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on the
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Statement by

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Development Committee, 2 October 2004

All of us welcome the recent pick up in the global economy. The challenge is to shape the recovery into a sustainable and balanced pattern of expansion. As the work of the World Commission on the Social Dimension of Globalization shows, if one takes 1990 as a start point for the new era of globalization, it has not been associated with higher rates of growth of the world economy.¹ Since 1990, world per capita growth has averaged about 1% per year compared with over 3% in the sixties, over 2% in the seventies, and about 1.5% in the eighties. As a result, we have had a long term tendency for labour market conditions to deteriorate in many parts of the world. Open unemployment has risen and so have informal economy activities.

Many groups are hit hard. Those who lose their jobs because of sudden shifts in the global economy. Those in countries which are not getting a fair crack at global markets. Older workers without the chance to upgrade their skills or start up a business. Young women and men who can't get into the labour market. Youth unemployment reached an all time high last year, at 88 million. Youths make up 25 per cent of the working population, but almost half of the openly unemployed. That's without counting the 130 million young people who are part of the world's working poor.

“Give me a fair chance at a decent job” is the demand. But for far too many people, the global economy is not delivering. Making sure that there is decent and productive work for youth would be a powerful instrument for achieving the MDGs and kickstarting economic growth.

The global economy is delivering for some – but not for all. Too many people and too many countries are excluded or unable to take advantage of the opportunities. We need locomotives to drive the global economy in all parts of the world – we cannot rely on one or two regions to pull everyone along. The goal is balanced and sustainable global growth. That will call for stronger regional efforts, and regional integration can become a dynamo.

Recent efforts to strengthen regional integration in all parts of the world deserve more support, especially when they aim at both social and economic goals. For example, the recent extraordinary summit of the African Union in Ouagadougou is a regional response to the challenges of globalization, and highlighted how important it is that globalization be a source of sustainable jobs if poverty in Africa is to be substantially reduced.

¹ The Report of the Commission, *A Fair Globalization: Creating Opportunities for All*, was published earlier this year and is available through the ILO web-site www.ilo.org/public/english/fairglobalization/report/index.htm

Employment is the route out of poverty. Not just any work, but productive employment, created by strengthening entrepreneurship, investment and enterprise growth, ensuring that rights at work are respected, linked to adequate systems of social protection, in labour markets where the voices of employers and workers are heard and they work together towards common goals. That's decent work. We need to make decent work a global goal.

The first Millennium Development Goal, to cut poverty by half, cannot be achieved by handouts. People must have the opportunities to participate effectively in the economy through productive jobs which meet their aspirations. Decent work is also a route to gender equality, to educational goals because in a decent labour market children go to school rather than work, to other MDGs such as maternal health and the combat against HIV/AIDS and other key diseases where workplace action is essential.

That is the conclusion of the World Commission on the Social Dimension of Globalization. It took a fresh look at globalization through the eyes of people. It was made up of experienced personalities from all parts of the world and all walks of life. Leading business figures, trade unionists and politicians came together with activists from civil society and academics. And it was chaired by two presidents in office, the presidents of Tanzania and Finland.

Despite their differences they reached some strong conclusions. That the potential of globalization for good was immense, but that this potential was not being sufficiently realized. That the problems lay in the governance of globalization. That action has to begin at home, but the world needs a balanced approach on a broad front, involving fair international rules, accountable institutions, and effective national governments.

That action has to be built on dialogue and wide consensus among diverse actors, otherwise it doesn't get very far. That national governance must be supported by good global governance. That the legitimacy of globalization depends on much greater spreading of its benefits. And that decent work must become a global goal.

In this regard, the Commission called for increased official development assistance together with improved aid delivery, accelerated and deeper debt relief and active consideration of new additional sources of funding to strengthen progress towards the MDGs and shape a more inclusive globalization.

The World Commission concluded that a fair globalization was an essential counterpart to the MDGs, because it points to the means by which they can be achieved. And among these means, work and employment are a powerful instrument to make globalization deliver for more people. And it is also an essential means of responding to the call of the Millennium Declaration for "globalization to become a positive force for all the world's people". But that can only happen if it leads to the steady creation of productive jobs, to which all have access.

