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Working Party on the Social Dimension of Globalization

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FOR DEBATE AND GUIDANCE

FIRST ITEM ON THE AGENDA

Policy coherence for strong, sustainable and balanced growth

Overview

Issues covered

This paper summarizes ILO engagement in a number of international initiatives to secure a jobs-rich recovery and a transition into a new, more sustainable, pattern of global development and growth, and draws from this experience elements of a possible framework for promoting policy coherence as requested in paragraph 50 of the Conclusions concerning the recurrent discussion on employment adopted by the 2010 International Labour Conference.

Policy implications

See paragraphs 67–72 on a possible framework for promoting policy coherence for decent work.

Financial implications

None.

Action required

None.

References to other Governing Body documents and ILO instruments

GB.309/2/1, GB.303/PFA/2, GB.301/WP/SDG/1, GB.303/17(Rev.), GB.304/15/2(& Corr.), GB.304/4.

Resolution concerning the recurrent discussion on employment, 2010.

Global Jobs Pact, 2009.

ILO Declaration on Social Justice for a Fair Globalization, 2008.

Executive summary

The first part of this paper summarizes the recent engagement of the ILO in a number of international initiatives to secure a jobs-rich recovery and a transition into a more sustainable pattern of global development and growth.

At the meeting of G20 Ministers of Labour and Employment held in April 2010, the ILO presented a discussion document together with a statistical overview, country policy and statistical briefs and a draft training strategy. The meeting put forward a set of recommendations to G20 Leaders focusing on the need to accelerate job creation.

By the end of June and the G20 Summit in Toronto, the policy discourse had shifted dramatically to fiscal sustainability and the pace of consolidation. Concern was expressed over the unacceptable levels of unemployment still prevailing in many countries and the recommendations of Labour and Employment Ministers and ILO training strategy were welcomed.

In July, the UN Economic and Social Council (ECOSOC) discussed a report prepared by the ILO reviewing lessons from national responses to the crisis and calling for stronger employment and social protection policies and greater international policy coordination. A resolution underlined that countries could harness the Global Jobs Pact, welcoming efforts to integrate the policy contents of the Pact into the activities of international financial institutions and other relevant organizations, and stressing the importance of financing and capacity building at country level.

The IMF/ILO Conference on Challenges of Growth, Employment and Social Cohesion in September tackled critical policy questions: the steep rise in joblessness and the setback to growth and poverty reduction. A joint IMF/ILO document was published, discussing the human cost of recessions and ways to build an employment-oriented framework for strong, sustainable and balanced growth. The two institutions agreed to work together in exploring the scope for a social protection floor as well as policies to promote employment-creating growth. The central role of effective social dialogue in tackling the challenges created by the crisis and ensuring that its social consequences are taken fully into account was recognized. Both institutions also agreed to deepen their cooperation in support of the G20. The Managing Director of the International Monetary Fund (IMF) accepted to address the International Labour Conference in June 2011.

The High-level Plenary Meeting of the UN General Assembly on the Millennium Development Goals (MDG Summit) in September adopted an action agenda to achieve the eight anti-poverty goals by 2015 and galvanized commitments to accelerate progress. According to *The Millennium Development Goals Report 2010*, several of the poorest countries had achieved major successes, demonstrating that Millennium Development Goals (MDGs) were achievable, but without additional efforts several of them were likely to be missed in many countries. The negative impact of the crisis on jobs and incomes had exacerbated global poverty, while many donor countries were taking fiscal austerity measures. The MDG Summit outcome document pledges accelerated progress on MDG targets, refers to the four pillars of the Decent Work Agenda and promotes the Global Jobs Pact as a relevant framework for recovery. It recognizes ILO international standards as part of the human rights-based accountability framework and states that employers' and workers' representatives are vital allies in achieving the MDGs. The Director-General received a "Lifetime Achievement Award" for his work towards the achievement of the MDGs and for promoting social development.

In October, the International Monetary and Financial Committee of the IMF Board of Governors committed to continue working collaboratively to secure strong, sustainable and balanced growth, and to refrain from policy actions that would detract from this shared goal. The rejection of protectionism in all its forms was reiterated as a key element of a coordinated response to the crisis; renewed efforts were considered to be urgently needed to bring the Doha Round to a successful conclusion.

At the joint World Bank/IMF Development Committee, the ILO Director-General called for a reinvigorated drive to coordinate recovery through a commitment to restore the global economy to full health through decent jobs. It was vital to avoid the risk that competitive devaluations and/or deflations would pitch the global economy into a further period of weak growth or a second recession. Mr Somavia also stressed the importance of the Seoul G20 Summit making job creation a fundamental objective.

At the preparatory meetings for the Seoul Summit, consensus was reached on the need for mutually supportive policies from G20 countries to improve global economic performance, but views diverged as to appropriate national actions in the global interest. It is notable that the International Monetary and Financial Committee (IMFC) of the IMF agreed to “stronger and even handed surveillance to uncover vulnerabilities in large advanced economies as a priority” and welcomed the decision to make financial stability assessments mandatory for members with systemic financial sectors. The Director-General will provide an oral report on the Seoul G20 Summit scheduled for 11–12 November to the Working Party.

The second part of this paper presents elements of a possible framework for promoting policy coherence in response to the crisis.

Policy coherence is part of the ILO’s Strategic Policy Framework. The conclusions concerning the recurrent discussion on employment adopted by the International Labour Conference in 2010 requested the Director-General to initiate broad discussions with relevant international bodies on achieving better coherence between economic, financial and social policies at the international level, and to submit a document outlining a framework for such coherence to the present session of the Governing Body.

Dialogue and coordination are key elements in identifying and exploiting potential synergies while preventing overlaps and contradictions. An important step in building a decent work policy coherence framework is to broaden agreement about priorities.

From the first signs of the crisis in 2007, the ILO sought to discuss its analysis of the emerging threats to employment and decent work with international partners such as the World Bank, the Organisation of Economic Co-operation and Development (OECD), the IMF, the Caribbean Development Bank and the United Nations Development Programme (UNDP), whose heads addressed the Working Party on the Social Dimension of Globalization. The Statement of the Officers of the Governing Body in March 2008 guided the Office and constituents in the discussions which led to the Global Jobs Summit and the adoption of the Global Jobs Pact in June 2009.

The Pact has been endorsed by a large and varied number of international meetings and organizations. These include:

- The United Nations System Chief Executives Board for Coordination (CEB), which had earlier adopted nine Joint Crisis Initiatives including one on a Global Jobs Pact and another on a Social Protection Floor; these were welcomed in the ILO Global Jobs Pact.

- ECOSOC and the G20 Leaders' Summit in Pittsburgh. The Council decided to keep the follow-up of the implementation of the Pact on its agenda for 2011.
- UNDP and United Nations Population Fund (UNFPA). The UNDP/UNFPA Executive Board adopted in 2010 a decision encouraging its field structure to promote the Global Jobs Pact in conjunction with the ILO. An ILO–UNDP technical meeting has recently reviewed research and agreed on issues for further collaboration.
- The ILO sought to promote a decent work policy coherence framework within the UN framework particularly through the High-Level Committee on Programmes (HLCP) and the United Nations Development Group (UNDG), and at field level through the UN Country Teams and UN Development Assistance Frameworks. Other non-UN mechanisms exist to further policy coherence. They include the G20, which has emerged as a focal point for policy coordination in response to the crisis, and a number of regional groupings in which the ILO is also being called upon to play an active role.

The rapidly evolving experience of international policy coordination raises a number of strategic issues for the Organization, its constituents and its partners. Four of the most important and complex are:

- Addressing the imbalances in labour markets that underlie international imbalances by improving the policy dialogue between those concerned with employment and social matters and those focused on fiscal, monetary and financial questions.
- Exploring whether global economic and social governance mechanisms need to be adapted or reformed to reflect shifts in the global economy, political change and the broadening of the agenda of policy coherence to include employment and social policies more prominently.
- Identifying ways of promoting more coherent national policy decisions and improving the interconnections between them and international policy coherence mechanisms.
- Determining whether a framework for the ILO's engagement in these processes can be defined to guide constituents in promoting policy coherence and strengthening the Organization's role in international policy coherence forums.

