

**Overview Remarks by  
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**Organized by Ministry of Labour and Employment and ILO**

Dr. Abhijit Sen, Member of the Planning Commission of India

Ms Sudha Pillai, Secretary of the Ministry of Labour and Employment

Mr. Dinesh Rai, Secretary of the Ministry of Micro, Small and Medium Enterprises

Distinguished representatives of employers and workers and members of the Governing Body of the ILO, Mr. Sharad Patil and Mr. N.M Adyanthaya

Ms Leyla Tegmo-Reddy, Director of the ILO Subregional Office in India

Distinguished participants, ladies and gentlemen,

It is a great privilege for me and my colleagues to be here today participating in this National Consultation meeting for numerous reasons:

First, we are happy to see the high profile that the challenge of employment creation is taking in India. This is very appropriate in light of the fact that despite the high rate of growth of the Indian economy in the last few years, employment growth in the formal sector continues to be relatively slow, a very high proportion of the labour force is engaged in the informal economy, and although absolute poverty has declined, the proportion of population living below the poverty line is still a very large 28 per cent. My colleagues and I at the ILO are highly committed and motivated to support the government and the social partners of India to the best of our abilities in your discussions to formulate and implement a comprehensive employment strategy for your country. Thank you for inviting us to join you in your deliberations.

Secondly, because we also see with great satisfaction that your policy visions share many elements of the Decent Work Agenda as a useful way to approach the challenges of development and globalization. This is clear in the vision of your 11<sup>th</sup> Five Year Plan to promote faster and more inclusive growth. This is also clear in the innovative Rural Employment Guarantee programmes that you

have been pioneering, and in the mix of employment and social protection elements that you have been building in these and other areas, as well as your good record of ratifying ILO conventions.

Thirdly, and if I may introduce a personal note, it is a privilege for me because this is my first ever visit to India and I have been looking forward to this visit for years. It has finally come at a very auspicious time and I want to thank you for your warm hospitality. I will make sure to return very soon.

I would like to briefly place our discussions of today and tomorrow in the wider context of the employment challenges facing the world today, the global commitments on mainstreaming employment and decent work into policy making and the ILO's work in the employment field.

### **Global Employment Challenges**

How can we describe the employment situation of the world today? Let me give you some figures:

- One-third of the world's labour force of 3 billion people are either unemployed, under-employed or are working poor, this is 1 billion people.
- The absolute number of unemployed persons in the world grew from 158 million in 1995 to 196 million in 2006, a net increase of 38 million in 12 years.
- More than 530 million women and men live in families with a per capita income of less than US 1 dollar a day.
- 1.3 billion workers –that is, 50% of the world's workforce- earn less than US 2 dollars per day. By the way \_\_\_\_\_ million of them live in India.
- In addition, to these structural facts, statistics tell us that growth is not automatically translating into new jobs. The recent ILO Key Indicators of the Labour Market report found that for every 1 percentage point of additional GDP growth, total global employment grew only 0.3 percentage points between 1999 and 2003, a drop from 0.38 percentage points between 1995 and 1999. In technical terms, the employment elasticity of growth has declined, which means that you need more growth to generate the same amount of employment.

It is then no surprise that the number of jobs created and the quality of jobs are major concerns in the majority of countries and regions, an issue on which elections are won or lost.

At the ILO we are saying that new policies and practices are needed to address these issues. Business as usual will not work. In particular, while there is no doubt that high growth matters for employment creation and poverty reduction, the pattern of growth also matters, and it is important to put in place policies that increase the employment content of growth.

It is also important, as we discussed extensively in the last two days in the Asia Pacific Regional Meeting on Socially-Inclusive Strategies to Extend Social Security Coverage”, to look at the complementarities between social protection and employment. Social protection should be seen as a productive factor. Investing in people is not just good social justice policy it is also good growth and employment policy.

## **Globalization**

Globalization tends to exacerbate some of these problems. It accelerates the pace of change due to trade integration, technological change, financial volatility and more recently swings in commodity prices, including food prices. It therefore generates pressures towards:

- Increased uncertainty and vulnerability as regards both jobs and incomes, and this happens in both developed and developing countries.
- Faster restructuring and labour market adjustment processes
- Casualization of labour
- Increased inequality due to increased demands for high skills and therefore higher wages for skilled workers relative to unskilled workers.

These and other forces are transforming the world of work, both globally and locally.

## **Development Policies: business as usual?**

At the same time, important lessons were learned from the Washington Consensus type of economic reforms put in place during the 1990s by many countries. As we know the results have been mixed. On the positive side of the balance sheet, these reforms brought about stabilization and generalized control of macroeconomic balances. However, on the negative side, these reforms did not produce the increased and sustained rate of economic growth that was expected, often growth was rather moderate and volatile, and their results in terms of poverty reduction, social and inequality indicators were generally quite disappointing.

So the development community learned that much more than sound macroeconomic policies are necessary for economic growth and poverty reduction. There has been a rediscovery of the importance of productive transformation policies, of enterprise development, of investment in human capital, of the role of technology and innovation in productivity, and of the role of good governance and institutional quality.

Most important, there has been a growing acceptance of the idea that rather than seeing employment and poverty reduction as a residual of economic growth they must be seen as central objectives under a new approach that puts people and decent work at the center of economic and social policies. In other words, the development community has discovered the employment route to poverty reduction, which expresses the common sense notion that it is not possible to reduce poverty and inequality without the creation of more and better jobs.

