

DECENT WORK

HOW TO OPERATIONALIZE IT:
THE EMPLOYERS' PERSPECTIVE

INTERNATIONAL ORGANISATION OF EMPLOYERS

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What Decent Work is and what it is not

The Decent Work concept is outlined in the Report of the ILO Director-General to the 1999 International Labour Conference named "Decent Work". The following four strategic objectives of the ILO are the means by which the ILO seeks to achieve Decent Work:

- 1. The realization of standards and the fundamental principles and rights at work.*
- 2. The creation of greater opportunities for women and men to secure decent employment and income.*
- 3. Enhancing the coverage and effectiveness of social protection for all.*
- 4. Strengthening tripartism and social dialogue.*

From the perspective of employers, Decent Work:

- Requires, in the first instance, the creation of employment opportunities.*
- Does not mean universal standards applicable to all workers and jobs throughout the world. It is a relative concept, a moving target and a goal to be achieved within the capacity and development goals of each country. It does not mean every worker performing comparable work must receive the same quantum of wages and enjoy the same conditions of work everywhere.*
- Does not mean the application of all international labour standards in all countries.*
- Is conditional on a country having an adequate level of sustainable economic development and capacity, which are prerequisites to alleviating unsatisfactory social and economic conditions.*

Operationalizing Decent Work through the ILO's Strategic Objectives

INTRODUCTION

Decent Work has no ceiling, is an objective that must be considered within each national context and its economic and social realities. There is no single model of Decent Work. However, it is always easier to agree on or to formulate objectives than to find practical ways of achieving them. The difficult issue is the *process* – i.e. how the objectives can be realized, what steps or interventions are relevant, what resources are needed and how they can be found. Since Decent Work depends on economic development and capacity, conditions which enable free trade and fair competition are necessary. Set out below are the perspectives of the employers on how the four strategic objectives of the ILO should be *implemented* to achieve Decent Work.

STRATEGIC OBJECTIVE NO. 1

The ILO Declaration on Fundamental Principles and Rights at Work is the only universal content of Decent Work, as the Declaration represents an important promotional and practical tool at the ILO's disposal to promote social progress in the modern world, and to address failures to respect fundamental rights at work. This Declaration was initiated and fully supported by all the employer delegates at the International Labour Conference in 1998.

While recognizing the relevance of the core labour standards, Decent Work is not contingent on ratification of all international labour standards. Automatic ratification of all the international labour Conventions would:

- Create labour market rigidities and a highly legalistic industrial relations system, with little scope for the development of sound industrial relations.
- Make employment generation difficult and, therefore, be counter productive to the goal of full employment.
- Result in the enlargement of the informal economy by adding to the excessive and costly regulatory framework, as well as to the constraints on enterprise creation and development – and therefore job creation – in the formal economy.
- Create an economic environment unattractive to investment.
- Adversely affect economies which are seeking to become competitive.

It is clear that ratification of all international labour standards is not the way to realize the goal of Decent Work. The most widely ratified ILO Conventions are those that address general issues, while the least ratified are those that address conditions of narrowly defined worker groups. In addition, ratification largely takes place only after the standards are already achieved in the national context. Further, mere ratification of ILO Conventions does not necessarily lead to enforcement or implementation of the labour standards they contain.

A more important factor which positively impacts on labour conditions, and therefore on Decent Work, is productivity enhancement.

STRATEGIC OBJECTIVE NO. 2

The objective of creating greater opportunities for people to secure Decent Work contributes to improving living standards. Jobs are created by employers, the government's role being to create the appropriate conditions and the legal, policy and institutional framework which lead to job creation. Therefore, an employment policy in the context of a viable economy is important for achieving this objective, and it should first be possible to create jobs. Its many components and the contents of such a policy are as follows:

- The process first requires a *diagnosis* of the national employment situation, including the identification of existing barriers to job creation in each country. This would identify shortfalls in economic, social, trade, investment and labour market policies, in infrastructure and the general business environment, good governance, human capital, health and education systems, training, property rights and judicial systems, and also international policies which adversely impact on job growth.
- An employment policy should *aim* to generate productive employment, match skills to current and emerging jobs, raise standards of living through more and better jobs, focus public investment and international assistance in productive areas, and draw the unemployed into employment.
- An employment policy is primarily the *responsibility* of governments, but employers as providers of jobs, and workers as direct beneficiaries, must be involved in the process from the inception.

