



**FOR INFORMATION**

THIRD ITEM ON THE AGENDA

**Financial questions relating to the  
International Institute for Labour Studies**

**(a) Programme and Budget for 2008–09**

1. The Board of the International Institute for Labour Studies will consider, at its 49th Session on 9 November 2007, the Programme and Budget proposals of the Institute for 2008–09.
2. Following its consideration of these proposals, the Board will be called upon, in accordance with article II, paragraph 6, of the Regulations of the Institute, to transmit the programme to the Governing Body for endorsement, and the budget for final approval.
3. Since the Board will not meet before the Committee begins its sittings, and in order to avoid placing the programme and budget proposals before the Committee at the last minute, a copy of the document<sup>1</sup> in which they are contained is being circulated in advance as the appendix to the present paper. Circulation of the document at this stage is, of course, entirely without prejudice to whatever action the Board may take in relation to the proposals.

Geneva, 22 October 2007.

*Submitted for information.*

<sup>1</sup> INS.B.XLIX/1.

**BOARD****For decision**

## FIRST ITEM ON THE AGENDA

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## I. Introduction

1. The creation in 1960 of the International Institute for Labour Studies was motivated by the need for discussing labour and social policy issues on the basis of solid research, and for diffusing the outcomes of this research through educational activities and networks. In previous meetings, the Board of the Institute agreed on the relevance of this mandate and recommended that it be implemented in concert with the overall strategic objectives of the ILO. The Programme and Budget proposals for 2006–07 reflected this orientation. In particular, research activities around the issue of globalization and decent work, including the global governance dimensions, have been undertaken. Research networks have been strengthened and education activities consolidated. The report of the Director shows the comprehensive range of outcomes which such a programme has produced already.
2. For the next biennium, it is proposed to build on these important achievements and respond to the key messages conveyed by the Board at its last meeting. These include in particular, the need for taking further advantage of the research capacity and autonomy of the Institute, while also ensuring greater interactions with constituents and complementarities with other ILO programmes (see GB.297/18).
3. The purpose of the Programme and Budget proposals for 2008–09 is precisely to achieve this. The proposals include the completion of a number of research projects around the issue of globalization and decent work. It is also proposed to move towards a more integrated approach among the various research areas, building on the interlinkages between the economic and legal/institutional dimensions of the Institute's work. This will materialize in a periodic publication which would analyse transformations in the world of work in the context of globalization and associated policy challenges. This would help create stronger synergies both within the Institute and with other ILO work, while making the work more visible and facilitating its diffusion with constituents. The education programme should also benefit from this more integrated approach.

## II. Budget

### Total proposed budget level

4. The Programme and Budget proposals for 2008–09, valued at the 2006–07 budget rate of exchange of 1.25 Swiss francs to the US dollar – including a programme decrease of US\$1,199,258 – amount to \$6,529,235.
5. The adjustment in prices and the budget exchange rate between 2006–07 and 2008–09 are summarized as follows:

## Adjustment in prices and the budget exchange rate, 2006–07/2008–09

	US\$
2006–07 approved programme and budget, excluding activities financed from extra-budgetary funds, at an exchange rate of 1.25 Swiss francs to the US dollar	7 728 493
Proposed programme decrease in 2008–09	(1 199 258)
2008–09 programme and budget proposals at 2006–07 prices and at an exchange rate of 1.25 Swiss francs to the US dollar	6 529 235
2008–09 cost increase and adjustment to an exchange rate of 1.23 Swiss francs to the US dollar	220 765
2008–09 programme and budget proposals	6 750 000

6. The exchange rates of 1.25 and 1.23 Swiss francs to the US dollar are those used by the ILO for the Programme and Budget for 2006–07 and 2008–09, respectively.
7. The standard cost factors for all Professional category staff and for the General Service category at headquarters included in the 2008–09 programme and budget proposals are the same as those of the ILO. These amount to \$196,176 per work-year for the Professional category (\$181,872 in 2006–07) and \$117,540 per work-year for the General Service category (\$109,248 in 2006–07).
8. The level of the proposed 2008–09 budget is estimated at \$6,750,000. As in previous biennia, it has been decided to retain half of the investment income earned by the Endowment Fund in the Fund, to be drawn upon later as necessary. This will optimize the use of these resources and build up the Endowment Fund for the future. Savings from the current biennium, as well as interest income earned on the current account, will be utilized to meet the requirements of the programme in the 2008–09 biennium.

