Director-General of the ILO. The participants were particularly interested in the role the ILO itself could play to support the necessary policy changes.
13. Policy debates at international and at national levels need substantive contributions from the ILO that outline coherent macroeconomic alternatives to failed austerity policies. Confining the search for policy alternatives to labour market issues was deemed too narrow an approach. The new research department of the ILO should apply a comprehensive approach to enable the ILO to be a competent research-based voice for socially inclusive and environmentally sustainable economic, financial and social policies.
14. The policy guidance and standards development of the ILO should in particular focus on:
  - Employment-centred macroeconomic policies that replace the current combination of public austerity and cheap money for the financial economy by long term public and private investment for inclusive and comprehensive public services, high-quality public infrastructure, and productive and environmentally sustainable private sector

development. The provision of collective public goods is indispensable for fair and inclusive societies. Public investment and public procurement should be guided by the Labour Clauses (Public Contracts) Convention, 1949 (No. 94), in order to enforce minimum wage legislation and to support the extension of collective bargaining agreements.

- The promotion of solidarity-funded social protection that provides income security over the life-cycle is a powerful instrument to reduce inequality and must be ILO priority. Based on the Social Security (Minimum Standards) Convention, 1952 (No. 102) and Social Protection Floors Recommendation, 2012 (No. 202), the ILO needs to support member states in implementing social security systems based on full participation of employers' and workers' organizations as well as other relevant and representative organizations of people concerned with social security. The establishment and extension of social protection, public services and infrastructure must be supported by the development of fiscal space through broad and progressive taxation.
- By actively promoting strong labour market institutions, the ILO has a key role to play in supporting a wage-led economic recovery and in ensuring fair competition that is not distorted by the recourse to precarious non-standard employment practices and the denial of rights. A crucial prerequisite for that is the vigorous defence and promotion of the fundamental enabling rights of freedom of association and collective bargaining, including the right to strike, through the supervisory mechanisms, the technical cooperation and the public policy stands of the ILO. Labour standards concerning minimum wages, social security and collective bargaining must be actively promoted in order to increase income security. Social dialogue remains an empty shell if it is not underpinned by a regulatory environment that genuinely promotes the extension of collective bargaining to create inclusive and protected labour markets.
- The growth of precarious and informal forms of employment is an indicator of severe regulatory gaps and insufficient labour market governance. Increasing attempts to use fixed-term contracts, agency work, sub-contracting, global supply chains, outsourcing and informalization to circumvent democratically determined labour market regulations require the ILO to develop modern and efficient instruments and standards to ensure decent work and legal protection for all workers.
- Considering the central role of high-quality and universally accessible public services for combating inequality, and considering the importance of the state as an exemplary employer, ensuring the right to collective bargaining in the public sector is essential and needs to be an ILO priority.
- Strengthening economic democracy through a stronger involvement of workers in corporate governance structures and through cooperatives is crucial for sustainable macroeconomic development and reducing inequality. The ILO needs to promote a distinctive regulatory framework for enterprise development that is based on good industrial relations and strong institutional mechanisms to ensure rights and representation for workers. In particular, the ILO work on enterprise development should not be limited to traditional private business, but must also include innovative approaches like worker-owned enterprises, cooperatives, public enterprises and non-profit businesses. Ensuring a stakeholder approach based on collective bargaining, workers' representation and legal protection must be the guiding principle of ILO work on all forms of enterprise development.

Geneva, 12 February 2014