Discussions about a possible framework thus involve several dimensions. For the ILO, the building blocks of a policy coherence framework might be categorized as: (i) improving knowledge-sharing mechanisms so that constituents and others have reliable up-to-date information; (ii) deepening research and analysis of growth and development processes and policies and their impacts on decent work; (iii) extending policy dialogue with organizations with competence in related fields; (iv) mainstreaming the goal of decent work into policy strategies; and (v) engaging in policy coherence mechanisms that contribute to realizing decent work.

A natural course of action for the ILO would be to define the contribution that tripartism could make to improving national policy coherence.

The Conference has invited the Governing Body to consider the possible forms a framework for policy coherence might take. Non-mutually exclusive options include:

- (1) a framework for regular consideration by the Governing Body of the different dimensions and elements of policy coherence;

- (2) the development of a policy-oriented statement on how the ILO sees the connections between the Decent Work Agenda and other key policy domains;
- (3) a statement focusing more on institutional arrangements for policy coherence and how these might develop nationally and internationally;
- (4) an instrument such as a Recommendation which would express commitments by constituents to promote policy coherence for decent work;
- (5) a statement of the ILO's overall objectives for policy coherence nationally and internationally and a strategy for pursuing them over the remaining period of the Strategic Policy Framework 2010–15.

The exceptionally fluid nature of policy coherence discussions, which are at a critical juncture at present, are factors the Governing Body will wish to take into account.

The Working Party is invited to:

- (a) review the ILO's recent experience in promoting a coherent international policy approach to shaping a jobs-rich recovery and strong sustainable and balanced growth; and
- (b) consider whether this experience provides elements of a possible framework for policy coherence for decent work.

1. The global recession of 2008–09 and the uneven recovery under way in 2010 have seriously damaged progress towards the goal of decent work for all. The ILO and its constituents have pressed actively for vigorous and coherent policy responses to the global jobs crisis based on the Global Jobs Pact adopted by the International Labour Conference in 2009 and the ILO Declaration on Social Justice for a Fair Globalization (Social Justice Declaration) adopted in 2008.
2. The first part of this paper summarizes briefly the recent engagement of the ILO in a number of international initiatives to secure a jobs-rich recovery and a transition into a new, more sustainable, pattern of global development and growth. A separate annex provides a summary of recent reports on global economic prospects. The second part draws from this experience elements of a possible framework for promoting policy coherence as requested in paragraph 50 of the Conclusions concerning the recurrent discussion on employment adopted by the International Labour Conference in 2010.

Part I: International initiatives to promote recovery and strong, sustainable and balanced growth

3. A sluggish and uneven recovery in output from the deep recession of 2009 began in early 2010. However, unemployment and other indicators of labour market distress remained stuck at high levels in many countries. The G20 Ministers of Labour and Employment meeting in Washington in April agreed on recommendations¹ to G20 Leaders that focused on accelerating job creation to ensure a sustained recovery and future growth; strengthening social protection systems and promoting inclusive active labour market policies; placing employment and poverty alleviation at the centre of national and global economic strategies; improving the quality of jobs for people; and preparing workforces for future challenges and opportunities. The ILO presented a discussion document entitled *Accelerating a job-rich recovery in G20 countries: Building on experience*, together with a statistical overview, country policy and statistical briefs and a draft training strategy.²
4. Also in April, G20 Finance Ministers agreed that “In economies where growth is still highly dependent on policy support and consistent with sustainable public finances, it should be maintained until the recovery is firmly driven by the private sector and becomes more entrenched.”³
5. By the end of June and the G20 Summit in Toronto the policy discourse had shifted dramatically in the wake of renewed financial turbulence centred on the sovereign debt of a number of Eurozone countries. The Leaders’ Declaration stated that “... recent events highlight the importance of sustainable public finances and the need for our countries to put in place credible, properly phased and growth-friendly plans to deliver fiscal sustainability, differentiated for and tailored to national circumstances. Those countries

¹ United States Department of Labor: Recommendations to G20 Leaders, 21 April 2010, http://www.dol.gov/ilab/media/events/G20_ministersmeeting/results.htm.

² ILO: *Accelerating a job-rich recovery in G20 countries: Building on experience*. An ILO report, with substantive contributions from the Organisation for Economic Co-operation and Development (OECD), to the meeting of G20 Ministers of Labour and Employment, 20–21 April 2010, Washington, DC.

³ G20: *Communiqué: Meeting of Finance Ministers and Central Bank Governors*, Washington, DC, 23 April 2010.

with serious fiscal challenges need to accelerate the pace of consolidation” The Declaration also expressed concern that “... unemployment in many countries remains at unacceptable levels, and the social impact of the crisis is still widely felt ...” and welcomed the recommendations of Labour and Employment Ministers and the training strategy prepared by the ILO in collaboration with the OECD.⁴

6. In July, the ECOSOC discussed a report prepared by the ILO, *Recovering from the crisis: A Global Jobs Pact*.⁵ The report reviewed main lessons from the policy experience with national responses to the crisis and called for stronger employment and social protection policies and greater international policy coordination to accelerate and sustain recovery, with special attention to middle- and lower-income countries with limited fiscal space. In a resolution on recovering from the crisis, ECOSOC underlined that countries could harness the Global Jobs Pact to accelerate recovery and put full and productive employment and decent work for all into national and international policy frameworks, and in this regard recognized the importance of policy coherence at all levels.⁶ It also welcomed efforts to integrate the policy contents of the Pact into the activities of international financial institutions and other relevant organizations and requested the United Nations funds and programmes and the specialized agencies to further take into account the Global Jobs Pact in their policies and programmes through their appropriate decision-making processes. The resolution stressed the importance of financing and capacity building in countries that lacked the fiscal space to adopt response and recovery policies.
7. A joint IMF/ILO conference on “The Challenges of Growth, Employment and Social Cohesion” hosted by Prime Minister Jens Stoltenberg of Norway was held on 13 September in Oslo. The Conference aimed to tackle the difficult – but critical – policy questions posed by the steep rise in joblessness and the setback to growth and poverty reduction. It brought together senior government officials, labour and business leaders, and well-known economists to address the possible long-term and short-term responses to the employment crisis. International Monetary Fund Managing Director Dominique Strauss-Kahn and ILO Director-General Juan Somavia chaired sessions of the Conference. Among the international figures speaking at the event were President Ellen Johnson Sirleaf of Liberia, Prime Minister George Papandreou of Greece, Prime Minister José Luis Rodríguez Zapatero of Spain, Finance Minister Christine Lagarde of France, United Kingdom Secretary of State for Work and Pensions Iain Duncan Smith, International Trade Union Confederation General Secretary Sharan Burrow and John Bernander, Director-General of the Norwegian Employers’ Organization. The Conference took the form of interactive dialogues amongst the invited panellists and with participants. Over a working lunch, participants also discussed the main topics in detail. A summary of the rich and lively debates is available on the Conference website.⁷

⁴ G20: Toronto Summit Declaration, 26–27 June 2010, para. 4. Available at http://www.g20.utoronto.ca/2010/g20_declaration_en.pdf.

⁵ ECOSOC: *Recovering from the crisis: A Global Jobs Pact*, Report of the UN Secretary-General, Substantive session of 2010, New York, 28 June–23 July 2010, E/2010/64.

⁶ ECOSOC: *Recovering from the world financial and economic crisis: A Global Jobs Pact*, resolution E/2010/L.9/Rev.1.

⁷ <http://www.osloconference2010.org/>.

8. A joint discussion document prepared by ILO and IMF staff was published prior to the Conference.⁸ It had two contributions: on the human cost of recessions, assessing it and reducing it, prepared by the staff of the IMF, and on building an employment-oriented framework for strong, sustainable and balanced growth, prepared by the ILO (see box).

The challenges of growth, employment and social cohesion: IMF/ILO discussion document

“Our objective at the Oslo Conference is to improve the integration of employment and social policies with international and national macroeconomic policy strategies”, the discussion document said, and to “focus thinking and action on how to ensure that policies have the same priorities as people – more and better jobs”. Improving policy coherence “is likely to play a big part in finding a better way to shape a fairer globalization”.