**Summary of 2008–09 proposed income and expenditure budget and comparison with 2006–07**  
(in US\$)

	2006–07 approved budget	Forecast income and expenditure	2008–09 programme and budget proposals
A. Funds brought forward from previous period	3 090 834	3 347 258	1 827 972
B. Income			
Endowment Fund			
– Interest income	39 000	–	–
– Investment income realized	–	–	300 000
Contribution from ILO regular budget	5 065 714	5 065 714	5 134 508
Interest	100 000	100 000	120 000
Sales of publications and miscellaneous receipts	20 000	15 000	20 000
Total income	5 224 714	5 180 714	5 574 508
C. Total funds available	8 315 548	8 527 972	7 402 480
D. Expenditure	7 728 493	6 700 000	6 750 000
E. Funds to be carried forward to next period	587 055	1 827 972	652 480
F. Other sources: Phelan Legacy (estimated resources)	13 000	25 000	50 000

9. The Institute's proposed expenditure budget for 2008–09 is presented in two main sections: the substantive programmes, consisting of research, education, dialogue and

outreach; and management and programme support. The table below summarizes the 2008–09 proposals and details the expenditure by programme.

### Summary of proposed 2008–09 expenditure budget by programme

Programme	Work-years/months		Cost (US\$)		
	Professional	General Service	Staff costs	Other costs	Total resources
A. Substantive programmes					
Research	11/00	4/00	2 628 096	583 866	3 211 962
Education, dialogue and outreach	5/00	5/00	1 568 580	477 708	2 046 288
B. Management and programme support	2/00	7/00	1 336 380	155 370	1 491 750
C. Total 2008–09 proposals	18/00	16/00	5 533 056	1 216 944	6 750 000

## III. Substantive programmes

- 10.** The Institute has a major role to play in the ILO as provider of policy-relevant research. The autonomous status of the Institute makes it an ideal place to analyse key emerging issues shaping the world of work, and explore the policy challenges and opportunities that such trends pose to ILO member countries. To achieve this goal, the Institute has developed: (i) a research programme, including a range of research projects carried out by the Institute's staff and supported by knowledge networks; and (ii) an education programme so as to bring new analytical insights to the attention of constituents and reflect on policy formulation.

Programme	Work-years/months		Cost (in US\$)		
	Professional	General Service	Staff costs	Other costs	Total resources
A. Research					
2008–09 proposals	11/00	4/00	2 628 096	583 866	3 211 962
2006–07 approved budget	12/00	4/00	2 753 784	1 100 000	3 853 784
B. Education, dialogue and outreach					
2008–09 proposals	5/00	5/00	1 568 580	477 708	2 046 288
2006–07 approved budget	5/00	4/00	1 346 352	900 000	2 246 352

### 1. Research programme

- 11.** For 2008–09, the aim is to deepen analysis of how to achieve decent work objectives in the context of increasingly integrated economies. This includes, first, finalization of ongoing projects in the areas of globalization and decent work, and associated global governance issues. Second, an attempt will be made to combine research topics into a new publication, thereby improving synergies. It would also pave the way for greater interaction with the work performed elsewhere in the ILO, thus responding to one of the key mandates provided by the Institute's Board.

#### ***Globalization and decent work***

- 12.** An edited volume on *global production networks* (GPNs) will be published in early 2008. It puts together papers presented at the 2007 Research Conference on the topic. The rising pace of global production has generated a heated debate regarding how economic

upgrading (involving increased competitiveness, technological innovation, rising productivity and climbing the value added chain) can lead to social upgrading (job creation, increasing skill and knowledge content of work, improved terms and conditions of employment). The case studies in this manuscript are based upon recent research findings that reveal the important role of policies, governance and actors in constructing alternative strategies for coping with the challenges of economically viable and socially sustainable globalization in the developing world. The discussion of state and non-state configurations of governance, and their policy implications, is a contribution to this emerging debate.

