

BOARD53rd Session
Geneva, November 2011

FIRST ITEM ON THE AGENDA

Report of the Director**Introduction**

1. In response to the Board's mandate, reiterated at its session of November 2010, the International Institute for Labour Studies has deepened the analysis of the settings and conditions for a sustainable job recovery. This work has notably led to (i) a new issue of the *World of Work Report*, to be released during the Fall of 2011; (ii) the launch of a research series that draws lessons from countries' experiences in addressing the global crisis and supporting job growth; and (iii) coordination of crisis-related research across the ILO. This report provides a brief account of the main achievements of the Institute's research and summarizes the outcomes of capacity building and other activities carried out over the past year.

I. Research

2. The past year has witnessed a significant deterioration of fiscal balances. Given the growing heterogeneity of country-cyclical positions, the research agenda has focused attention on bringing out a series on growth and equity which focuses on lessons from country experiences and carefully provides policy advice for pro-employment programmes; labour market and social challenges in the European Union (EU); and the *World of Work Report 2011 – Making markets work for jobs*, which focuses on longer term requirements for a sustainable exit from the global crisis.

A. *World of Work Reports 2010 and 2011*

3. The *World of Work Report 2010* emphasized the key role of balanced income developments and decent work in the recovery. It pointed to areas that would improve both employment and equity, notably strengthening job-centred policies to reduce the risk of growing long-term unemployment and higher informality; leveraging income-led growth in surplus countries in order to move away from debt-led growth and pave the way for sustainable job creation in both surplus and deficit countries; and moving more quickly on the proposed reforms of the financial system to secure adequate volumes of credit to the real economy.

4. The report was extensively covered in the media and was submitted to the annual meeting of international financial institutions, which took place in October 2010 in Washington, DC. It was subsequently presented internally at the ILO, at a meeting of the EU Employment Committee and a Decent Work Forum under the Belgian Presidency of the EU, and at an experts' meeting organized by the United Nations Department of Economic and Social Affairs (UN DESA). The report was also discussed at a seminar for Asian policy-makers hosted by the Asian Development Bank Institute in Tokyo.
5. The *World of Work Report 2011* focused on longer term requirements for a sustainable exit from the global crisis. In particular, it assessed how real investment in sustainable enterprises could be enhanced, thereby boosting job opportunities. This included an examination of the role of credit conditions in the current financial context, as well as an analysis of the connections between firm profits and investment decisions, and how dividend policy and financial returns shaped these connections. The Report also found that making real labour incomes grow in line with productivity would have a double benefit. Indeed, such an approach would support job recovery now and, it would, at the same time contribute to balance the sources of growth, paving the way for sustainable job growth in the medium term.
6. The Report highlights that carefully designed pro-employment programmes can support demand while promoting a faster return to pre-crisis labour market conditions. Moreover, the results underline that spending on these programmes is consistent with fiscal objectives in the medium term. In developing countries, there is significant scope for increasing investment in rural and agricultural areas. This requires targeted public investment, but also curbing financial speculation on food commodities in order to reduce the volatility of food prices. Such interventions are not expensive to the public purse, and the Report points to a number of areas to improve fiscal positions and broaden the tax base, notably on property and certain financial transactions. Such measures would enhance economic efficiency and help share the burden of adjustment more equitably, thereby also contributing to appease social tensions.
7. The Director organized the second technical brainstorming meeting on the High-Level Committee on Programmes (HLCP)'s report *Towards a fairer, greener, more sustainable globalization* at the ILO headquarters in July 2011, and is also one of the co-authors preparing the report. The Director also participated at the Expert Conference on Wage Trends in Europe in Brussels on 15 September 2011 and discussed the wage issues in the current global crisis, and raised issues related to the employment recovery prospects and the role of collective bargaining institutions.

B. Addressing European labour markets and social challenges for a sustainable globalization

8. Many countries in the EU continue to be confronted by a number of labour and social challenges stemming from the crisis, which is intensifying pressures on governments already grappling with long-term challenges linked to globalization. The joint study undertaken by the Institute with the European Commission attempts to look at some of the policy issues in a more integrated way. In this context, the Institute has submitted two reports to the European Commission.