The IMF reported that “if the effects of past recessions are a guide, the cost to those who become unemployed could be a persistent loss in earnings, reduced life expectancy, and lower academic achievement and earnings for their children. And unemployment is likely to affect attitudes in a manner that reduces social cohesion, a cost that all will bear.” The IMF stated that the impact on lifetime earnings was demonstrated in studies in the United States that showed that “even 15–20 years after a job loss in a recession, the earnings loss amounts on average to 20 per cent”. In terms of health, layoffs “are associated with higher risk of heart attacks and other stress-related illnesses. In the long run, the mortality rate of laid-off workers was higher than that of comparable workers who kept their jobs.”

The IMF added that “a recovery in aggregate demand is the single best cure for unemployment”. It stated that “as a general strategy, most advanced economies should not tighten fiscal policies before 2011, because tightening sooner could undermine the recovery. The consolidation plans that these countries have for 2011 imply an average change in the structural balance of 1¼ percentage points of GDP. Clearly, however, the fiscal situation varies across countries, requiring adaptation of this general strategy to the available fiscal space.” Monetary policy could also remain supportive of aggregate demand as inflation pressures remain subdued.

Referring to the public debt challenges many countries were facing, the ILO warned that “a premature fiscal retrenchment could damage growth and lead to even larger deficits and debts”. It also called for “well-sequenced coordinated short-term exit strategies and deficit reduction policies”, adding that they were linked to “a progressive recovery of the real economy and jobs and are fair in the sharing of the benefits and burdens of adjustment, especially in the protection of the most vulnerable”.

The ILO painted a grim picture of the current global employment situation, with 210 million people out of work – the highest level in history – and 80 per cent of the global population without any access to social protection. It also said that “despite impressive gains in recent years, approximately 1.2 billion women and men, or 40 per cent of the world’s labour force, still did not earn enough to keep themselves and their families above the \$2-a-day poverty level in 2008”.

Analysing the longer-term policy challenges of unemployment, the ILO estimated that “in the next 10 years, more than 440 million new jobs will be needed to absorb new entrants into the labour force, and still more to reverse the unemployment caused by the crisis”.

The ILO explained that the pressures of globalization have increased the vulnerability of workers through increased intensity of work, a shift towards more flexible contracts, diminishing social protections, and decline in workers’ bargaining power and voice, adding: “Improving the quality of employment – more productive jobs offering better earnings – is also essential to sustain poverty reduction and development.”

“The strength and quality of labour market institutions can make a substantial contribution to international efforts to generate sustainable growth and development”, the Conference document said. “Although each country’s labour market institutions have a particular history and character, countries face many common challenges in shaping policies that create decent work opportunities for all. A consensus is building for the coordination of efforts to prioritize employment growth, because strong and steady growth in jobs and household incomes in many countries at the same time will buttress global demand, creating still more jobs.”

Source: IMF/ILO: *The challenges of growth, employment and social cohesion* (Geneva, 2010).

⁸ IMF/ILO: *The challenges of growth, employment and social cohesion* (Geneva, 2010), <http://www.osloconference2010.org/discussionpaper.pdf>.

9. In a joint press statement at the Conference, Mr Strauss-Kahn and Mr Somavia said that the IMF and ILO would work together on policy development in two specific areas.⁹ First, they agreed to explore the concept of a social protection floor for people living in poverty and in vulnerable situations, within the context of a medium- to long-term framework of sustainable macroeconomic policies and strategies for development. Second, the two institutions will focus on policies to promote employment-creating growth. There was also agreement on the central role that effective social dialogue can play in building the consensus needed to tackle the difficult adjustment challenges created by the crisis, and to ensure that the social consequences of crisis and its aftermath are taken fully into account. The two institutions also agreed to continue and deepen their cooperation in support of the G20 and its Mutual Assessment Process aimed at ensuring strong, sustained and balanced global growth. As part of this continuing collaboration, Mr Strauss-Kahn accepted the invitation of Mr Somavia to address the International Labour Conference in June 2011.
10. The MDG Summit from 20 to 22 September brought together world leaders to commit to an action agenda to achieve the eight anti-poverty goals by their 2015 target date. Ten years after world leaders committed to the Goals laid out in the Millennium Declaration – and with only five years left until the 2015 target date for achieving the Goals – the Summit aimed to galvanize commitments and accelerate progress.
11. The UN *Millennium Development Goals Report 2010* (MDG Report 2010), to which the ILO made a substantial contribution,¹⁰ painted a mixed picture with a number of countries having achieved major successes in fighting poverty, improving school enrolment and child health, expanding access to clean water, strengthening control of malaria and tuberculosis, and providing increased access to HIV treatment. These successes had taken place in some of the poorest countries, demonstrating that the MDGs were indeed achievable with the right policies, adequate levels of investment and international support. Yet progress had been uneven and – without additional efforts – several of the Goals were likely to be missed in many countries. Only 45 of 87 countries with data had already achieved or were on track to achieve the target of halving extreme poverty. Around 1.4 billion people still subsisted on less than US\$1.25 a day. Around 1 billion people suffered from hunger. Almost 9 million children die each year before they reach their fifth birthday, hundreds of thousands of women die due to complications of pregnancy or child birth every year, and only half of the developing world's population had access to improved sanitation. The economic crisis had taken a heavy toll on jobs and incomes around the world and severely impacted the ability of the poor to feed their families, according to the MDG Report 2010. Moreover, many donor countries, concerned with large fiscal deficits and rising debts in the wake of the global economic crisis, were taking fiscal austerity measures. “But economic uncertainty cannot be an excuse for slowing down our development efforts,” Secretary-General Ban said.

⁹ Oslo Conference 2010 Joint Statement, available on the IMF website <http://www.imf.org/external/np/sec/pr/2010/pr10339.htm>; and on the ILO website http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_144629/index.htm.

¹⁰ UN: Millennium Development Goals Report 2010, Goal 1, target b, pp. 8–10, <http://www.un.org/millenniumgoals/pdf/MDG%20Report%202010%20En%20r15%20-low%20res%2020100615%20-.pdf>.

12. The MDG Summit concluded with the adoption of an outcome document, *Keeping the promise: United to achieve the Millennium Development Goals*, in which member States set out an action agenda to achieve the eight goals by their 2015 target date.¹¹ The document makes pledges for decisive progress on the most lagging MDG targets with new commitments for women's and children's health and other initiatives against poverty, hunger and disease. It establishes a roadmap framework for accelerating progress on each of the eight MDGs. It contains clear references to the four pillars of the ILO Decent Work Agenda and promotes the Global Jobs Pact as a relevant framework for recovery. This will help the ILO and its constituents to make decent work central to national development policies and programmes. As the reference document for the UN country teams' work until 2015, it should facilitate the ILO's interactions with other sister agencies at field level and reinforce the value of the CEB *Toolkit for mainstreaming employment and decent work*.¹²
13. Compared to previous texts on the MDGs, the outcome document recognizes that the ILO international Conventions are part and parcel of the human rights-based accountability framework and that representatives of employers and workers are vital allies in increasing employment opportunities, promoting agricultural development and reducing poverty.¹³ It also acknowledges that among the lessons learned over the past years are that greater employment opportunities for men and women and enhanced access to a social protection floor can accelerate progress.¹⁴ The action agenda includes commitments by member States to:
- Enhance employment and income opportunities for all, with a special focus on the poor.¹⁵
 - Create full and productive employment and decent work for all and further resolve to promote the Global Jobs Pact as a general framework within which each country can formulate policy packages specific to its situation and national priorities in order to promote a job intensive recovery and sustainable development.¹⁶
 - Take effective measures for promoting social inclusion and integration and incorporate these into national development strategies.¹⁷
 - Promote universal access to social services and provide social protection floors so as to make an important contribution to consolidating and achieving further development gains, since social protection systems that address and reduce inequality

¹¹ UN General Assembly: *Keeping the promise: United to achieve the Millennium Development Goals*, resolution A/65/L.1, 17 September 2010.

¹² CEB: *Toolkit for mainstreaming employment and decent work*, <http://www.ilo.org/public/english/bureau/pardev/relation/multilateral/toolkit.htm>.