13. Work will be undertaken on the theme of *Internationalization of Labour Markets*, building on ongoing research on labour migration at the Institute. The contribution of migration to development in countries of both origin and destination, and the links between migration and changes in production systems will be further explored. Issues such as global production, transnational communities and employment in developing countries; the links between occupational and geographical mobility; and new possibilities of offshoring and their potential consequences will be tackled. This work will lead to the publication of Discussion Papers over the biennium. The Fourth France–ILO dialogue on the social dimension of globalization, to be held in 2008, will be on the subject of internationalization of labour markets. This will lead to an edited volume, to be published in the 2008–09 biennium.
14. An edited volume on the issue of *labour law and decent work* will appear by mid-2008. The objective of this project is to examine what is the effective role of labour law as an instrument of promotion of decent work in the developing world. Special attention will be given to the capacity of labour law to promote gender equality. The project draws upon research carried out in collaboration with a team of scholars from universities based in Australia, Cameroon, Canada, India, Mexico, Morocco and South Africa. Beyond country experiences, the volume will also look at the relationship between trade liberalization and labour law.
15. As regards global governance issues, an edited volume on cross-border social dialogue and *international framework agreements* (IFAs) will appear in 2008. Such instruments are supposed to cover workers in the whole production chain of multinational companies. Contrary to traditional corporate social responsibility (CSR) initiatives – which are management driven – IFAs belong to the realm of industrial relations. The volume will review these new initiatives and analyse their legal nature and industrial relations dimension. This project draws partly upon papers presented at an Institute’s workshop, which included the participation of academics, enterprise and workers’ representatives.

### ***World of work in transition – Trends and policy issues***

16. It is proposed to build on achievements to date and move towards a more integrated examination of how global challenges are shaping the world of work. The approach would be thematic and inter-disciplinary, with a strong focus on facts and empirical analysis – and it would thus follow up on the Director-General’s Report entitled *Changing patterns in the world of work*.<sup>1</sup> Indeed, every effort would be made to collect data and other information on economic, labour and social outcomes, as well as policies and institutions. Obviously, synergies with work undertaken in other parts of the ILO would be exploited. This would take the form of one publication each year.

<sup>1</sup> See *Changing patterns in the world of work*, Report of the Director-General, International Labour Conference, 95th Session, 2006.

17. For 2008, the publication would offer an analysis of *how the world of work is evolving, in conjunction with international economic integration*. It could cover the following key topics (the country coverage will heavily depend on the availability of data):
- International economic integration, employment and inequalities: what is the evidence? The links between international trade, foreign direct investment and decent work would be explored via new empirical evidence. This work would focus particular attention on the extent to which labour markets are becoming more dynamic, but also more insecure and segmented. Specific attention would be devoted to trends in the countries for which the Institute has developed research networks, namely Brazil, China, India and South Africa – and how these compare with other large ILO countries such as Japan, the EU and the United States.
  - Financial liberalization: what is the social impact in developing countries? The effects of financial liberalization on labour markets and income distribution are not well understood. Financial liberalization – including also key vehicles like investment funds – may help attract external savings needed to fund investment projects, and thus pave the way for *more* jobs. It may also improve the allocation of capital resources, supporting productivity and *better* jobs. However, it has also been claimed that financial liberalization and the operation of investment funds may be destabilizing for the economy, jobs and incomes. Work under this topic would review literature and present empirical evidence regarding the social impact of financial liberalization in developing countries.
  - Tripartite policy-making: what are the changes in globalizing economies? This would examine the political economic determinants of the emergence of tripartite policy-making and the impact of this particular institutional structure on economic and social outcomes. In particular, the impact on wage differentials would be examined.
  - A summary would put together the main lessons from this analysis and consider the opportunities and challenges for policy.
18. For 2009, the publication will consider *policy responses* in the face of the opportunities and challenges identified in the previous year's publication. This would help reflect on how a "social floor" which protects workers may also support enterprise dynamism. This volume would involve an empirical analysis of the following issues (countries for which relevant data exist will be covered):
- What are the pros and cons of different labour law reforms, and how do they interact with informal economy? As is well known, labour mobility is crucial in order to take advantage of the benefits arising from international economic integration. At the same time, workers need security vis-à-vis their job and income prospects, as well as workers' basic rights. Indeed, the decent work concept encompasses both flexibility and security goals for both enterprises and workers. The purpose of this work is to analyse the effects of labour law reforms on different dimensions of decent work – thereby adding an empirical content to the 2008 volume on this issue. Particular attention will be devoted to the emerging economies and developing countries, where the informal economy is often the main provider of incomes. This may also shed light on the relevance of international labour standards for labour law reform.
  - How best to design social protection in countries at different levels of development, what is the cost and how to fund it? Adequate social protection is essential in order to support individuals vis-à-vis various types of risk. It also nurtures economic growth, to the extent that social protection facilitates labour participation and mobility, and raises workers' health and well-being. Moreover, in the presence of social protection, workers are likely to be more supportive of pro-growth reforms such as trade