Building a sustainable job-rich recovery

9. The first report examines the origins of the deep financial and economic crisis that hit the world economy in 2008 and that continues to shape labour market performance across the globe. The lessons learned from financial crises, as well as the role of global imbalances

that have taken a prominent place in the current crisis, is discussed. It then assesses the effectiveness of the global stimulus measures, comparing them with earlier examples in Argentina and the Republic of Korea. Finally, an overview of policy measures to maintain the recovery momentum in times of increasingly reduced policy space, focusing on the importance of quality job creation and demand-led initiatives to build a sustainable job-rich recovery, is provided.

Towards a greener economy: The social dimensions

10. The second report aims to promote a clearer understanding of the nature of the green economy and its implications for labour markets, especially the reallocation of jobs from high- to low-polluting sectors. It shows that a double dividend in terms of increased decent work opportunities and a greener economy is possible, provided that complementarities between environmental, economic and social policies are adequately exploited. With a view to indentifying any gaps in the policy mix, the report discusses the green policy measures that EU countries are currently undertaking. It also presents model estimates on the likely transmission mechanisms arising from these measures.

Dissemination

11. The synthesis report was presented at an expert meeting held in Brussels, in March 2011, where experts from academia and the European Commission were present. The key message of the report was the importance of quality job creation, and the need for a demand-led initiative to build a sustainable job-rich recovery and a smoother transition towards greener economy was expressed. Furthermore, it was stressed that environmental policies need to be complemented with active and passive labour market policies in accordance with the Decent Work Agenda to maximize benefits and to reduce costs.

C. Country reviews

Synopsis

12. The Institute published five country reviews based on detailed analyses of Brazil, Germany, Indonesia, Spain and Tunisia. The reviews, which were published under the series *Studies on growth with equity* show the experiences of these countries in responding to the global financial crisis and its aftermath and draws lessons from these examples. The most successful cases can be drawn from countries that initially adopted a coherent package of employment, social and macroeconomic policies. But, even in less successful cases, the crisis created a window of opportunity for developing new policy approaches and gaining policy space.
13. A synthesis report, *Making the recovery sustainable: Lessons from country innovations*, summarized the successful experiences in Brazil, Germany and Indonesia and found that, if well-designed and accompanied with supporting macro settings, reforms inspired by the Global Jobs Pact can support recovery and achieve balanced growth. Key elements of these policies include: (i) initial conditions (speed and gravity of response); (ii) effective job-centred measures; (iii) reducing informal employment; (iv) well-designed social protection programmes; (v) job-friendly investment; and (vi) policy coherence. Social dialogue is a key element to recovery, but beyond that plays a critical role in helping the labour market to adapt to critical changes in the economy.
14. The final two studies focused on the post-crisis experiences of Tunisia and Spain. Each of these two countries had to cope with both the global crisis and a country-specific crisis

associated with an unbalanced growth model. Thus, the crisis created the opportunity for building a more inclusive growth model. Both reports emphasize the need to support the youth and the urgency in reducing labour market duality while promoting more and better jobs. Further reports emphasize that one of the key elements needed to address these issues is social dialogue. Firstly, in terms of avoiding social unrest (Spain), and secondly, to reach a consensus on medium- and long-term solutions that can reduce inequities and bring about an era of social justice (Tunisia).

Dissemination

15. The synthesis report was presented at a tripartite meeting held in March 2011, during the 310th Session of the ILO Governing Body. Government representatives from Brazil, Indonesia and Germany expressed their support for the key message of the report - that it is essential to have a socially inclusive approach to overcoming the crisis. Furthermore, the experience of these three countries was highlighted by the workers' and employers' representatives.
16. In addition to the Governing Body meeting, tripartite discussions took place in each of the respective countries at the end of each of the review processes. These one-day events were a key part of the process and helped to shape the national policy debate and disseminate the report findings to the national media. In Germany, the report was successfully covered by *Der Spiegel*, in Indonesia it was covered by the *Jakarta Post*, in Spain by *El País*, and in Tunisia by *La Presse*.