¹³ UN General Assembly: *Keeping the promise*, op. cit., paras 70(d) and 72(d).

¹⁴ *ibid*, para. 23(b) and (f).

¹⁵ *ibid*, para. 47.

¹⁶ *ibid*, para. 48.

¹⁷ *ibid*.

and social exclusion are essential for protecting the gains towards the achievement of the MDGs.¹⁸

14. The outcome document reaffirms “the role that the Charter of the United Nations and the General Assembly have vested in the Economic and Social Council as a principal body for coordination, policy review, policy dialogue and recommendations on issues of economic and social development and for the follow-up to the Millennium Development Goals”. It emphasizes international follow-up action by ECOSOC’s annual ministerial review and Development Cooperation Forum.¹⁹ In addition to calling on the General Assembly to continue to review the progress of implementation of the MDGs, the outcome document requests the President of the 68th Session of the General Assembly to organize a “special event” in 2013 to follow up on efforts made towards achieving the MDGs. It also calls on the UN Secretary-General to make recommendations for further steps to advance the UN’s development agenda beyond 2015.
15. During the Summit on 20 September 2010, the ILO organized, together with the NGO Realizing Rights, a Forum on “Accelerating the Achievement of the MDGs through Decent Work”. The Forum panel debates included contributions from H.E. Ms Tarja Halonen (President, Finland), Juan Somavia (Director-General, International Labour Organization), Mary Robinson (President, Realizing Rights and Member of The Elders), H.E. Mr Jens Stoltenberg (Prime Minister, Norway), H.E. Ms Michelle Bachelet (Former President of Chile and Chairperson of Social Protection Floor Global Advisory Group), Dominique Strauss-Kahn (Managing Director, International Monetary Fund), Sharan Burrow (General Secretary, International Trade Union Confederation), Richard Freeman (Harvard University), David Arkless (President, Corporate and Government Affairs, Manpower Inc.), Reeta Roy (CEO, The MasterCard Foundation), Anna Walker (Global Manager, Government Affairs and Public Policy, Levi Strauss & Co.), and Adrian Ristow (Project Director, Inclusive Business, The Coca-Cola Company).
16. The ILO Director-General participated in the Meeting’s round-table discussion on “Addressing Emerging Issues and Evolving Approaches” and also co-hosted, with the United Nations Environment Programme Executive Director, a side event “Achieving the MDGs by Ensuring Environmental Sustainability”. The Director-General earlier received a Lifetime Achievement Award for his work towards the achievement of the MDGs and promoting social development. The ILO also co-hosted a side event “Tackling Child Labour – A Key to Progress on the Millennium Development Goals” and participated in the UN Private Sector Forum in the round table on the green economy.
17. The IMFC met on 9 October in Washington. Its communiqué summarized a broad agreement on the global economy:²⁰

Economic recovery is proceeding, but remains fragile and uneven across the membership. Faced with this source of potential stress, we underscore our strong commitment to continue working collaboratively to secure strong, sustainable, and balanced growth and to refrain from policy actions that would detract from this shared goal. Our priorities are to address remaining financial sector fragilities; ensure strong growth in private sector demand and job creation; secure sound public finances and debt sustainability; work toward a more balanced pattern of global growth, recognizing the responsibilities of surplus and deficit

¹⁸ *ibid*, para. 51.

¹⁹ *ibid*, para. 80.

²⁰ IMF: *Communiqué of the Twenty-Second Meeting of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund*, <http://www.imf.org/external/np/sec/pr/2010/pr10379.htm>.

countries; and address the challenges of large and volatile capital movements, which can be disruptive. The rejection of protectionism in all its forms must remain a key element of our coordinated response to the crisis; renewed efforts are urgently needed to bring the Doha Round to a successful conclusion.

18. The joint World Bank–IMF Development Committee took the view that “many developing countries have done well in maintaining growth and output and preserving core spending on health, education and infrastructure. Protecting vulnerable groups has proved a bigger challenge – especially in low-income countries – partly because of fiscal constraints and difficulties in scaling up effective social protection mechanisms.”²¹
19. The ILO Director-General in his statement to the Committees called for a reinvigorated drive to coordinate recovery stressing such a drive as “vital to avoid the risk that competitive devaluations and/or deflations will pitch the global economy into a further period of turbulence and weak growth or a second recession. The heart of such coordination should, as G20 Leaders said in Pittsburgh just one year ago, be the commitment to ‘restoring the global economy to full health’ so that ‘hard-working families the world over can find decent jobs’. We need an employment-oriented framework for future economic growth which accelerates a job rich recovery and a major shift towards a job rich pattern of development and growth.” He also informed the Committees of the ILO/IMF Oslo Conference’s emphasis on the importance at the Seoul Summit of making job creation a fundamental objective of its policy directions.²²
20. Both Committees, as well as being preoccupied by the weakening of the recovery in a number of countries and the outbreak of exchange rate instability in the weeks running up to the meetings, focused on issues of voice and vote. In the case of the IMFC, a rearrangement of voting shares and, in consequence, seats on the Executive Board, was not resolved despite the ending of the current Board’s mandate on 1 November. Similar moves to enlarge developing countries’ voices in the decision-making bodies of the Bank remain a point of tension. Intensified efforts will be made to resolve these issues in the weeks before the Seoul Summit.
21. The failure to resolve voice and vote issues is widely perceived to be challenging the authority of the Fund at a critical time. Immediately prior to the IMFC and the Development Committee, preparatory meetings for the Seoul G20 Summit were taking place in Washington. These were marked by considerable tensions over the coordination of fiscal, monetary and exchange rate policies. With a differentiated recovery, improving global economic performance requires differentiated but mutually supportive policies from G20 countries. While this logic was widely accepted, there were also considerable divergences of view as to what national actions would be appropriate in the global interest. In this regard, it is notable that the IMFC agreed that “Stronger and even handed surveillance to uncover vulnerabilities in large advanced economies is a priority. Surveillance should also be better focused on financial stability issues and their macroeconomic linkages, and more attentive to cross-border spillovers. Synergies between surveillance tools should also be strengthened. We welcome the decision to make Financial Sector Assessment Program (FSAP) financial stability assessments mandatory for members with systemic financial sectors as part of surveillance.”

²¹ Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries, 9 October 2010, Washington, DC, para. 3.

²² ILO Director-General Juan Somavia Statement, IMF/WB Annual Meetings, 9 October 2010, http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Speeches/lang--en/WCMS_145415/index.htm.

22. The Seoul G20 Summit takes place on 11–12 November. The Summit is expected to cover the ensuring of global economic recovery, the framework for strong, sustainable, and balanced global growth, strengthening the international financial regulatory system, modernizing the international financial institutions, global financial safety nets and development issues. The ILO Director-General will attend and provide an oral report to the Working Party.²³

Part II: Elements of a possible framework for promoting policy coherence

23. The importance of improving the way policies interact with each other to impact on full and productive employment and decent work has increased as a consequence of growing economic interdependence and become especially prominent with the need to counteract deteriorating labour market conditions caused by the global financial crisis. However, the issue has figured prominently on the ILO's agenda for several years; indeed, expressed in different ways it is a feature of the ILO's Constitution.
24. The need to improve policy coherence was a major conclusion of the 2004 Report of the World Commission on the Social Dimension of Globalization. The report, *A fair globalization: Creating opportunities for all*, discussed many aspects of the challenges involved and its particular salience to the goal of decent work for all. It drew attention to the need for policy coherence nationally and internationally. "Ensuring greater coherence among policies is the responsibility not only of the organizations of the multilateral system but also of the governments and parliaments which oversee their work. In particular, the international organizations need to be given a clear political mandate to achieve greater policy coherence."²⁴ Following the discussion of the Director-General's report to the 2004 International Labour Conference, *A fair globalization: The role of the ILO*,²⁵ the objective of improved policy coherence has become part of the Organization's Strategic Policy Framework.²⁶
25. For the ILO, the promotion of full and productive employment and decent work is the central organizing focus in shaping a framework for policy coherence. Building on the ILO's follow-up to the World Commission report and the series of high-level policy dialogues undertaken by the Working Party on the Social Dimension of Globalization, the ILO's most recent experience in developing a strategic response to the jobs crisis offers a number of pointers to elements of a possible decent work policy coherence framework.
26. The conclusions concerning the recurrent discussion on employment adopted by the 99th Session (2010) of the Conference included the following paragraph:
50. Request the Director-General to rapidly initiate discussions with the main international financial and economic institutions and other relevant international bodies with the objective to achieve a better coherence between economic, financial, employment and

²³ G20 Seoul Summit, <http://www.seoulsummit.kr>.

