



Governing Body

312th Session, Geneva, November 2011

GB.312/PFA/INF/3

Programme, Financial and Administrative Section

PFA

FOR INFORMATION

Financial questions relating to the International Institute for Labour Studies

Overview

Summary

The paper provides the Governing Body with advance copies of the Programme and Budget proposals of the Institute for 2012–13 and information on the acceptance of contributions and gifts to the Institute as well as the financial position of both the Institute's Endowment Fund and the Phelan Legacy as at 31 December 2010.

Author unit

International Institute for Labour Studies (INSTITUTE).

References to other Governing Body documents and ILO instruments

None.

1. The Board of the International Institute for Labour Studies will consider, at its 53rd Session, on 11 November 2011, the Programme and Budget proposals of the Institute for 2012–13 and the acceptance of contributions and gifts to the Institute. It will also review the financial statements concerning the Institute's Endowment Fund as at 31 December 2010.
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. Should the Board so decide, it will also recommend that the Governing Body accept any contributions and gifts.
3. In order to avoid placing the proposals before the Governing Body at the last minute, copies of the documents¹ in which they are contained are being circulated in advance as appendices to the present paper. Circulation of the documents at this stage is, of course, entirely without prejudice to whatever action the Board may take in relation to the proposals.

Geneva, 21 October 2011

¹ INS.B.LIII/2 and INS.B.LIII/3.

BOARD53rd Session
Geneva, November 2011

SECOND ITEM ON THE AGENDA

Programme and Budget for 2012–13**I. Introduction**

1. The mandate of the International Institute for Labour Studies, the autonomous research arm of the Organization, has been reinforced as a result of the adoption in 2008 of the ILO Declaration on Social Justice for a Fair Globalization, which calls for a stronger knowledge base and research capacity to help implement the Decent Work Agenda. This has materialized through the launch of a series of country analyses under the series *Studies on Growth with Equity*, the consolidation of the *World of Work Report* as an annual flagship publication and the increased diffusion of the *International Labour Review*. Consistent with the approved work programme for 2010–11, these projects have focused on the conditions for a sustainable exit from the global crisis.
2. The main purpose of the proposed Programme and Budget for 2012–13 is to build on these achievements with a view to: (i) deepening research on policies that work vis-à-vis the goals of improving job and income performance in the face of a deteriorated macroeconomic context; and (ii) further enhance complementarities between the Institute and other parts of the ILO, and explore cooperation avenues with the research network that has been created as well as with other organizations, notably the International Monetary Fund (IMF) and the United Nations Department of Economic and Social Affairs (UNDESA).

II. Budget**Total proposed budget level**

3. The Programme and Budget proposals for 2012–13 – valued at the 2010–11 budget exchange rate of 1.07 Swiss francs to the US dollar – amount to US\$7,195,501. This entails an increase in the volume of resources of US\$145,501, resulting mainly from an increase in the contribution from the ILO regular budget for activities related to macroeconomic analysis, trade and development. The adjustment in prices and the budget exchange rate between 2010–11 and 2012–13 are summarized as follows:

Adjustment in prices and the budget exchange rate, 2010–11/2012–13

	US\$
2010–11 approved programme and budget, excluding activities financed from extra-budgetary funds, at an exchange rate of 1.07 Swiss francs to the US dollar	7 050 000
Proposed programme increase in 2012–13	145 501
2012–13 programme and budget proposals at 2010–11 prices and at an exchange rate of 1.07 Swiss francs to the US dollar	7 195 501
2012–13 cost increase and adjustment to an exchange rate of 0.84 Swiss francs to the US dollar	1 203 479
2012–13 programme and budget proposals	8 398 980

4. The exchange rates of 1.07 and 0.84 Swiss francs to the US dollar are those used by the ILO for the Programme and Budget for 2010–11 and 2012–13 respectively.
5. The standard cost factors for all Professional and General Service staff at headquarters included in the 2012–13 programme and budget proposals are the same as those of the ILO. These amount to US\$263,388 per work-year for the Professional category (US\$224,268 in 2010–11) and US\$171,324 per work-year for the General Service category (US\$134,244 in 2010–11).