D. ILO Century Project

17. Since the celebration of the ILO's 90th anniversary, the Century Project (CP), which is funded from special allocations of the Office's regular budget, has adopted a long-term perspective. It has developed a comprehensive programme with the overall objective of substantially improving the knowledge and visibility of the ILO's role and achievements throughout its history. This means, firstly, encouraging new perspectives on the ILO's history in the academic community.
18. In 2011, a book was published by the Rennes University Press (PUR) with the CP's support. It is the outcome of a conference organized by the CP and the University of Geneva in 2009 on social reform networks and the ILO. Also in 2011, the CP signed an agreement with a prestigious academic publisher (Palgrave Macmillan) to establish a dedicated series, the ILO Century Series, for the publication of high-profile academic works. A first volume should be published in November 2011 on the ILO, human rights, development and decolonization. Events will be organized, notably in the regions, in conjunction with the release of the book. Other research projects associated with this important publication project have been launched on topics such as women's networks, cooperatives, the Catholic Church, the Cold War, etc., each time taking the ILO and its activities as an entry point for a transnational approach.
19. In February 2011, the CP, together with the University of California, Santa Barbara, held a three-day international research conference on "West Meets East: The International Labour Organization from Geneva to the Pacific Rim". The conference will eventually lead to the publication of a book on this theme in the ILO Century Series. The CP has also developed, with the Nantes Institute for Advanced Studies, a project of four high-level seminars on "The humanization of labour since 1919". The first seminar on "The meaning of work", took place in Nantes in March 2011. The next one on "Security and work" is planned for spring 2012 at the Humboldt University in Berlin.

20. A history game has been developed together with the Human Resources Development Department. It captures, in a play-oriented manner, the history and the achievements of the ILO since its creation. A first version of the online game was successfully tested during the session of the International Labour Conference in June 2011. It is planned to finish production of the game, both in an online and a board game version, by the end of 2011. It will then be presented to officials, constituents and an interested larger public.

II. Education

21. The aim of the Institute's educational activities is to strengthen the capacity of ILO constituents to analyse key labour and social issues and develop policy responses, and to increase the interest and capabilities of academics, researchers and students in the field of labour and social policy.

A. International internship course on labour and social policies for decent work (Geneva, 12 May–1 June 2011)

22. The annual internship course on labour and social policies for the promotion of decent work took place from 12 May to 1 June 2011 at the ILO in Geneva. The course aimed at strengthening the knowledge base on decent work and at enhancing the capacity of participants to contribute to labour and social policy development in their respective countries. The course focused on four issues: (a) providing the most updated information on the Decent Work Agenda component available in the ILO; (b) enhancing awareness of the ILO principles and programmes; (c) encouraging an integrated approach to social and economic policies for decent work; and (d) stimulating a cross-national exchange of views and experiences among ILO constituents. Lectures were organized based on the strategic objectives of the ILO in the areas of ILO governance, labour standards, employment, social protection and social dialogue as well as overarching and cross-cutting themes such as gender, HIV/AIDS, migration, etc.
23. The course included lectures from academics and ILO officials, workshops and group exercises. Participants visited the Red Cross Museum, the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC), and a water dam of *Services Industriels de Genève* (SIG) (Verbois site).
24. Participants were encouraged to make a presentation assessing the state of decent work in their countries and also highlighting the "social and labour policies needed for the promotion of decent work". At the conclusion of the course, participants were invited to evaluate the lectures and the organization of the course and encouraged to give suggestions on ways to improve it. Overall, there was a positive feedback and the participants were very pleased with the outcome of the course. A CD-ROM with all the pedagogical materials has been made available to participants and key documentation relating to the course was placed on the Institute's website.

B. Visiting scholars and study visits

25. Six study visits, involving 228 scholars and students from various universities, were organized. The programmes of these visits included presentation by staff of the Institute and specialists from ILO technical units.