The components of an employment policy must be included in an integrated and interdependent policy framework, consisting of the following:

(i) The Macroeconomic Environment

Since *macroeconomic policies* too often treat employment as a residual issue, the subject should be given a more prominent role in macroeconomic policy development. This may involve trade-offs and require some hard political and economic decisions conditioned by national circumstances.

(ii) Business Environment

Job creation cannot be achieved without a legal and policy *environment* conducive to business start-ups and growth, as new jobs develop from competitive enterprises being able to provide goods and services tradable in international and domestic markets. Such an environment has to be underpinned by: institutional stability; clear and fair rules; low transaction costs to enable enterprise creation; access to capital; an export growth strategy; an environment attractive to investment; support for small enterprise development; policies to promote productivity and competitiveness and

labour market policies that do not introduce undue rigidities which act as barriers to employment generation.

(iii) Market Access and Developing Comparative Advantages

In the current and future context of technology, global trading and investment, sustainable employment policies require the proactive *identification* and *development* of *comparative advantages*. Their absence leads to loss of jobs and an incapacity to create new jobs. Policies which help develop new products or services in order to foster new comparative advantages for market access growth should be a continuous process; comparative advantages can be rapidly eroded. This also requires identification of what type of jobs would emerge and the required skills to match them. International policies significantly impact on market access.

(iv) Productive Public Expenditure

Productive public expenditure to sustain socio-economic development and raise living standards. Four significant areas for such public investment are physical infrastructure, human development, market institutions and entrepreneurship development.

(v) Market Supporting Institutions

Market institutions should be accessible to all, compatible with local conditions and reduce excessive transaction costs as well as information imbalances. Such institutions include a legal system and institutions to resolve disputes, enforce contracts and protect property rights; skills development institutions; credit and insurance institutions; and efficient public administration institutions.

(vi) Human Resources

Human resources development policies are vital to enable the matching of worker profiles to labour market needs. This requires an appropriate education policy and investment in it, and a skills development policy and programme to prepare for both current and emerging skills requirements, as well as sharing of responsibilities for skills development. Special policies and strategies for youth employment and for upgrading the skills and employability of older workers deserve particular attention.

STRATEGIC OBJECTIVE NO. 3

A sustainable social security policy and system requires an assessment of its impact on the labour market and employment generation, as well as its fiscal implications. The creation or extension of social security should not become a barrier to employment, erode the competitiveness of business, result in fiscal deficits, or create a state of permanent dependency in lieu of employment. Social safety nets should be aimed at providing support until people can obtain employment.

To achieve Decent Work social security needs to be implemented within the following framework:

- Social security and its extension should be linked to economic growth, consistent with the economic and social realities of each country, and considered within a broader national development strategy. Therefore, the ILO's advice and policies on social security should go hand in hand with fiscal discipline and sound micro economic policies. The ILO should not propose only one social security model, but instead should work with the tripartite constituents to create social security systems to match national economic and social realities.
- Private and employer-provided schemes should receive equal consideration with other social security models.
- Since social security is a shared responsibility of society as a whole, ILO policies should not lead to employers bearing its major cost.
- An effective administration system to ensure delivery to beneficiaries should be built into a social security system.
- Social security costs should not place an unfair burden on the current working population, especially in countries with an ageing population.

Safety and health at the workplace are a part of social protection and of Decent Work. When the ILO promotes safety and health:

- Support and assistance should be focused primarily at the workplace level, and therefore extended to employers and workers and their organizations;
- Governments should be assisted in enacting a basic regulatory framework; and
- Governments, employers and workers should be provided with the requisite knowledge, information and training to discharge their respective roles.

STRATEGIC OBJECTIVE NO. 4

The strengthening of tripartism and social dialogue is a cross-cutting activity. Tripartism is a fundamental component in the work of the ILO. Social dialogue can be an important tool in matching organizational and individual goals in the world of work.

A prerequisite for effective tripartism and social dialogue is autonomous and representative social partners. Thus both tripartite capacity building activities, as well as activities specifically targeted to strengthen the constituents, are necessary.

The relevance and effectiveness of an employers' organization in socio-economic development cannot be achieved or enhanced by focusing only on its role in tripartism/social dialogue. Employers' organizations have other mandates from their members, which include the provision of services to members.

The Decent Work programmes should be developed and implemented at the national level with the full involvement of the social partners. The ILO should assist the social partners in all the processes relative to such programmes.

Social dialogue is an important means of achieving harmonious labour management relations, determining terms and conditions of employment, improving enterprise

performance, addressing productivity issues, fashioning the working environment, improving job satisfaction, establishing a safe working environment, and therefore making progress towards achieving Decent Work.