liberalization. However, it is crucial to design social protection well, consistent with work incentives. Social protection should also be affordable to the economy. The purpose of this work will be precisely to shed light on these key design features, as well as funding mechanisms, notably in developing countries.

- How to improve workplace practices – the role of regulation versus voluntary codes of conduct. There seems to be a multiplication of voluntary codes of conduct (CSR, IFAs, etc.) in which enterprises respond to international civil society and other international actors. This project would examine how such a trend interacts with traditional forms of industrial relations and norms. Some authors emphasize the complementarity between voluntary instruments and traditional normative approaches. Other authors, however, point to the risks of tension between the two approaches. The project would also examine the impacts of CSR and IFAs on actual working conditions within firms – based on a case-study approach.
  - Based on this analysis, the summary would draw possible lessons for decent work policies – what works and what does not – and offer a reflection on the concept of socio-economic floors.
19. As a follow-up to the study on “Trade and Employment: Challenges for policy research”, the Institute and the WTO Secretariat will jointly carry out a study on the links between *globalization, trade and employment in the informal economy*. Greater economic growth associated with globalization may help reduce the size of the informal sector. However this is not necessarily the case and the linkages are likely to be complex. The purpose of this study is to: (i) present key facts on globalization, trade and informal employment in developing countries; (ii) review the literature on this issue; and (iii) undertake new empirical research with a view to identifying causal links and assess how policies and institutions influence these links.
20. Climate change is another major global issue, with potentially large social implications. Addressing climate change will require a major technological shift, as well as radical changes in taxation patterns which will raise production costs of CO<sub>2</sub>-intensive products. This is likely to entail considerable adjustment challenges, while also creating “green job” opportunities. More fundamentally, addressing climate change is likely to entail a significant shift of resources both across countries and within them – much like globalization did over the past two decades. It is too early to devise precisely the possible social impacts of such a dramatic, but much-needed, change. However, the Institute could pave the way for future policy analysis by identifying the key labour and social issues that should be explored in research over coming years. To achieve this, a research conference will be organized, and papers from relevant experts commissioned.

### ***ILO Century Project***

21. The ILO Century Project will review the ILO’s contributions to thinking and policy development on social and economic issues since it was founded in 1919, and look forward to its centenary in 2019. The goal is to better understand the sources, evolution, and impact of key ILO ideas and activities through its history. The ILO’s longstanding track record of upholding the values of social justice, democracy and peace will be looked at from the perspectives of its own constituents and main actors over time, analysing the evolution of ILO thinking and action and how it affected and was affected by national, regional and world political, economic and social events.
22. The project is carried out under the auspices of the Institute through partnership between ILO professionals and outside scholars. In the near term, it will include a publication on the history of ILO ideas and their impact, as well as biographies of key figures and other



relevant activities. Consolidating the “institutional memory” can strengthen the ILO’s views in the current debate on the need for a stronger social dimension of globalization, and help develop strategies for the future. In this regard, the ILO Century Project will be a knowledge-sharing and capacity-building undertaking, reinforcing the pride and influence of the Organization and of the constituents.