²⁴ ILO: *A fair globalization: Creating opportunities for all*, Report of the World Commission on the Social Dimension of Globalization (Geneva, 2004), para. 605.

²⁵ ILO: *A fair globalization: The role of the ILO*, Report of the Director-General on the World Commission on the Social Dimension of Globalization, International Labour Conference, 92nd Session, 2004.

²⁶ GB.303/PFA/2, paras 66–69.

social policies at the international level. Invite the Director-General to submit to the November 2010 session of the Governing Body a document outlining the elements and possible forms of a framework with the objective of promoting coherence between these policies. This document should provide a coherent framework to give governments and social partners the best possible advice to achieve full and productive employment and decent work at the centre of economic and social policies, while enhancing cooperation and exchange of experiences among them. In preparing the elements of such a framework, the Office should consult with the main economic and financial international institutions with a view to achieve a better coherence among economic, financial, employment and social policy at the international level, bearing in mind the contribution this can also make to facilitate coherence amongst government policies at the national level and their advocacy internationally.

Dialogue and the broadening of consensus on policy objectives

27. As the Conference envisaged, a key element in improving policy coherence involves dialogue and coordination nationally and internationally with the aim of identifying and exploiting potential synergies while also preventing actions that are at cross-purposes. An important step in building a decent work policy coherence framework is to seek to broaden agreement about priorities.
28. From the first signs of a financial crisis in 2007, the ILO sought to discuss its analysis of the emerging threats to employment and decent work with international partners. The President of the World Bank, Robert Zoellick, spoke to the March 2008 Working Party which also examined a paper reviewing the impact of emerging trends on prospects for decent work, possible contributions the ILO might make to efforts to avoid a prolonged and widespread global downturn and the challenge of multilateral cooperation and policy coherence.²⁷ Angel Gurría, OECD Secretary-General, joined the November 2008 discussions in the Working Party on the impact of the financial crisis.²⁸ It may be recalled that the subsequent Governing Body session received a statement by its Officers which outlined measures required to address the impact of the crisis on the real economy to protect people, support productive enterprises and safeguard jobs.²⁹ The statement guided the Office and the constituents in the preparation of the March 2009 High-level Tripartite Meeting on the Current Global Financial and Economic Crisis³⁰ which was addressed by IMF Managing Director Dominique Strauss-Kahn, and of the 2009 International Labour Conference which adopted the Global Jobs Pact.
29. As well as receiving the strong support of a number of Heads of State and Government at the 2009 Global Jobs Summit, the Pact was subsequently endorsed by a large and varied number of international meetings and organizations including ECOSOC and the G20 Pittsburgh Summit. The CEB had earlier adopted nine Joint Crisis Initiatives including one on a Global Jobs Pact – boosting employment, production, investment and aggregate demand, and promoting decent work for all; and another on a social protection floor, ensuring access to basic social services, shelter, and empowerment and protection of the

²⁷ GB.301/WP/SDG/1.

²⁸ GB.303/17(Rev.).

²⁹ *Statement of the Officers of the ILO Governing Body*, November 2008, http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_100689.pdf; GB.304/15/2(& Corr.).

³⁰ GB.304/4.

poor and vulnerable. The CEB initiatives were welcomed in the ILO Global Jobs Pact. The swift and broad-based support for the Pact was greatly facilitated by the similarly wide backing given earlier to the Decent Work Agenda and its role in shaping a fair globalization.

Engagement in international policy coherence mechanisms

30. The United Nations with its near universal membership is the premier international organization for bringing together all member States in the General Assembly to discuss and agree on common actions. The Charter of the UN set up an Economic and Social Council of 54 member States, serving on a rotating basis, charged to “make or initiate studies and reports with respect to international economic, social, cultural, educational, health, and related matters and may make recommendations with respect to any such matters to the General Assembly, to the Members of the United Nations, and to the specialized agencies concerned”. Further, the Council “may co-ordinate the activities of the specialized agencies through consultation with and recommendations to such agencies and through recommendations to the General Assembly and to the Members of the United Nations”.
31. Given its responsibility for examining international economic and financial policies in light of its mandate, the ILO has sought to play an active role in ECOSOC. In 2008, the Council adopted a comprehensive resolution on promoting full employment and decent work for all.³¹ The resolution “requests the funds, programmes and agencies of the United Nations system and invites financial institutions to support efforts to mainstream the goals of full and productive employment and decent work for all in their policies, programmes and activities”.
32. In 2009, ECOSOC adopted a further resolution which “encourages member States to promote and make full use of the global jobs pact as a general framework within which each country can formulate a policy package specific to its situation and priorities ...”. It also “invites international financial institutions and other relevant international organizations to integrate, in accordance with their mandates, the policy contents of the Global Jobs Pact in their activities ...”.³² As reported in paragraph 6 above, ECOSOC received a report on implementation of the 2009 resolution at its 2010 meeting and in a further resolution highlighted the importance of supporting the financing and capacity-building needs of least developed, developing and transition countries that lack the fiscal space to adopt response and recovery policies. The Council agreed to keep implementation of the Pact on its agenda for 2011.³³
33. The coordination efforts of the UN’s intergovernmental institutions are supported by interagency meetings within the framework of the CEB. Two of its sub-bodies are particularly important for the ILO’s promotion of a decent work policy coherence framework. The HLCP, currently chaired by the ILO Director-General, is the principal mechanism for system-wide coordination in the programme area in the UN system. It is responsible to the CEB for fostering coherence, cooperation and coordination on the programme dimensions of strategic issues for the UN system. HLCP serves two main

³¹ ECOSOC: *Promoting full employment and decent work for all*, resolution 2008/18.

³² ECOSOC: *Recovering from the crisis: A Global Jobs Pact*, resolution E/2009/L24.

³³ ECOSOC: *Recovering from the world financial and economic crisis: A Global Jobs Pact*, resolution E/2010/L.9/Rev.1.

functions: (1) system-wide follow-up of intergovernmental decisions and major UN conferences and summits in order to maximize their impact in conjunction with the strategic approaches and objectives adopted by the CEB; (2) scanning and identification of emerging programme issues requiring a system-wide response in order to elaborate common strategies, policies and tools, serve as a forum for inter-agency dialogue and prepare for CEB sessions on issues of global significance. Recent meetings of the HLCP have focused on follow-up to the April 2009 Joint Crisis Initiatives, the Millennium Development Goals, sustainable globalization and climate change. In this regard, the CEB *Toolkit for mainstreaming employment and decent work* constitutes a useful mechanism for working with partner international agencies and constituents to foster a more coherent system-wide approach.

- 34.** The UNDG, chaired by Ms Helen Clark, Administrator of UNDP, brings together 33 UN funds, programmes, agencies, departments and offices that play a role in development. Its objective is to deliver more coherent, effective and efficient support to countries seeking to attain internationally agreed development goals, including the Millennium Development Goals. Within the framework of the UNDG, the ILO has focused on enhancing collaboration across the UN system in support of mainstreaming decent work and the Global Jobs Pact in the work of UN Country Teams and UN Development Assistance Frameworks. The first regular session of the Executive Board of UNDP and the UNFPA in 2010 (19–22 January) adopted a Board decision entitled “UNDP response to the financial and economic crisis: Promoting the Global Jobs Pact”.³⁴ Consultations on the decision were facilitated by Germany and the United Republic of Tanzania, with overwhelming support from all members of the Executive Board.
- 35.** The ILO also took an active part in preparing the system inputs to the MDG Summit largely prepared through the UNDG. The Working Party will recall the discussions with Ms Clark at its March 2010 meeting at which a number of proposals for further joint work emerged both on policy themes and in country-level cooperation. An ILO–UNDP technical meeting on 30 September and 1 October reviewed recent research by the two organizations and agreed on a number of issues for further collaboration.³⁵
- 36.** Aside from the UN mechanisms for policy coherence based on its Charter, governments have formed many other formal and ad hoc global and regional groupings to further cooperation on economic and social matters that have a direct connection to the ILO’s Decent Work Agenda and the Global Jobs Pact. For the purposes of this reflection on elements of a framework for policy coherence, the emergence of the G20 over the last two years as a focal point for policy coordination in response to the crisis warrants particular attention. In doing so it should however be noted that the ILO is also being called upon to play an active role in a number of regional groupings that have growing weight in the development of common policy approaches that affect the Decent Work Agenda. A review of such arrangements could be the subject of a further paper for a future meeting.³⁶

³⁴ UNDP/UNFPA: *UNDP response to the financial and economic crisis: Promoting the Global Jobs Pact*, Executive Board decision 2010/11.