Summary of 2012–13 proposed income and expenditure budget and comparison with 2010–11 (in US\$)

	2010–11		2012–13
	Approved budget	Forecast income and expenditure	Programme and budget proposals
A. Funds brought forward from previous period	1 789 184	3 348 401	2 617 952
B. Income			
Endowment Fund			
– Interest income	–	–	–
– Investment income realized	–	–	–
Contribution from ILO regular budget	5 790 459	5 790 459	7 128 495
Supplementary allocation for G20 Summit from ILO regular budget	–	153 250	–
Interest	32 000	9 855	10 000
Sales of publications and miscellaneous receipts	3 000	22 000	10 000
Total income	5 825 459	5 975 564	7 148 495
C. Total funds available	7 614 643	9 323 965	9 766 447
D. Expenditure	7 050 000	6 706 013*	8 398 980
E. Funds to be carried forward to next biennium	564 643	2 617 952	1 367 467
F. Other source: Phelan Legacy (estimated resources)	–	–	–

* In addition, US\$383,720 are expected to be spent on the Century Project, funded from the special allocation of the Director-General, in agreement with the Institute's Programme and Budget for 2009–10.

6. The Institute's proposed expenditure budget for 2012–13 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 2012–13 proposals and details the expenditure by programme.

Summary of proposed 2012–13 expenditure budget by programme

Programme	Work-years/months		Cost (in US\$)		
	Professional	General Service	Staff costs	Other costs	Total resources
A. Substantive programmes					
Research	12/00	4/00	3 845 952	392 200	4 238 152
Education, dialogue and outreach	5/08	3/00	2 006 504	482 707	2 489 211
B. Management and programme support	2/00	5/00	1 540 884	130 733	1 671 617
C. Total 2012–13 proposals	19/08	12/00	7 393 340	1 005 640	8 398 980

III. Substantive programmes

7. While much of the analysis during the current biennium provided a diagnosis of the factors behind the persistence of the crisis, it is proposed for the next biennium to: (i) focus attention on policy evaluation in order to shed light on the structural conditions for a sustainable recovery of jobs, incomes and productive investment; (ii) analyse longer term prospects arising from the crisis, notably as regards the future of work; (iii) enhance cooperation with other parts of the Office as well as with the research network that presently exists and with other organizations; and (iv) integrate the findings of this work into the education programme so as to promote evidence-based policy dialogue among constituents.

Programme	Work-years/months		Cost (in US\$)		
	Professional	General Service	Staff costs	Other costs	Total resources
A. Research					
2012–13 proposals	12/00	4/00	3 845 952	392 200	4 238 152
2010–11 approved budget	11/00	4/00	3 003 924	349 613	3 353 537
B. Education, dialogue and outreach					
2012–13 proposals	5/08	3/00	2 006 504	482 707	2 489 211
2010–11 approved budget	5/00	5/00	1 792 560	430 294	2 222 854

1. Research programme

8. For 2012–13, the aim is to deepen the analysis of the process of global rebalancing which is under way as a result of the global crisis and to analyse longer term challenges for the world of work. This will lead to two new issues of the *World of Work Report* and an assessment of effective country responses to this rebalancing. This work will offer

significant opportunities for cooperation with different sectors in the Office as well as other international organizations, in line with the Organization's knowledge strategy.¹

Contribution of well-designed employment and income policies to global rebalancing

9. The global recovery has begun to weaken due to the fact that a number of factors underlying the financial and economic crisis have not been adequately addressed. Moreover, the pace and quality of employment growth continues to vary considerably across and within regions and countries. There is growing concern, including in the IMF, the G20 and among global worker and employer organizations, that a sustainable recovery will not happen unless quality employment prospects are improved. With this in mind, the *World of Work Report* for 2012 would explore how well-designed employment and income policies can support rebalancing – both between countries and within them. Some of this work could be carried out in cooperation with other international organizations (notably IMF and UNDESA) and other parts of the ILO. As part of the overarching theme, some of the following specific issues could be explored:

- ***Jobs and macroeconomic policies.*** Macroeconomic imbalances have intensified, especially in advanced economies. New financial bubbles have appeared in several emerging economies. And yet decent work gaps remain acute. The purpose of this work will be to provide an evidence-based assessment of positive interactions between macroeconomic policies and employment and social policies.
- ***Promoting investment in sustainable enterprises for more and better jobs.*** A global and fair economic recovery will require changing global patterns of investment and employment. In particular, a closer investigation of the determinants of investment, notably as regards access to finance and corporate governance issues, is needed, paying particular attention to assessing the implications for employment creation. In this regard, one of the most pressing concerns for enterprises is lack of adequate access to finance. Since the onset of the crisis, this has been of particular concern for small and medium-sized enterprises (SMEs) that account for the bulk of employment creation. Indeed, a number of studies point to the fact that SMEs are financially more constrained than large firms, and thus face growth constraints – considerably affecting job creation. It is crucial to investigate the policy factors and conditions conducive to the creation and expansion of SMEs, and the impact on decent work opportunities.
- ***Income distribution and growth rebalancing.*** There is growing consensus that developing and emerging economies can no longer rely on exports to advanced economies as a driver of growth. The issue is how well-designed incomes, investment and social policies can contribute to this rebalancing.
- More generally, growing income inequality has played a central role in the onset of the financial and economic crisis. However, while there was a short-lived reduction in inequality (as equity markets fell and incomes of the wealthiest declined), income inequality has continued to widen. Importantly, inequality is likely to worsen considerably as lower skilled workers have more difficulty re-entering the labour market, with earnings loss often associated with re-employment. Earnings loss of this nature is particularly acute among youth, persisting for many years. Research will identify policies which can improve income distribution while supporting employment, productive investment and growth.

¹ See GB.306/PFA/12/3.

- ***International labour standards as part of a rebalancing strategy.*** Given the challenges labour law regimes are facing at the national level, the question arises of how international regulation can be used to ensure a level playing field for enterprises and workers and contribute to rebalancing of globalization. Based on this analysis, proposals will be developed as to how to improve and better coordinate the existing instruments.

The future of work

10. The 2013 *World of Work Report* will tackle a series of structural changes affecting the nature of work and the workplace. Given that many countries are confronted with high unemployment rates, the issue of population ageing has receded from the forefront of the policy-making agenda. Yet most countries – advanced, emerging and developing – are ageing at a rapid pace, which can have serious socio-economic implications unless adequately addressed.

- ***Welfare systems, the financial crisis and population ageing.*** As the number of retirees to working-age persons rises, the financial sustainability of social protection schemes is in jeopardy – exacerbated by wealth destruction associated with the financial and economic crisis. In other instances, notably in emerging and developing countries, such schemes are little developed or non-existent – which can have devastating consequences on individual well-being with important economic spillover effects. At the same time, policies that address fiscal consideration of such schemes must be designed in such a way as not to discourage employment.
- Ageing populations have also been associated with rising health-care costs. Currently, health-care costs are growing faster than GDP in most countries, posing major challenges to social security systems. Most health-care systems are financed through taxes or social security contributions borne by active labour. The Report will analyse the causes of rising health-care costs, including the impact of public and private health-care systems on labour productivity. In particular, a relatively new phenomenon that has been observed over the past years has been rising costs associated with work-related psychological diseases such as the burn-out syndrome and depression, leading to a trend increase in absenteeism and lower productivity.
- ***Youth, skills matching and productivity.*** As labour force growth slows, productivity gains will be key to sustaining past improvements in living standards. However, skills mismatch is often highest among young graduates. In the first instance, efforts are needed to ensure that the skill levels of young people are of high quality. But education is not enough: well-educated youth must be able to find jobs that are commensurate with their educational attainment, otherwise future labour market prospects will suffer and overall productivity and competitiveness will decline.
- ***Social impacts of growing scarcity of natural resources.*** Globalization over the last decades has clearly demonstrated the limited impacts of national legislation on economic processes. But strong governments and supranational institutions are needed to establish and to maintain public goods. For instance, the stabilization of global climate change and other environmental public goods need to be addressed through policy measures on an international level. Research in this area will evaluate which policies can significantly increase resource productivity in economies without endangering employment goals and competitiveness and the role of social dialogue in this regard. A main focus will be set on the effects of major renewable energy investments on employment and incomes.