23. In order to involve a broad spectrum of people and communities all over the world – ILO constituents, academics from a wide range of disciplines, present and past staff members of the ILO and other international organizations – a special web site will be established.
24. Research and capacity-building projects will be funded from the Institute’s regular resources as well as external funding, as needed.

## 2. Education programme

25. The Institute’s education programme complements the ILO’s training activities and aims to provide policy-makers, employers’ organizations and trade unions with an international comparative perspective on social policy, to introduce them to the ILO and its tripartite programmes and means of action, and to develop their capacity for social policy research and analysis. To this end, the Institute organizes educational activities including international internship courses and special training workshops; develops partnerships between the academic community and the ILO constituents through meetings, policy forums, fellowships and studentships; and disseminates the outcome of such partnerships through various tools. Consideration will be given to the possibility of expanding internships to other organizations and enterprises.

### *International internship courses*

26. The Institute fulfils its mandate to transfer ILO knowledge to the constituents mainly through organizing annual international internship courses. The courses are intended for a worldwide audience of officials of labour and social ministries, as well as representatives of employers’ and workers’ organizations who are expected to rise to positions of greater responsibility in the future. The next International Internship Course on Social and Labour Policies for Decent Work will be held for a period of three weeks in Geneva from 8 to 28 May 2008.
27. The course curricula will consist of an introduction to the ILO and its objectives, organs and programmes, and a detailed exposition of the ILO’s approach to economic and social policies for the promotion of decent work for women and men in a global economy. It will be held in French. A total of 22 fellowships will be offered to the representatives of the ILO tripartite community who will be selected from among the nominations made by the respective groups in the Governing Body. The following year, the course will be held in English.

### *Thematic education workshops*

28. In December 2007, the Institute plans to organize a special one-week educational programme in Nairobi on “The tools and techniques of labour market analysis”. This will be an advanced-level training course attended by about 20 plus participants from English-speaking Africa, representing the academic staff of universities, research/training institutions of social partners and mid-level officials of labour departments. The pedagogical materials used in this course will be brought out as an Institute publication. There will be opportunities to carry out more such workshops during the biennium.

### ***New approaches to education in labour and social issues***

29. A new activity recommended by the Board at its meeting in November 2006 was that the Institute should try to organize periodic retreats/workshops for top-level ILO constituents and staff for deeper reflection on the goals and strategies of the Organization. To this end the Institute is holding consultations with the faculty of Massachusetts Institute of Technology in Boston, United States, on the possibility of organizing a high-level meeting addressed to the priorities and strategies of the ILO in a rapidly changing world of work. The first high-level meeting of this kind would be held in 2008 – depending on the availability of external funding.
30. The Institute will continue its collaboration with the Global Labour University which is aimed at strengthening cooperation between academic institutions and trade unions through the development of post-graduate programme on labour and social policy.

### ***Visiting scholars, fellows and students***

31. The Institute's *Visiting Scholar programme* offers academics in the labour field, on sabbatical from their universities, office space, facilities and access to ILO documentation services. The programme is intended to foster interaction between ILO staff and the academic community and to encourage academic work on the priorities and concerns of the ILO.
32. The *Phelan Fellowship programme* is funded from the proceeds of a legacy left in the name of Edward Phelan, a former Director-General of the ILO. The fellowship includes a grant of \$25,000 which is offered to an outstanding student to undertake research on social and labour issues. The grant is intended to cover a six-month stay in Geneva for research on a subject mutually agreed by the Institute and the student. For the award of fellowship the Institute follows a policy of selecting young scholars from developing countries, on a regional rotation basis.
33. Two fellows, Professor Jacques Marcovitch (University of São Paulo, Brazil) and Dr Eddy Lee (ILO), will continue their affiliation with the Institute for part or all of the biennium. Professor Carmelo Mesa-Lago (Emeritus Professor, University of Pittsburgh, Pennsylvania, US) joined the team of visiting fellows in his capacity as the recipient of the ILO Decent Work Research Prize for the year 2007.
34. The Institute will continue its *Visiting Student programme*, so that post-graduate students can acquire research experience while also contributing to the Institute's work programme.
35. It is expected that more *study visits*, including presentations by Institute staff and specialists from technical units of the ILO, will take place over the biennium.