³⁵ Joint ILO–UNDP Technical Meeting on Employment, the Crisis and MDG Acceleration, Geneva, 30 September, 1 October 2010.

³⁶ The ILO has for example recently contributed to meetings of Labour Ministers of the Association of Southeast Asian Nations (ASEAN) and Asia–Pacific Economic Cooperation (APEC) and worked closely with the African Union and the UN Economic Commission for Africa for the 2nd African Decent Work Symposium in Yaoundé, 6–7 October 2010.

37. The Group of Twenty (G20) was proposed in 1999 by Paul Martin when he was Finance Minister of Canada as a forum of Finance Ministers and Central Bank Governors for cooperation and consultation on the international financial system. It was originally composed of representatives of 19 countries plus the European Union. The Heads of Government or Heads of State started to meet in a G20 Summit in November 2008. Collectively, the G20 economies comprise 85 per cent of global gross national product, 80 per cent of world trade (including EU intra-trade) and two-thirds of the world population. At the Pittsburgh Summit in September 2009, leaders announced that they had “designated the G20 to be the premier forum for our international economic cooperation”.
38. The first summit of the G20 in Washington focused mainly on stemming the financial crisis that had dramatically worsened in September 2008.³⁷ The London Summit in April 2009 was marked by a major allocation of resources to the IMF to support countries most adversely affected by the deepening recession.³⁸ However, the focus on financial issues was broadened to also include consideration of the worsening employment situation in many countries and was prepared by a Jobs Conference in March 2009 to which the ILO contributed significantly.³⁹
39. The London communiqué committed the G20 “to support those affected by the crisis by creating employment opportunities and through income support measures. We will build a fair and family friendly labour market for both women and men ... We will support employment by stimulating growth, investing in education and training, and through active labour market policies, focusing on the most vulnerable. We call upon the ILO, working with other relevant organisations, to assess the actions taken and those required for the future.”
40. To follow up this request, the ILO prepared a special report for the September 2009 Pittsburgh Summit.⁴⁰ The Director-General was invited to the Pittsburgh Summit and ILO officials participated in the preparatory meetings. The Leaders’ Statement included a substantial section on “Putting Quality Jobs at the Heart of the Recovery” which in addition to committing “to implementing recovery plans that support decent work, help preserve employment, and prioritize job growth” agreed that the US Secretary of Labor should “invite our Employment and Labor Ministers to meet as a group in early 2010”. The Ministers were asked “to assess the evolving employment situation, review reports from the ILO and other organizations on the impact of policies we have adopted, report on whether further measures are desirable, and consider medium-term employment and skills development policies, social protection programs, and best practices to ensure workers are prepared to take advantage of advances in science and technology”.⁴¹

³⁷ Declaration of the G20 Leaders at the Summit on Financial Markets and the World Economy, Washington, DC, 15 November 2008, http://www.g20.org/pub_communiques.aspx.

³⁸ Declaration of the G20 Leaders on Delivering Resources through the International Financial Institutions, London, 2 April 2009, http://www.g20.org/pub_communiques.aspx.

³⁹ See G20 London Jobs Conference 2009 – Chair’s Report, <http://www.ioe-emp.org/en/global-jobs-crisis/g-8-and-g-20/index.html>.

⁴⁰ ILO: *Protecting people, promoting jobs: A survey of country employment and social protection policy responses to the global economic crisis*, An ILO report to the G20 Leaders’ Summit, Pittsburgh, 24–25 September 2009.

⁴¹ *Leaders’ Statement: The Pittsburgh Summit*, 24–25 September 2009, paras 43 and 47, http://www.g20.org/pub_communiques.aspx.

41. As reported in paragraph 3 above, the G20 Employment and Labour Ministers met in Washington in April 2010 and drew on extensive background documentation prepared by the ILO. The Toronto Leaders' Declaration welcomed the recommendations of the Labour and Employment Ministers and the training strategy prepared by the ILO in collaboration with OECD.
42. The June 2010 G20 Summit in Toronto dwelt extensively on the issue of the timing, scale and coordination of exit strategies from stimulus measures, concluding that "to sustain recovery, we need to follow through on delivering existing stimulus plans, while working to create the conditions for robust private demand. At the same time, recent events highlight the importance of sustainable public finances and the need for our countries to put in place credible, properly phased and growth-friendly plans to deliver fiscal sustainability, differentiated for and tailored to national circumstances."⁴²
43. The Toronto Summit drew on the results of the first stage of a Mutual Assessment Process (MAP) designed at a G20 Finance Ministers and Central Bank Governors meeting in November 2009 in the United Kingdom as "a means to achieving our shared objectives, by assessing the collective consistency of policy actions and strengthening policy frameworks".⁴³ The MAP "initiated a new consultative mutual assessment process to evaluate whether our policies will collectively deliver our agreed objectives".⁴⁴ Ministers agreed that they would be "assisted in our assessment by IMF and World Bank analyses and the input of other international organisations as appropriate, including the FSB, OECD, MDBs, ILO, WTO and UNCTAD".⁴⁵ The timetable for the process involved first, the collection of national and regional policy frameworks, programmes and projections; second, an assessment, supported by IMF and World Bank analyses, of the collective consistency of national and regional policies with shared objectives, taking into account institutional arrangements; third, the development of a basket of policy options to deliver those objectives, for the Leaders' Summit in June 2010; and fourth, the refinement of the mutual assessment and development of more specific policy recommendations for Leaders at their Summit in November 2010.
44. Finance Ministers retain a very important role in the G20 process and had a strong influence in the preparation of the Toronto Declaration. The G20 is an intergovernmental process without a secretariat and host governments thus play a central role in shaping the agenda even if they do rely on international organizations, notably the IMF, to support them. The ILO has made inputs to the preparation of reports for the Ministers and has had several meetings with IMF officials. However, thus far the treatment of employment, labour market and social protection issues has been somewhat peripheral to the core topics of financial reform and fiscal policy stance. With signs that recovery is weakening and employment not improving, renewed attention may be given to jobs in the future.

⁴² *The G-20 Toronto Summit Declaration*, 26–27 June 2010, Preamble, para. 4, http://www.g20.org/pub_communiques.aspx.

⁴³ *ibid.*, para. 8. The Finance Ministers developed a Framework to pursue the objectives of strong, sustainable and balanced growth. This established a "Mutual Assessment Process" through which G20 States assess their policies against the shared objectives and whether changes are needed.

⁴⁴ Communiqué, Meeting of Finance Ministers and Central Bank Governors, United Kingdom, 7 November 2009, http://www.g20.org/pub_communiques.aspx.

⁴⁵ *ibid.*

45. The run-up to the Seoul Summit has been marked by increasing difficulties in maintaining the consensus over coordinated actions achieved a year ago in Pittsburgh. With an uneven recovery in the global economy, more differentiated but mutually supportive policies are needed. This is a considerably more complicated task made more difficult by tensions over exchange rates and the stance of fiscal and monetary policy. The underlying political pressure in many countries caused by weak job creation and thus high unemployment and increased informality, together with continued wage compression, adds to the pressure on international negotiations. The risks of failure are also escalating with growing concern that a weakening recovery may expose unresolved problems in the financial system.
46. Policy coherence has never been more important or more difficult.