Studies on Growth with Equity: Assessment of country policies that work

11. In order to better understand the link between social equity and economic growth, the Institute has been involved in producing a series entitled *Studies on Growth with Equity*. The primary objective was to examine the so-called trade-off between social equity and economic growth. However, the results from the first five studies (Brazil, Germany, Indonesia, Spain and Tunisia) show that growth can be combined with equity to achieve economic recovery and job creation – if policies are well-designed.
12. The *Studies on Growth with Equity* series will continue to examine policies at the country and regional level to complement its cross-cutting thematic work. This may take the form of three special topics for publication: (i) mobilizing domestic sources of growth in selected developing and emerging economies and the contribution of decent work in this respect; (ii) promoting employment policies in the Euro area; and (iii) a contribution to a new development approach in Arab countries.

2. Education programme

13. 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 the annual International Internship Course on Social and Labour Policies for Decent Work, fellowships and studentships and policy forums. The outcomes of the education programme's activities are disseminated through a variety of means including reports, CD-ROMs, and the Institute's web page.

International internship courses

14. The Institute fulfils its mandate to transfer ILO knowledge to 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 10 May 2012 to 30 May 2012.
15. For 2012–13, the course curricula will strongly draw upon the main findings of the ILO's work on the global crisis. The course will consist of an introduction to the ILO and its objectives, structure 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. The course in 2012 will be held in French and 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. In 2013, the course will be held in English.

Outreach and training

16. The Institute has received several requests to organize and deliver policy-oriented training at the country level in developing countries. The training – which would be grounded in the Institute's research findings at the country and international level – is intended to

inform policy-makers at the national level on how best to implement programmes and to assess various potential trade-offs. The training would be centred around country-specific needs and delivered to a wide range of national policy officers. In this regard, the training would complement the International Internship Course which is targeted more thematically and to a wider group of experts from various countries and regions. The Institute is currently exploring several options with the International Training Centre of the ILO in Turin about how best to implement this new strand of work.

Visiting scholars and students

17. 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 will continue over the period 2012–13 with the intention to foster interaction between ILO staff and the academic community and to encourage academic work on the priorities and concerns of the ILO, notably in connection with the global crisis.
18. Peter Auer (ILO), Francis Maupain (ILO) and Eddy Lee (ILO) will continue their affiliation with the Institute for part or all of the biennium.
19. The Institute will continue to accept interns on a regular basis so that students, across a range of disciplines, can acquire research experience while also contributing to the Institute's work programme.
20. In addition, the Institute is expected to organize over the 2012–13 biennium a series of *study visits*, including presentations by Institute staff and specialists from technical units of the ILO.

3. Knowledge exchange and dissemination

Knowledge exchange

21. The global financial crisis has highlighted the need to achieve a better balance between economic and social goals in the context of a globalized economy. In this respect, it is important that institutions and organizations concerned with these issues work together to build a stronger knowledge foundation through exchange, in order to widen our understanding of the problems and opportunities, and to promote dialogue among the actors concerned.
22. To support this, the Institute has established an experts' group, involving a wide range of expertise. This will also help ensure peer review of the *World of Work Report*. The Institute continues its affiliations with academia, research institutes and other international organizations to increase exchange and synergy in research, as well as education and policy dialogue on global issues.
23. 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 a postgraduate programme on labour and social policy.
24. 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. By promoting dialogue between policy-makers and analysts, these events should help make the research agenda as policy-relevant as possible.

25. Building upon the success of the previous biennium, 2012–13 offers an excellent opportunity to further improve 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.
26. In 2010, the Board decided that the utility and financial feasibility of the continuation of the Decent Work Research Prize would be discussed.² It is proposed to postpone this discussion until November 2012.

