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# From Financial Crisis towards a Coherent Agenda for Decent Work and Sustainable Globalization





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Background paper for *Coherence and Accountability Forum*,  
ILO, Geneva, 11 June 2009

© Fafo 2009  
ISBN 978-82-7422-683-8  
ISSN 0801-6143

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Cover: Fafo Information Office  
Printed in Norway by: Allkopi AS

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# Preface

This paper is written on the request of the Norwegian Ministry of Foreign Affairs and intended to serve as a background note for discussions at the *Coherence and Accountability Forum* organized in the context of *International Labour Conference* in Geneva 11. June 2009.

In view of the current crisis of the global economy and labour markets, the paper follows up on key points of the report *Pathways to Decent Work in the Global Economy*<sup>1</sup> which Fafo prepared for the conference ‘Decent Work – A Key to Social Justice for a Fair Globalisation’ in Oslo 5 September 2008. The conference was organized by the Norwegian Ministry of Foreign Affairs in cooperation with the *Financial Times*, the Norwegian Confederation of Trade Unions (LO), and the Confederation of Norwegian Enterprise (NHO).

In drafting the paper, we have benefitted from useful input from Espen Løken and Åsmund Arup Seip at Fafo. We have also received useful comments from André Mundal, Thoralf Stenvold and Torbjørn Graff Hugo in the Ministry of Foreign Affairs. Bente Bakken and Agneta Kolstad at the Fafo publication department have transformed our belated manuscript with usual calm and professionalism. Many thanks to everyone, and to the Ministry for inviting us to provide input to such a pertinent and important initiative.

Oslo 22 May 2009,  
Gudmund Hernes and Jon Erik Dølvik

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# 1 Introduction and Overview

The unfolding economic crisis has refocused attention on the spreading impacts of globalization not just on financial institutions big or small, or nations rich and poor, but also on labour markets and the plight of employees and their families. The current crisis propels rising unemployment and social instability, entailing the risk of a deflationary spiral undermining salaries, livelihoods and social protection as well as massive waste of human resources and productive skills. Immediate job losses may soon pass 50 million, and with an annual inflow of 49 million new entrants into the global labour markets, the risk of a prolonged employment crisis is imminent.<sup>1</sup> The increasing vulnerability of workers and their communities has in turn engendered mounting fear of the political aftershocks – social unrest, riots and uprisings. Hence, calls for concerted action to stem the economic downturn have been complemented by strong messages – such as from the G20 London Job Summit – that cushioning of workers against the vicissitudes of the crisis is needed to prevent social disruption, underpin demand, and facilitate a sustainable recovery. Like the Great Depression and its disastrous political consequences, the current challenges cannot be overcome by single states alone, but compel swift coordinated measures on a broad economic and social front. The ILO conference 2009 is thus invited to enter a Global Job Pact. Concerted action with a global reach and impact beyond the crisis requires a common agenda that can help promoting coherence between actions in different areas.

One of the most comprehensive global efforts to develop such a framework is the Decent Work Agenda (DWA) drawn up by the representatives of Business, Labour and Governments of the world under the auspices of the International Labour Organisation (ILO). True dialogue between the key stakeholders of the world economy is indispensable to overcome the crisis and develop a more stable and fair globalization. Laying down a universal body of principles and preconditions for development – such as the right to employment, social protection, equal treatment, voice, and proper standards at work – the DWA focuses on the labour market as the node between different policy areas, civil associations, and the wider social fabric, hence being a key to enhance participation, dignity, and prosperity. Of further significance is – considering the danger of a competitive spiral of lowering wages, labour shedding, and protectionism taking hold – that the ILO 2008 Declaration ‘Social Justice for a Fair Globalization’ denounced violation of fundamental principles and rights at work as well as protectionist use

*From financial to economic and employment crisis*

*Need for concerted action and a joint agenda*

*The Decent Work Agenda – a platform of consensus between business, labour and governments*

*The labour market is key to participation, dignity, and recovery*

*Danger of competitive downward spiral*

of labour standards as illegitimate sources of competitive advantage. While the crisis has made this unambiguous message even more pertinent, though harder to respect, the efforts over the last year to coordinate policy responses have shown that times of crisis and destruction also entail opportunities to overcome obstacles to change and forge new patterns of cooperation. In this perspective, it is important and encouraging that key partners of the DWA come together to discuss how it can be applied to boost recovery and construct a more viable pattern of global development and governance.

*Content of the report*

This note will first sketch the background, elements, and main challenges of the DWA, based on the Fafo-report *Pathways to Decent Work in the Global Economy*, which was presented at the conference 'Decent Work – A Key to Social Justice for a Fair Globalisation' in Oslo 5 September 2008. Focusing on the need for greater coherence, it will then identify sources of incoherence in developing and pursuing a common agenda to overcome the crisis and promote decent work. Arguing next that different international agencies are embedded theories, so to speak, it addresses what is called errors of two kinds: One is violation of fundamental rights used to gain a comparative advantage, the other using labour standards for protectionist purposes. Finally some possible avenues for action are identified.