Key issues in the development of a policy coherence framework

47. The rapidly evolving experience of international policy coordination in which the ILO has become more closely involved than ever before raises a number of strategic issues for the Organization, its constituents and its partners. Four of the most important and complex are:
- Addressing the imbalances in labour markets that underlie international imbalances by improving the policy dialogue between, on the one hand, those concerned with employment and social matters and, on the other, those focused on fiscal, monetary and financial questions.
 - Whether global economic and social governance mechanisms need to be adapted or reformed to reflect shifts in the global economy and political change, and the need to broaden the agenda of policy coherence to include more prominently employment and social policies.
 - How to promote more coherent national policy decisions and improve the interconnections between them and international policy coherence mechanisms.
 - Whether a framework for the ILO's engagement in these processes can be defined which, building on policy statements such as the Global Jobs Pact and the Social Justice Declaration, could guide the ILO's constituents in promoting policy coherence for decent work and secure and strengthen the role that the Organization and the policy issues it deals with has in international policy coherence forums.

Addressing imbalances in labour markets

48. One of the central challenges for policy coherence is to correct some of the imbalances that have emerged in labour markets and which contributed to the crisis. In a significant number of countries, wage shares in national income fell and income inequality widened, weakening consumption which is the main driver of growth. This led to reliance on credit to sustain household purchasing power in some countries and exports in others. The financial crisis and the resultant recession in the industrialized countries spread around the world in 2009 primarily through a sharp contraction in trade. The 2010 recovery is proving to be weak and uneven, giving rise to the prospect that labour market distress may be prolonged, further weakening economic growth and setting back social progress and poverty reduction. Furthermore, international imbalances remain large.

- 49.** Employment and social policies and institutions can shape labour market outcomes and address these underlying imbalances especially if they are supported by, and in turn support, the well-established fiscal, monetary and financial macroeconomic policy tools. These issues formed an important part of the discussions at the IMF/ILO Oslo Conference and the joint follow-up work agreed between the IMF Managing Director and the ILO Director-General. They are also key issues for national discussions on coherent policy approaches to secure strong, sustainable and balanced growth. Similar processes of dialogue between, on the one hand, the ILO's constituency of employment and social ministers, and leaders of employers' and workers' organizations and, on the other, economic ministries, could help to ensure that more weight is given to employment and social policies in the formulation of national strategies.
- 50.** Rebalancing will require policy shifts in both surplus and deficit countries to support investment and increased productive employment, together with a broad-based growth of wages and household incomes. This means developing mechanisms to ensure that productivity rises and is widely distributed in the form of increasing wages and improved social protection systems. Sustainable growth, sustainable jobs and sustainable communities will only be generated through sound macroeconomic policies and sound employment and social policies working together. The promotion of job-rich growth strategies requires strengthening labour market institutions to address three interconnected priorities:
- Improving mechanisms for wage determination in order to ensure improved living standards and purchasing power for working families.
 - Promoting productivity growth through support to worker mobility and micro- and small-business development.
 - Narrowing income inequalities through more inclusive labour markets and stronger social protection systems.
- 51.** The effective functioning and adaptation of labour market institutions depend to a large extent on the support they attract from all actors in the world of work. Fairness matters a great deal, especially at a time when many feel that their lives have been damaged through no fault of their own. Strong labour market institutions help ensure that trade-offs and trade-ins in employment and social policies are identified and addressed, and if mistakes are made, that they are quickly corrected. Active engagement of representative organizations of workers and employers through mechanisms of social dialogue, based on respect for fundamental principles and rights at work, can ensure that practical knowledge of the impact of policies is well appreciated and that the key actors in the labour market have a commitment to making policies work on the ground. Increasingly, national choices about labour market institutional arrangements are informed by experience from other countries and can draw on international labour standards for guidance. The strength and quality of labour market institutions can make a substantial contribution to international efforts to generate sustainable growth and development. Although each country's labour market institutions have a particular history and character, countries face many common challenges in shaping policies that create decent work opportunities for all.
- 52.** A consensus is building for the coordination of efforts to prioritize employment growth and decent work, because strong and steady growth in jobs and household incomes in many countries at the same time will buttress global demand, creating still more jobs. However, further work is needed to understand better the ways in which employment, investment and growth interact in an increasingly interdependent global economy. The ILO is thus stepping up its own work in this field and increasing its collaboration with other international agencies. Following the Oslo Conference, the ILO and the IMF plan to

work together on policies to promote employment-creating growth as well as on the concept of a social protection floor for people living in poverty and in vulnerable situations.

Adapting and reforming global economic and social governance mechanisms

53. Side-by-side with the deepening of international discussions on policy coherence and coordination, debate has intensified on the effectiveness of mechanisms for global economic and social governance. While smaller bodies in which leaders are able to commit to collective actions and ensure their follow-up are desirable, such groupings exclude many from having a say in decisions which affect them.
54. The ECOSOC is a smaller body than its parent, the General Assembly, but is still large with a huge and varied agenda of reports and decisions to consider. It has wrestled with its own reform for many years and its procedures have improved to create a high-level ministerial segment that raises the political authority of its decisions. However, it has not acquired significant real influence over member States despite its central role in the treaty-based mechanisms for policy coherence.
55. The G20 remains an ad hoc body without a treaty anchor and formally unconnected to the UN. Nevertheless it does bring together regularly the systemically powerful economies at Leader and finance minister level, and at least once, employment and labour ministers. It has superseded the G7/8 as the preferred coordinating mechanism of the major economies. Although it has no secretariat and is managed by the current presidency country, it has a potentially powerful process of mutual assessment (MAP) which could increase the pressure on members to take national actions to meet the commitments they make internationally. Despite the urgency given to tackling the jobs crisis in the Pittsburgh Leaders' Statement which initiated this process, the integration of employment and social policies into the framework is as yet weak.
56. To a certain extent, the G20 is taking up issues that might have expected to have been addressed in the International Monetary and Finance Committee of the IMF or possibly the Development Committee of the World Bank and IMF. However, due to a long-running and, at the time of writing, unresolved debate about reforms to country representation in those bodies, the ad hoc mechanism of the G20 permitted a more rapid absorption of rising economic powers into decision-making processes than the formal institutions. Nevertheless, many of the decisions prepared in the G20 have required implementation through the IMF and Bank.
57. An initiative of Chancellor Merkel of Germany to develop a sustainable economic governance charter was taken up in the Pittsburgh G20 Leaders' Statement which adopted "Core Values for Sustainable Economic Activity". Amongst the principles put forward is that "We have a responsibility to ensure an international economic and financial architecture that reflects changes in the world economy and the new challenges of globalization." The core values also include "a responsibility to invest in people by providing education, job training, decent work conditions, health care and social safety net support, and to fight poverty, discrimination, and all forms of social exclusion". At the invitation of the Chancellor, the ILO Director-General has participated in several meetings with heads of the main international economic agencies which have discussed policy coherence issues.

58. As described in this paper, the ILO is active in the UN coherence mechanisms as well as the G20. The Global Jobs Pact was developed by the International Labour Conference representing all members and endorsed by both the ECOSOC and the G20. The Governing Body is regularly informed of the work of these bodies and the efforts to promote coherent policies for what might be termed a “decent work” exit from the crisis. In general, the Social Justice Declaration is the ILO’s authoritative response to the need to adapt and reform governance mechanisms to meet the new challenges of globalization. One of the central issues it addresses is to “strengthen the ILO’s capacity to assist its Members’ efforts to reach the ILO’s objectives in the context of globalization”. It also calls upon the Organization to invite international and regional organizations with mandates in closely related fields to promote decent work, bearing in mind that each agency will have full control of its mandate. In addition, it stresses the ILO’s role to evaluate employment effects of trade and financial market policy, a role addressed in many of the activities above.