26. In 2010, the ILO Decent Work Research Prize, for outstanding contribution to the advancement of knowledge about the ILO's central goal of decent work for all, was awarded to Professors Jayati Ghosh of Jawaharlal Nehru University and Eve C. Landau, Switzerland. On 11 November 2011, concurrent with Governing Body proceedings, Professors Jayati Ghosh and Eve C. Landau will deliver the public lectures.

III. ILO knowledge strategy

27. The Director also continued his assignment as coordinator of crisis-related research work, as mandated by the Director-General, and as a Chair of the ILO Research and Publications Committee (RPC) – with a view to enhancing the quality of the ILO's analytical capacity.
28. As part of the RPC and knowledge management strategy, under the leadership of the Director, the Institute took the lead in organizing a research conference on “Key lessons from the crisis and the way forward” at the ILO headquarters on 16–17 February 2011. The Conference provided a platform for dissemination of knowledge, brainstorming, sharing experiences especially with colleagues from the regions, and exchanging knowledge across different sectors in the ILO headquarters. The Conference focused on three key questions: first, what had been learned regarding policies that worked in the face of the crisis and how to pursue them in the present fiscal context; second, how to achieve job-centred recovery while meeting fiscal goals; and, third, how to make income developments more balanced and achieve sustainable growth.
29. Colleagues from the regions participated in the conference and their regional concerns were valuable inputs and very critical in shaping the research agenda for headquarters and the regions for the next biennium. With the help of external experts as discussants, the conference provided in-house researchers with an excellent opportunity to improve the quality of work in an area that is central to the programme of work for this biennium as well as the next. A selection of papers presented at the research conference was brought out as an edited volume, *The global crisis: Causes, responses and challenges* with key ILO messages at the June 2011 session of the International Labour Conference.
30. The Institute, along with the ILO Regional Office for Europe and Central Asia, also organized a high-level brainstorming conference “Towards a social, job-centred and competitive Europe: Challenges for Europe and Central Asia – Challenges for the ILO” on 3–4 October 2011. The meeting brought together prominent international academic experts, representatives of governments, members of the European Parliament and employers' and workers' representatives. The meeting discussed ways of tackling the twin fiscal and jobs deficits, provided there is political leadership and willingness to cooperate among European countries to achieve more policy coherence between economic, employment and social policies including respect for international labour standards.

IV. International Labour Review

31. The indicators for the period under review show the first signs of stabilization since the International Labour Review's highly successful relaunch under the editorial board chaired by the Director of the Institute in 2007. The number of unsolicited submissions is broadly unchanged since the last period, following a fivefold increase over the previous three years. The journal's ranking has actually lost ground in its traditional category of “industrial relations and labour” – its independently rated impact factor is now “only” double what it was before the relaunch (partly because the larger number of papers published has had an adverse effect on the arithmetic underlying this indicator).

32. This technical setback is at least partly offset by the rating agency's announcement in 2011 that the ILR now also qualifies for inclusion in the "economics" category, with an honourable mid-range ranking in this highly competitive category. Independent recognition of the journal's contribution to these two distinct fields of research – coupled with its long-standing membership in the International Association of Labour Law Journals – suggests that the ILR's unique multidisciplinary nature is gaining wider visibility and credibility. Most importantly, however, the journal's growing appeal and outreach continue to be reflected in a steady increase in the number of article downloads reported by our commercial publisher, Wiley-Blackwell – by more than 50 per cent over the previous period, from 41,000 to 65,000 (up from 14,000 in 2008).
33. Highlights of the four issues published since November 2010 include a special issue on "Workers in the care economy" (No. 4/2010), with strong links to the International Labour Conference agenda on domestic workers, and a special feature on industrial relations and labour in China (No. 1-2/2011).

V. Staff movements

34. Franz Christian Ebert joined the Institute (February 2011) to work on the issue of labour provisions and globalization. Stefan Kühn joined the Institute (April 2011) to undertake modelling work on the employment and social impacts of policies for the G20. Peter Auer, Eddy Lee and Francis Maupain continued their affiliation as fellows.