## 2 Background: Sequences of Uneven Globalization and Institutional Change

The first wave of economic globalization, or colonization – from the 1870s to 1914 – redrew the economic and political world map but ended abruptly with World War I. From the ashes rose the International Labour Organization (ILO) which came about as part of the postwar Peace Conference, in April 1919.<sup>2</sup> However, the failure to establish a proper international framework for economic reconstruction and growth, culminating in the financial crash on Wall Street 1929, soon threw the world into further turmoil. The Great Depression unleashed mass unemployment and misery, protectionism, political regression, rivalry, and revolt, ultimately ending with the calamities of the WW-II.

*Early globalization and the foundation of ILO*

Yet, out of the horror and ruins of WW-II grew the United Nations and the institutional architecture of a new world order, marked by the Bretton Woods institutions for stabilization of the financial system, the GATT agreement for promotion of fair and open trade, the Marshall Plan, and the foundation of the European Community binding together former enemies. In the South, independence movements eventually led to the end of colonialism, most conspicuously in India, and further East former autocracies were wiped aside by the revolution in China and other places.

*A new world order emerging*

After the thirty postwar years of expanding industrialization and trade came to a halt in the 1970s, the end of the cold war in the 1980s set in motion a second wave phase of globalization. Former divisions between East and West were bridged by opening of markets and economies, fuelled by the digital revolution and liberalization of trade within the framework of WTO. The inclusion of Brazil, China, India and Russia in the global market system engendered rapid growth in world trade, investment, and production, pulling millions of people out of poverty. The exception was the billions of people in developing countries left behind, or outside, the regionalized pattern of globalization that emerged. Hence, apart from the emerging economies and the giant rise of China and India, the income gap in the world was widening between countries and often also within them. Especially in the affluent industrialized world, financial liberalization went together with emergence of a new class of ‘nouveau rich’, whereas the working class, such as in the US, in many instances saw deteriorating wages and living conditions.

*Through crisis to a new wave of globalization*

*Millions pulled out of poverty, but many left behind ...*

*...and new patterns of inequality emerged*

As in former periods of rapid growth and restructuring of the world economy, the past decades of globalization were also marked by increasing incongruence between the inherited institutions of global governance and

*New interdependencies  
and asymmetries ...*

*...urge joint crisis  
responses and  
institutional renewal.*

political power relations, and the evolving structure of economic exchange, interests, and interdependencies. Besides political strain causing stalemate in negotiations in WTO and other international arenas, mounting imbalances of trade and financial flows were building up between the dominant export and import nations of the world, such as between China and the USA. The changing pattern of global interdependencies uncovered by the American subprime crisis, the repercussions of which today are threatening the livelihoods of people around the globe, has thus, like former tectonic economic shifts, strengthened the demand for renewal of the political institutions of global governance.

# 3 Foundations and Challenges of the Decent Work Agenda (DWA)

The ILO was one of the institutions that most vocally warned about the inherent instability and vulnerabilities associated with the evolving mode of globalization. When the World Commission on the Social Dimension of Globalization (2004) commended reform of the global system of governance, it reflected in many respects the Decent Work Agenda (DWA) that the ILO had been developing since the late 1990s.<sup>3</sup> Calling for better coordination with global trade and economic policies, and engagement from a wider set of actors and institutions, the DWA soon became a center-piece in discussions about a more viable pattern of globalization. With traits back to the Philadelphia declaration of 1944, reaffirming that «labour is not a commodity», the ILO 2008 Declaration on Social Justice for a fair Globalization summarized the four strategic objectives of the DWA as follows:

- Securing jobs and employment by creating a sustainable economic environment and better coordination of macro-economic policies;
- Developing and enhancing measures of social protection – income security and labour protection – adapted to national circumstances;
- Promoting and enforcing the fundamental principles and rights at work, including equal opportunities regardless of gender, ethnicity and alike;
- Developing social dialogue and tripartism as methods for reaching viable solutions to the global economic, social and political challenges.

*The foundations of the Decent Work Agenda*

The financial crisis has added new urgency to the DWA objectives. Rather than a by-product of the invisible hand of global markets, creation of decent work is essential for economies to recover and markets to flourish in a sustainable way. Yet the obstacles are numerous.