Publications, communication and dissemination

27. A 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 website 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 website.
28. Since its relaunch in 2007 under the guidance of a new editorial board, the *International Labour Review* has been managed by the Institute on the Organization's behalf. These arrangements – together with the journal's new format and the publishing contract concluded with Wiley-Blackwell with effect from January 2008 – have contributed to significant improvements in the research standards, policy relevance and dissemination of the ILO's constitutionally mandated flagship journal. For 2012–13, the *Review* will contribute to the ILO's research agenda, including through a special issue on social protection, and papers that draw analytical lessons from crisis responses.
29. 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 Department of Communications (DCOMM), as appropriate.
30. As part of the dissemination strategy, it is planned to organize at least one more research conference on the main lessons from ILO research work.

IV. Management and programme support

	Work-years/months		Cost (in US\$)		
	Professional	General Service	Staff costs	Other costs	Total resources
2012–13 proposals	2/00	5/00	1 540 884	130 733	1 671 617
2010–11 approved budget	2/00	5/09	1 357 071	116 538	1 473 609

31. The programme of work is also the framework for the management of the Institute. The Institute's Director has management responsibility for the implementation, review and coordination of the programme of work. The Director is also directly involved in the

² GB.309/19, para. 31.

research, education, communication and outreach activities, and is responsible for relationships with the Board and for managing the external relationships of the Institute.

32. Programme support includes programming, personnel, finance, administration and information services. This includes support in the preparation of programme and budget proposals and other documents for the Board, general financial supervision and management, equipment and office space, assistance in publishing the *World of Work Report* and other publications, including discussion papers and research series, and records and communication. Productivity gains will be realized as a result of better management of information and documentation services, permitting an increase in the ratio of Professional to General Service staff.
33. The Institute will also play an important role in the implementation of the Organization's knowledge strategy. As Chairperson of the ILO's Research and Publications Committee, the Director will play a key role in coordinating the Organization's research agenda and will help ensure greater complementarities between the different research projects, while also contributing to enhancing the peer review process for high-profile publications.
34. ***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 2012–13, to transmit the programme to the Governing Body of the ILO for endorsement and to submit the budget for final approval.***

Geneva, 21 October 2011

Point for decision: Paragraph 34

BOARD

53rd Session
Geneva, November 2011

THIRD ITEM ON THE AGENDA

Acceptance of contributions and gifts

Endowment Fund

1. Since the 52nd Session of the Board, there has been a contribution of US\$399 to the Institute's Endowment Fund.
2. The financial statement of the Institute's Endowment Fund as at 31 December 2010, prepared by the Treasury and Accounts Branch of the ILO, is appended.

Phelan Legacy

3. The financial position of the Phelan Legacy as at 31 December 2010, prepared by the Treasury and Accounts Branch of the ILO, is appended.

Geneva, 26 July 2011

Appendix

Endowment Fund of the International Institute for Labour Studies

Income and expenditure account for the year ended 31 December 2010 (in US dollars)

Fund balance as at 1 January 2010		7 350 044
Movement in the value of the Fund:		
Contributions	399	
Interest expense	(598)	
Exchange gain/(loss)	366	
Management fee rebates	13 065	13 232
Unrealized gain/(loss) from investment		741 292
Fund balance as at 31 December 2010		8 104 568

Statement of assets, liabilities and Fund balance as at 31 December 2010 (in US dollars)

Assets

Investments: Managed portfolio including bonds and shares at market value		8 307 972
Accrued income		13 065
Total assets		8 321 037

Liabilities and Fund balance

Accumulated Fund balance on 31 December 2010		8 104 568
Accounts payable		216 469
Total liabilities and Fund balance		8 321 037

Phelan Legacy**Financial position of the Phelan Legacy
for the year ended 31 December 2010
(in US dollars)**

Fund balance as at 1 January 2010		915 425
Movement in the value of the Fund:		
Interest income	34	
Exchange gain/(loss)	(21)	
Management fee rebates	1 559	1 572
Unrealized gain/(loss) from investment		88 450
Fund balance as at 31 December 2010		1 005 447

The Fund is held as follows:

Investments: Managed portfolio including bonds and shares at market value		991 291
Accounts receivable		12 597
Accrued income		1 559
		1 005 447