VI. Publications

35. A list of publications which have appeared since November 2010 can be found in the appendix.

Appendix

Publications November 2010–October 2011

(a) **World of Work Report 2011: Making markets work for jobs**

- Editorial by Raymond Torres
- Federico Curci, Sameer Khatiwada and Steven Tobin. *Market turbulence, employment and social unrest: Trends and outlook* (Chapter 1).
- Verónica Escudero, Sameer Khatiwada and Elva Lopez. *Making profits work for investment and jobs* (Chapter 2).
- Matthieu Charpe. *The labour share of income: Determinants and potential contribution to exiting the financial crisis* (Chapter 3).
- Uma Rani and Marva Corley-Coulibaly. *Investing in food security as a driver of better jobs* (Chapter 4).
- Marva Corley-Coulibaly, Naren Prasad and Pelin Sekerler-Richiardi. *Tax reform for improving job recovery and equity* (Chapter 5).
- Matthieu Charpe and Stefan Kühn. *Effective employment policy under tight fiscal constraints* (Chapter 6).

(b) **Studies on growth with equity**

- *Synthesis report* – Making recovery sustainable: Lessons from country innovations.
- *Brazil* – An innovative income-led strategy.
- *Germany* – A job-centred approach.
- *Indonesia* – Reinforcing domestic demand in times of crisis.
- *Spain* – Quality jobs for a new economy.
- *Tunisia* – A new social contract for fair and equitable growth.

(c) **Discussion papers**

- No. 210. Miguel Á. Malo. *Labour market policies in Spain under the current recession*.
- No. 209. Ekkehard Ernst. *Determinants of unemployment flows. Labour market institutions and macroeconomic policies*.
- No. 208. Djoni Hartono. *Assessing policy effectiveness during the crisis: The case of Indonesia*.
- No. 207. Martin Dietz, Michael Stops, Ulrich Walwei. *Safeguarding jobs in times of crisis – Lessons from the German experience*.

- No. 206. Sameer Khatiwada. *Did the financial sector profit at the expense of the rest of the economy? Evidence from the United States*.

(d) Other publications

- International Institute for Labour Studies (IILS). Forthcoming. *Building a sustainable job-rich recovery*, Joint EC–ILO synthesis report, International Labour Office, Geneva, 2011.
- International Institute for Labour Studies (IILS). Forthcoming. *Towards a greener economy: The social dimensions*, Joint EC–ILO synthesis report, International Labour Office, Geneva, 2011.
- International Labour Office. *The Global Crisis – Causes, responses and challenges, 2011*.

(e) External publications

- Eichhorst, W.; Escudero, V.; Marx, P.; and Tobin, S. 2010. “The Impact of the Crisis on Employment and the Role of Labour Market Institutions”, *IZA Discussion Paper Series*, IZA DP No. 5320, Bonn, November 2010.
- Charpe, M. (co-author). “Financial Assets, Debt and Liquidity Crises: A Keynesian Approach”, Cambridge University Press, 472 pages, 2011.
- Charpe, M. (co-author). “Stabilizing an unstable economy: Fiscal and monetary policy, stocks, and the term structure of interest rates”, *Economic Modelling*, Vol. 28, pp. 2129–2136, 2011.
- Charpe, M. (co-author). “Worker debt, default and diversity of financial fragility” *IMK Working Paper*, No. 5, 2011.
- Rani, U. (co-author). “Do Economic Reforms Influence Home-Based Work? Evidence from India”, reprinted in *Inequality, Development and Growth* edited by Günseli Berik, Yana Rodgers and Stephanie Seguino, New York, Routledge, 2011.
- Rani, U. (co-author). “Extending the coverage of minimum wages in India: Simulations from Household data”, *Economic and Political Weekly*, 46(22): 47–55, 2011.
- Sekerler Richiardi, P. “Is Jevons a liberal of happiness?”, in R. Ege and H. Igersheim (eds) *Freedom and Happiness in Economic Thought and Philosophy: From Clash to Reconciliation*, Abingdon: Routledge, pp. 85–101, 2011.