## Challenges

ILO has not been alone on the international scene in promoting decent work as a lever for social and economic development. Many organizations are contributing, among the most important being

- The World Bank, the International Monetary Fund, OECD;
- The World Trade Organization (GATT / WTO);

*Many actors are involved*

- Social partners, such as IOE and ITUC, and NGOs at many levels;
- UN agencies, such as ECOSOC, UNDP, UNCTAD, WHO, UNHRC;
- Regional institutions, such as the African Union, ASEAN, EU, Mercosur

*Concerted action is required.*

Since the objectives of the DWA are widely recognized, the current political task is *to bring actors together to align initiatives, overcome turf wars, and adopt swift action to overcome the crisis*. In the «Pathway» report, Fafo identified a number of challenges facing the promotion of the DWA, suggesting that the following issues are critical to address:

- Enhanced goal achievement requires more effective and targeted use of scant resources, inter-agency cooperation on the ground, and interlinked national action plans, programs and alike.
- Greater coherence and coordination of the aims, priorities and efforts of the different actors are key to enhance momentum, synergies and efficacy, thereby boosting results and reducing waste.
- Improved compliance presupposes heightened respect for fundamental social rights. Measures to strengthen awareness and incentives, and develop suitable enforcement mechanisms, are central. Mobilization of a multitude of actors is needed to improve momentum and accountability.
- Stronger capacity of action depends on development of basic institutions, such as labour inspectorates, employer and labour organizations, and on mobilization of resources. The resource constraints of the international agencies are severe, inviting exploration of new sources of funding.
- Enhancing social partnership and civil societies' capacity of self-regulation, especially among the organized labour market actors. Creation of self-help associations, micro-credit, social enterprises, and not least, affordable social insurance schemes, is essential.
- Improved market transparency and responsibility is vital to increase awareness and pressure on the producers of goods and services around the world. Coalitions of consumers, NGOs and international agencies can exert effective pressures on corporations to respect international rights, develop codes of conduct, ethical trade initiatives and alike.

The economic crisis has highlighted further gaps that need to be addressed. The national rescue packages for the finance, banking and car industries have indeed raised questions about the conditions under which protection of nationally sensitive industries can be justified within the international trade regime. The safety nets provided for investors in such industries have also drawn attention to the need for income protection for the workers hit by the crisis. With as much as 80 percent of the global workforce uncovered by unemployment insurance, the risk of further contraction of demand is high. To boost the employment effects of fiscal packages and other demand stimulus, initiatives to retain and develop skills tailored to match the demand for labour when recovery takes hold are essential. Not only financial capital but also human and social capital needs to be tendered to in order to maximize the effects when the economies pick up.

Although the focus now is on rapid economic response by tried and tested means, the need for coherence and capacity-building suggests that organizational renewal and devolution of resources and skills to regional, national and local agencies is continued. The disparate impact of the crisis on sectors and social groups commends bottom-up participation in order to adapt responses to national circumstances. Ultimately, the credo of coherence has to be fulfilled at the national level, facilitated by international cooperation and exchange of experience.

*The crisis accentuates the need to address*

- *criteria for protection of industries*
  - *income safety nets for workers*
  - *retention and upgrading of skills*
  - *investment in infrastructure and jobs*
- and stimulate domestic demand.*

*Focus on rapid response to the crisis, ...*

*but institutional renewal must continue.*

## 4 Obstacles to Coherence: One Agenda – Fragmented World

Given that the task is *not so much one of initiation as of orchestration*, the question is: How can the different actors be brought to play from the same score, improve their own impact, and enhance the quality of each other's work? What are the basic obstacles to coherence?

*The constituent members are nation-states*

The key players on international arenas are *nation states*. In global institutions such as the World Bank or WTO the constituent *members* are nations – indeed, we talk of the most prominent among them as «The United Nations». In ILO the constituent members also include national confederations of business and labour. These diverse member states and organizations have different *priorities and commitments*. Yet from this diversity of their concerns – and even cross-purposes – common rules and joint international agendas have to be forged or differences at least papered over. Agreements sometimes are agreements to disagree.

*... with often fragmented international agendas*

Differing national priorities is not the only source of incoherence. For the fact that the constituent units of the international system are nation-states and organizations adhering to rules and standards embodied in international law *does not mean that these national units are unitary*. Indeed, one can argue that a nation never is *one* nation. States are organized with – or divided into – ministries or other administrative units, each with their sphere of responsibility, each pursuing its own agenda. Their agendas on the international scene are at best loosely coupled. In relation to the international system, ministries typically act in relation to specialized agencies or units: ministries of the environment working closely with UNEP (The United Nations Environment Programme), ministries of finance working with IMF, ministers of labour meet in the Governing body of the ILO, etc. Hence one can talk of «silos of the international system», since a ministry can be in closer collaboration and exchange with its opposite numbers in other countries than with most other ministries and colleagues at home. In practical terms this means that nations and organizations have specialized representatives in different international agencies and do not pursue the same overall, consistent agenda. One ministry or department may have little knowledge about what specific policies another ministry or department pursues on the international scene.