Connecting international and national policy coherence mechanisms

59. Increased economic interdependence means that policy choices in one country affect others, especially the policy choices of the largest economies. International mechanisms for cooperation provide a forum for countries to influence the decisions of others and, if possible, find an international consensus from which all can gain. However, governments are first and foremost accountable nationally. The complex problem of coordinating policies for recovery from a global recession which has impacted countries unevenly has sharpened the dilemma many governments face of reconciling international and national commitments. This may be most starkly felt where there are international pressures for a change in fiscal policies, since decisions over taxation and government spending are at the heart of democratic accountability. Logically, an internationally preferable course of action could require increased spending and/or reduced taxation to stimulate growth, but present international arrangements bear much more fiercely on countries with large fiscal deficits than on those with surpluses or small deficits.
60. Similar issues of policy autonomy as compared with policy cooperation arise in many other fields and have become especially acute in the crisis and its aftermath. Financial regulation for example requires that the national authorities with the legal powers to enforce rules on banks and other financial institutions follow principles and practices that are mutually consistent with those of competing financial centres.⁴⁶ Management of exchange rates is a matter of high tension not least because many countries see increased exports, and thus devaluation, as a way to recover growth and jobs.
61. In the employment and social policy field a number of issues that connect to prospects for growth are coming up with increasing frequency. These include the balance struck in laws and regulations between the need for employment security and flexibility, the level and coverage of the social security system, and mechanisms for determining pay and conditions. The ILO is relatively well-placed to find a way forward on these often complex and contentious issues because it has the foundation of widely agreed principles in its long-established system of international labour standards. Nevertheless, many international labour standards contain flexibility clauses that offer choices and options in the application of principles. The ILO’s approach is to promote tripartite consultations and dialogue as the preferable way forward in making such decisions. Increasingly, national tripartite mechanisms therefore need to take account of international pressures, whether they come through the market – for example as a result of a loss of competitiveness, currency

⁴⁶ Basel III, see <http://www.bis.org/press/p100912.htm>.

depreciation or capital flight – or through international organizations such as the International Monetary Fund, the World Bank or the European Union in the case of EU Member States.

62. The potential of tripartism, in its many and varied forms, as a mechanism for assisting the development of more coherent policies in an increasingly interdependent world is emphasized in the Social Justice Declaration: “Convinced that in a world of growing interdependence and complexity and the internationalization of production ... social dialogue and the practice of tripartism between governments and the representative organizations of workers and employers within and across borders are now more relevant to achieving solutions and to building up social cohesion and the rule of law through, among other means, international labour standards.” In the follow-up to the Declaration, a special emphasis is placed on promoting standards that are most significant from the viewpoint of governance such as the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144).
63. The role of tripartite national bodies could be enlarged, where necessary, to broaden their agenda to cover national economic and social development including consideration of international factors and the inputs governments make to international discussions and decisions. Conversely, where international commitments require, national follow-up tripartite bodies can be an important channel of communication to key actors in the real economy – employers’ and workers’ organizations and ministries of employment, labour and social affairs. The participation of other ministries, especially those directly involved in international economic matters, can also facilitate such a convergence of national and international actions.
64. In countries where international development assistance plays a significant role in supporting national policies, the engagement of the social partners in mechanisms such as the UN Development Assistance Framework, now strengthened by the MDG Acceleration Framework, is a key but often neglected means of improving policy coherence. The ILO is endeavouring to support this process by connecting its Decent Work Country Programmes to such Frameworks. In this regard the CEB *Toolkit for mainstreaming employment and decent work* is helping partner agencies and ILO constituents to identify and exploit opportunities for improved policy coherence. A renewed effort on achieving the MDGs will require the closer engagement of ILO constituents in ensuring that the promotion of decent work as means of poverty reduction receives the priority required in development strategies. The country scans in follow-up initiatives on the Global Jobs Pact create similar opportunities to facilitate policy coherence nationally and with international partners.
65. A focus on the potential of tripartism to further policy coherence could help the ILO and its constituents to address issues that are increasingly acute as a result of the severe crisis in an economically interdependent world. The Declaration, in its Annex on follow-up, also envisages ways in which national tripartite experiences can be exchanged and capacity strengthened. Appropriate steps “may include the tripartite sharing of experiences and good practices at the international, regional and national levels in the framework of: (i) studies conducted on an ad hoc basis with the voluntary cooperation of the governments and representative organizations of employers and workers in the countries concerned; or (ii) any common schemes such as peer reviews which interested Members may wish to establish or join on a voluntary basis.”
66. The crisis has shown the importance constituents attach to good and up-to-date information on an internationally comparable basis, including on policy developments. It has also shown the readiness of constituents to share and evaluate each others’ experiences.

Features of a possible framework for promoting policy coherence for decent work

67. The above discussion suggests that in the future the ILO and its constituents will increasingly be engaged in national and international discussions and decisions around the promotion of coherent policies for decent work. In some respects, frameworks are evolving, but in a piecemeal and uneven fashion. The ILO and its constituents, mainly owing to global concern about the jobs crisis and that a recovery in labour markets may be slow, are part of these trends and are having some impact on policy directions. Nevertheless huge challenges remain and in order to make progress it might be useful to list some of the features of a possible framework. In doing so, it should be recognized that the discussion involves several dimensions:
- National frameworks for policy coherence could be strengthened and more effective tripartism has an important potential in this regard.
 - International policy coherence is also vital and requires a more intensive policy dialogue between, amongst others, the ILO and the economic and development institutions.
 - The interconnections between national and international policy coherence mechanisms are likely to be of increasing significance in delivering a coordinated strategy for recovery.
68. For the ILO and its constituents, the building blocks of a policy coherence framework might be categorized as:
- improving knowledge-sharing mechanisms so that constituents and others have reliable up-to-date information, including on policy developments;
 - deepening research and analysis of growth and development processes and policies and their impacts on decent work, especially the ways in which labour market institutions and outcomes can support strong, sustainable and balanced growth;
 - extending policy dialogue with organizations with competence in related fields;
 - mainstreaming the goal of decent work into policy strategies; and
 - engaging in policy coherence mechanisms that contribute to realizing decent work.
69. A natural course of action for the ILO would be to define the contribution that tripartism could make to improving national policy coherence, even if this would need to embrace a very wide variety of forms of tripartism. The ILO could not of course itself determine the precise form of its international partnerships, as this would require dialogue and negotiation; nevertheless, broad objectives are relatively clear in the Social Justice Declaration itself. The relationship between national and international policy coherence efforts is a field in which the ILO could assist constituents in better connecting themselves to international policies or institutions. Indeed, this is an important part of the ILO's work, for example in promoting dialogue between international development assistance organizations and the tripartite national constituents. Crystallizing the building blocks and the dimensions of policy coherence into a possible framework for decent work may require selection of aspects of the issues involved for separate focus.

70. The Governing Body is invited through this document submitted at the request of the Conference, to consider the possible forms a framework for policy coherence might take. Building on the preceding review of the ILO's experience in promoting policy coherence, a framework could take a number of forms:

- One option might be to define a framework for the Governing Body's regular consideration of the different dimensions and elements of policy coherence. This could include discussion of decent work country reviews or national jobs pacts to deepen understanding of opportunities to pursue greater policy coherence. Reports on the ILO's engagement in international mechanisms also offer scope for examining how a framework for policy coherence internationally might be shaped.
- A second possibility is to develop a policy-oriented statement of how the ILO sees the connections between the Decent Work Agenda and other key policy domains.
- A third might be a statement more focused on the institutional arrangements for policy coherence and how they might develop nationally and internationally.
- A fourth could be the elaboration of an instrument such as a Recommendation which would express commitments by constituents to action to promote policy coherence for decent work.⁴⁷
- A fifth might be a statement of the ILO's overall objectives for policy coherence nationally and internationally and a strategy for pursuing them over the remaining period of the Strategic Policy Framework to 2015.

71. These options are of course not mutually exclusive and all should be informed by the ILO's experience in pursuing greater policy coherence around the goal of decent work for all, especially in response to the crisis. The exceptionally fluid nature of policy coherence discussions at the present time is also a factor that the Governing Body will wish to take into account. As described in this paper, the second half of 2010 is proving to be a critical juncture for the coordination of policies for strong, sustainable and balanced global growth.

72. The Working Party is invited to:

- (a) review the ILO's recent experience, including its discussions with relevant international institutions, in promoting a coherent international policy approach to shaping a jobs-rich recovery and strong, sustainable and balanced growth; and
- (b) consider whether this experience provides elements of a possible framework for policy coherence for decent work.

Geneva, 3 November 2010

Submitted for debate and guidance

⁴⁷ See GB.309/2/1.