The framework for realizing Decent Work

Beyond getting the four strategic objectives right, there are several elements fundamental to achieving Decent Work, including: macroeconomic policy and policies to promote economic growth; trade and investment policies; the promotion of good governance; and creating or strengthening institutions required for a proper functioning of a market economy.

(a) Measuring Decent Work

As the ILO seeks to promote Decent Work throughout the world, it is important to carefully assess where and why the four objectives are not being achieved and where and why Decent Work “deficits” exist. The idea of Decent Work “deficits” is now used as a part of the Decent Work concept. However, they cannot be measured in any practicable way, and can lead to misleading judgments. There are no universally-accepted or objective standards of Decent Work, and “deficits” imply an optimal “decency” against which jobs can be measured. Measurement, therefore, would tend to be subjective. Any assessment of jobs can be based only on a national or local current level of development and capacity.

(b) Economic viability

Decent Work is a desirable social agenda, which should help raise living standards and assist in alleviating poverty. Yet, the agenda can be implemented only if it is economically sustainable, and addresses the reasons for poverty. Therefore, other economic policies that result in growth and create wealth must be in place, and economic performance must be emphasized in the promotion of Decent Work.

(c) Policy coherence

The four strategic objectives require a policy coherence that takes into account the fiscal implications and resource mobilization needs of the Decent Work agenda, because social programmes have to be underpinned by economic sustainability. Without such policy coherence, Decent Work will be a desirable but impractical goal. If Decent Work is to be translated into implementable policies and programmes, consideration must be given to the following questions:

- What are the fiscal implications of the policy? For instance, universal social security and protection for all has substantial fiscal implications. Does the policy guide member States on how resources could be mobilized without adversely affecting other necessary and socially desirable objectives such as jobs, health and education?

- The costs of policy implementation have to be met and shared. If they are met through general taxation, employers and workers also have to pay. The impact of tax increases and the scope for such increases have to be assessed in each national context.

(d) Good governance

An important pre-condition to the realization of Decent Work is good public governance, which is lacking in several countries that are unable to create jobs, engage in productive public expenditure and promote economic growth.

Many countries that experience a lack of jobs and poor working conditions and remuneration have large informal economies. The existence of informal economies is related to the absence of requisite government policies and institutions, necessary for facilitating people's opportunities to conduct business and find employment and Decent Work in the formal economy. In many cases governments are in a position to create these policies and institutions through good public governance.

In an increasingly globalized world, countries should participate in global trade and facilitate domestic and international investment in order to sustain employment growth and the Decent Work agenda. This is particularly true of countries with a small or poor domestic market. Therefore, governments should work towards developing and implementing policies which help capture the benefits from trade and investment liberalization.

(e) Competitive economies and enterprises

The Decent Work concept should be linked more expressly to competitiveness, which is essential for socio-economic growth and development. Using a definition from the Organization for Economic Cooperation and Development (OECD), competitiveness means:

“The degree to which a country can, under free and fair market conditions, produce goods and services which meet the test of international markets while simultaneously maintaining and expanding the real incomes and improving living conditions of its people over the long term.”

Therefore, the ILO needs to link its policies to competitiveness, and to position its policies in this context. This is especially the case with its standards policy.

(f) Poverty reduction

Since Decent Work is not possible in the context of substantial poverty that exists in many countries, the reasons for poverty and the means of reducing poverty through national policies must first be addressed.

The ILO's role

The content of Decent Work programmes at the national level should be demand driven, and the ILO should assist the social partners in their development and implementation.

The role of the ILO in the achievement of Decent Work should consist of:

- assisting countries to promote respect for the principles in the ILO Declaration, to develop integrated employment generation policies, develop affordable and appropriate social protection and security systems, promote tripartism and social dialogue as an important means of realizing these objectives, and strengthen the social partners, mainly in developing countries;
- influencing other international institutions to take into consideration the various social development aspects of Decent Work in their own policies;
- identifying and analyzing the reasons why some countries have failed to create Decent Work while others have been more successful, so that policy prescriptions can be appropriately tailored to maximize results;
- productive job promotion through an interdependent employment policy framework as a central element in realizing decent work;
- facilitating the formalization of the informal economy without destroying flexibility, and through appropriate legislation and rules which do not discourage enterprise development and employment.

Conclusions

Decent Work is made up of many components and is relative in terms of content. The challenge is to develop Decent Work policies that take account of national capacities, and result in the effective balance of economic and social development needs, achieved through a competitive national economy. The development and implementation of Decent Work programmes should be demand driven, and include the full involvement of the social partners who should have the requisite assistance extended to them.

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