## **3. Policy dialogue and partnerships**

### ***Research conferences with participation of constituents***

36. The Institute will continue to organize seminars, public lectures and conferences. Such debates are instrumental for improving understanding of how new analytical findings can improve policy-making. Vice versa, by promoting dialogue between policy-makers and analysts, these events should help make the research agenda as policy relevant as possible.

37. With these twin objectives in mind, the Institute will organize research conferences over the biennium. Several such conferences are being planned around issues of GPNs, the informal economy, as well as CSR. An important regional research conference on the issue of “green jobs” in Asia is also envisaged for 2008. More generally, such events will serve as a key tool to enhance interactions with other parts of the ILO, as well as with important stakeholders outside the ILO, such as academics, social partners, as well as government officials and parliamentarians with an expertise in labour and social issues.

### ***Decent Work Research Prize***

38. The ILO will continue to award the Decent Work Research Prize, for an outstanding contribution to the advancement of knowledge about the ILO’s central goal of decent work for all. The Prize was awarded for the first time in 2007, during the International Labour Conference. The 2008–09 prizes will be awarded following the same process, i.e. the laureate will be selected by a jury of five eminent international experts in labour and social policy issues. The winner will be invited to give a lecture to a global audience of government, employer and worker representatives and be made Honorary Fellow of the Institute.

### ***Closer linkages with other parts of the ILO***

39. As discussed above, the integrated research projects for 2008–09 offer an excellent opportunity for further improving the links with other parts of the ILO. This can take the form of discussions of project specifications, joint research projects with other researchers in the Office, and staff seconded to work at the Institute.
40. The Director of the Institute has been invited to join the Research and Publications Committee. This should prove useful to improve connections between research and policy-making activities.

### ***Publications and communication***

41. A large number of expected outputs will lead to the release of either an edited volume, or a working paper, notably under the Institute’s Discussion Paper series. The Institute’s web site will be used to announce these publications or, in the case of working papers, include their full text. Research conference proceedings and lectures which are part of the Institute’s programme of work will also be put on the web site.
42. The final goal of research carried out at the Institute is to improve policy-making. In this regard, communication of solid, policy-oriented research plays a key role. This involves engaging in dialogue with constituents as well as greater efforts to diffuse the work through the media. It is planned to strengthen this via the preparation of short policy briefs – which will explain in plain, non-technical language the policy relevance of research findings – as well as media releases with the support of the ILO communication department, as appropriate.

#### IV. Management and programme support

	Work-years/months		Cost (in US\$)		
	Professional	General Service	Staff costs	Other costs	Total resources
2008–09 proposals	2/00	7/00	1 336 380	155 370	1 491 750
2006–07 approved budget	2/00	7/00	1 335 640	292 717	1 628 357

- 43.** The programme of work also provides for the overall management of the Institute's activities. The Director of the Institute is responsible for overall programme implementation, review and coordination. Moreover, the Director takes part personally in research, education, communication and outreach. The Director is also responsible for relationships with the Board and for managing the external relationships of the Institute.
- 44.** Programme support includes programming, personnel, finance, administration and information services. This includes assistance in the preparation of programme and budget proposals and other documents for the Board, general financial supervision and management, equipment and office space, day-to-day operation of the Institute, and records and communication. Information services include documentation services in support of Institute projects and educational activities.
- 45.** The Institute will also take an active role in the design of strategic budgeting tools, in preparation of the biennium 2010–11, as part of the overall ILO efforts in this area.
- 46.** *On the basis of the above, and in accordance with article II, paragraph 6, of the Regulations of the Institute, the Board may wish to adopt the Programme and Budget for the International Institute for Labour Studies for 2008–09, to transmit the programme to the Governing Body of the ILO for endorsement and to submit the budget for final approval.*

Geneva, 22 October 2007.

*Point for decision:* Paragraph 46.