How can we in the multilateral system combine our efforts more responsibly and effectively to make the global economy work better for people? The World Commission calls for the organizations of the multilateral system to work together better in order to draw on all of our knowledge, abilities and perspectives. Each organization has its own mandate, which must be respected, but the whole must be more than the sum of the parts. Today it is less.

We don't need new institutional frameworks for coordination. We have plenty of those, and too often they don't deliver. But we do need to sit down and work out more practical, integrated policies which take into account both the economic, social and environmental goals which we all

have on our agenda. The World Commission suggested that the main organizations of the multilateral system launch Policy Coherence Initiatives to develop more balanced and integrated policies to achieve a fair and inclusive globalization in specific policy areas. And it suggested that the first initiative deal with investment, sustainable growth and employment in the global economy.

That is a topic which fits in very well with the paper which is on the agenda of this session of the Development Committee on “Strengthening the foundations for growth and private sector development: investment climate and infrastructure development”.

Jobs created by private firms, as the paper says, are key to achieving the MDGs. And investment is at the heart of private sector growth. But investment does not always result in the growth of quality jobs. The World Commission was concerned about excessive incentive competition to attract FDI, and the need for multilateral frameworks for investment to be built through dialogue which took all interests into account. It was concerned that global production systems should not end up with countries negotiating away rights at work in order to get into the market. An important part of the investment climate is for property rights and worker rights to be respected – this forms the basis for a steady growth of good jobs which are the most important source of social stability and expanding consumption, and in turn attract more investment.

I was very pleased to be part of the UN Commission on the Private Sector which prepared the “Unleashing Entrepreneurship” report published in March. It has similar messages to those of the Bank’s “Doing Business” project and complements well the report of the World Commission. The ILO is pleased to collaborate with both the Bank and the UNDP bringing our experience of support to micro, small and medium sized businesses. Our focus is linking entrepreneurship to opportunities for decent work. And the link is through the momentum of productivity growth supporting better working conditions which feeds back into more productivity and expanding consumer markets. As the background papers state there are also many ways for infrastructure development to help. And we can get still more pro poor growth when infrastructure is developed in an employment-friendly ways. I hope we can build this more firmly into the criterion for policy decisions and tendering procedures. Similarly, greater support and opportunities for local companies frequently has a strong effect on employment.

Improving the investment climate is vital. However, perhaps we do need to recognize that there are different aspects of the climate that favour smaller businesses, domestic capital and foreign investors. Some common features, but some differences too. As a forthcoming ILO report demonstrates, if we can accelerate the pace of productivity growth in the small scale entrepreneurial and farming sectors where most poor people work we will be making a big step toward getting the MDGs back on track.

A critical contribution of the ILO is to bring a tripartite perspective to these issues: since workers’ and employers’ organizations, as well as governments, are part of our organization, we are well placed to understand and reflect the views of all the key actors in the real life productive world, and find common ground among them.

I believe that organizations of the UN system, the Bretton Woods Institutions and the WTO can gain a great deal by working together, as the World Commission recommended, on a Policy Coherence Initiative to promote investment, growth and employment. We have the capability to build new approaches that balance better the diversity of economic and social goals. We can achieve convergence and consistency in our perspectives and recommendations if we work

together on practical problems. We do a lot of that at the national level, and we need to do more of it at the global level. Discussions among our organizations have already started at technical level, and they suggest that there is a space to work together, although we need to invest more time and effort to map that out. And any new approaches and policy orientations could then be brought back to the governing organs of all of the organizations involved, for analysis on how to best move forward.

From where I am sitting, I see people looking at us and asking “Why can’t these organizations make their knowledge and policy experience converge in practical ways to give me, my family and my community a fair chance at a decent job:” I believe that our future credibility will depend, in part, on how well we are able to respond to that question as a truly effective multilateral team. No single institution can claim to have a solution on its own; but together maybe we can deliver better solutions.

There are other spaces for partnership suggested by the World Commission which we can use as well. The Commission proposes multi stakeholder Policy Development Dialogues on a range of complex but important issues, and a Globalization Policy Forum which would bring together international organizations and a range of other actors, from parliamentarians to local authorities, from civil society to academia, in the search for convergence to address key global economic and social policy issues.