### **Global commitments**

In summary, the structural situation of labour markets, the faster pace of change brought about by technological progress and globalization and the lessons from two decades of economic reforms, have created a series of interrelated needs: a need to put the creation of employment at the centre of economic and social policies; a need to innovate in social policy and develop a basic floor of social security benefits; a need to combat poverty and discrimination and improve social justice via full respect for workers's rights and a need to empower people through enhanced organization, representation and participation in the formulation and implementation of policies. These four interrelated elements are the four pillars of the ILO's decent work agenda.

Although originally it was a concept that the ILO put together and started promoting, it has now become a global goal subject of a series of global and regional commitments:

- It was adopted as a global goal by the United Nations at the 2005 Summit with the commitment by all countries to mainstream productive employment and decent work in their national policy frameworks and development strategies.
- It was reiterated and further elaborated by the High Level segment of the Economic and Social Council of the UN in 2006.
- It was adopted by the African Heads of State in the Oagadougou Summit in 2004, and by the Summit of the Americas in November, 2005.<sup>1</sup>

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<sup>1</sup> <http://www.ilo.org/public/english/bureau/inf/event/ouagadougou/index.htm> .

- And finally, the Heads of UN Agencies in the Chief Executives Board for Coordination of the UN developed, with the support of the ILO a Toolkit to Mainstream Employment and Decent Work in their policies, programmes and activities and in 2007 adopted this Toolkit as a self assessment tool.<sup>2</sup>

It is important to point out that the Decent Work Agenda is more than a poverty reduction agenda, it is a value-based empowerment, inclusion, anti-discrimination and social mobility agenda anchored in production, competitiveness and employment. And this is why making decent work a global goal has been in itself a major improvement in global governance to respond to globalization. The challenge is to deliver on it.

### **Employment policies**

A large part of delivering on it is for countries to put employment at the center of their economic and social policies. What does this mean? The ILO approach to employment policies is provided by the Global Employment Agenda, adopted in 2003, and associated guidance documents.

The basic approach is presented in this Graph.

The GEA advocates an integrated approach to employment policies that takes into account the demand side and the supply side, the macro and the micro level, as well as the quantitative and qualitative aspects of employment.

As you can see on the right hand side of the Graph, the approach suggests that an employment policy should define quantitative goals and targets. These should include both sectoral employment targeting as well as targets and benchmarks for particular groups, such as women, young people, informal economy workers, or vulnerable groups. This targeting is an essential element in any employment policy.

A quick summary checklist of key policy areas for employment policy suggests at least six areas. Let me run through them very quickly:

First on the demand for labour side of the equation there are a number of important issues: the enabling environment for the private sector to invest, employment friendly macroeconomic policies that include fiscal space and priority for critical public expenditures. Trade and integration policies are also important to influence new job creation.

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<sup>2</sup> <http://www.ilo.org/public/english/bureau/dgo/selecdoc/2007/toolkit.pdf>

As I mentioned growth is an important engine for job creation, but the employment elasticity of growth has diminished in many countries and regions. An interest in job-rich growth strategies leads necessarily to adopt a sectoral or structural approach. This does not mean picking winners in the old sense of industrial policy, but it does mean having clarity on the employment impacts of overall policies, and having policies that balance interventions and incentives across relevant sectors, including labour intensive vs capital intensive, formal vs informal, so that there is a vision about the employment quality of growth in a context of accelerating technological change and productivity.

A second area which is critical for employment policy is the area of skills, technology and employability. Competitiveness and growth in open economies require large investments in human capital.

Third, no national employment policy is complete without a clear entrepreneurship and enterprise development strategy, because enterprises and the private sector are the main creators of jobs. This requires an enabling national environment, that reduces regulatory and administrative burdens, provides access to credit and other business services. It is also important to look at SMEs, particularly in terms of clusters where evidence shows most innovations and competitiveness can be developed at the sectoral level. The regional dimension is also important in terms of clusters that can be engines to provide dynamism for local economic development, for instance, tourism, non-traditional agriculture, and numerous other value chains. Good practices in the workplace are also key for productivity and competitiveness. Enterprise development policies can target SMEs, multinationals, cooperatives and entrepreneurs in the informal economy for different types of programmes to promote linkages, productivity and business services.

Fourth, is the area of labour market policies. Well functioning labour markets promote growth, security and competitiveness. Labour markets require institutions, policies and regulations that lower the barriers of adjustment for firms, while ensuring income and employment security to workers.

Fifth, is the area of good governance and quality of institutions. Institutional capacities and coordination between key economic and social ministries, and in employers and workers organizations, is needed. Social dialogue is also an essential methodology to formulate and implement economic, social and labour market reforms.

The sixth area is of course social protection, and we had a very rich dialogue on this subject in the last two days.

In sum, these are the critical areas that provide both a diagnostic framework and a policy framework for employment policies based on the ILO Global Employment Agenda.

And this, and well as a large set of specific policy guidance and tools that we have developed over the years in each one of these areas, is the framework we have used in our support for the background documents of this National Consultation.

I look forward to your discussions during these two days about how you see the employment challenges facing India and the necessary policy responses as you search for the unique answers required by your wonderful and diverse country.