*... and shifting priorities and commitments.*

Not only is there incoherence – often there is *inconstancy* as well. When governments change, positions previously taken in international forums may be retracted or reversed. Foreign policy is not above politics. Commitment to the priorities of a previous government may be low – or, indeed, absent

or even adversarial. Ronald Reagan had another agenda than his predecessor Jimmy Carter, not just on the domestic but also on the global arena. Inconstancy of commitment may translate also into variable or incoherent enforcement of international agreements.

This lack of coordination within nations translates into lack of coherence or even consistency in the priorities set across international agencies. The fact that nation states often do not get their acts together further expresses itself in absence of logically connected and politically prioritized topics *across* international organizations.

As a nation is not *one* nation, so the fact that we talk about *the* global system does not mean that there is *one* global system. Fragmentation at the national level is mirrored at the international level where different agencies are assigned responsibility for different parts of broader concerns, each locked in with «their» partners or ministries at the national level.

*Mirrored in  
the global system*

Yet, in spite of the fact that international agencies are specialized, they often have overlapping mandates – and there are grey zones between them as well. Moreover, institutional ambitions of international organizations mean that they encroach on each other's territory. So-called «mission drift» (often aimed to generate more resources and clout) also contributes to a fuzzy division of labour between international agencies, resulting in turf fights as well as jealous guarding of spheres of interest. Hence an inordinate amount of the time, resources and activities are spent on various kinds of «coordination», «mainstreaming» and «harmonizing». Sometimes the international community attempts to overcome or circumvent the shortfall of the present organizational structure by setting up new «coordinating mechanisms» or by establishing entirely new organizations with a specific mandate of coordination. Even so interaction may degenerate into new imbroglios. Hence what we call «The United Nations» may present themselves as an ensemble of disunited agencies, rendering it difficult to set priorities, to overcome confusion, organize trade-offs, and arrive at consistent decisions. The cost to partner institutions may be enormous. The fact that the pattern of representation, votes, and power-relations in many arenas reflects the world-order of the past does neither enhance coherence and commitment.

*Inordinate  
resources spent on  
'harmonizing'*

Hence, in spite of the new urgency of creating decent jobs and enhancing social protection under the global economic crisis, advancing a common agenda can become hampered or even deadlocked. In the meanwhile the risk of a downward, deflationary spiral is looming large, unless coalitions of key actors can find together and pursue common objectives across the quandaries of Summits and Seminars.

*Representation and  
power-relations  
reflect the old world  
order*

## 5 Institutions as Embedded Theories – Notions of a Level Field

The sociologist Arthur L. Stinchcombe has defined an institution as a value backed up by power.<sup>4</sup> The value is, so to speak, socially embedded.

*Facing the same conditions and rights*

Promoting decent work and sustainable globalization is a very broad and crowded agenda. A central element of it is to *construct markets as level playing fields for competition and economic exchange* – i.e. so that actors on the market face the same conditions and rights. The theoretical rationale was provided by classical political economists such as Adam Smith. But a level playing field market is not something that «exists» – it has to be created by political decisions. Hence a wide range of institutions and rules have been designed to ensure equal terms of competition and exchange, aimed at approximating the theoretical ideals of allocative, productive, and dynamic efficiency. A central assumption of the DWA is that respect for fundamental social and employment rights not only enables equal terms of competition, but constitutes an important incentive for efficiency, promoting innovation and investment in productivity and human resources.

*...provides incentives for efficiency and innovation.*

*Varieties of power ...*

Different aspects or values of fair trade and decent work are embedded in different institutions, hence backed up and enforced by different powers. Since the power of international agencies as well as the distribution of representation within them varies, different values are differentially enforced. Even within the EU such asymmetries occur; while the full members of EMU have irrevocably locked their currencies to the Euro, the outsiders may face greater currency volatility but also benefit from the opportunity to let their currency depreciate and revert to «beggar-thy-neighbor policies».<sup>5</sup> Competitive depreciations may pervert into currency wars, which are the epitome of a zero sum game, where one actor's gain is another actor's loss: in the first round all are tempted to defect, in the second round to retaliate with tit-for-tat. To overcome, the situation as a whole has to be treated as a «matter of common interest» and met by concerted action.

*... may spur 'beggar-thy-neighbor' policies*

*... zero-sum games*

*.... and downward spirals.*

The same apply to the issues of core labour standards and application of protectionist measures. Unilateral circumvention of common international norms may result either in a «race to the bottom» or a brake on international trade, when the opposite is warranted, because national governments force each other into a Prisoner's Dilemma-type situation. This can be illustrated as in the matrix on the next page:



**Outcomes for countries A and B deciding to apply core labour standards or respect international rules of trade (Yes or No)**

		<b>B</b>	
		Yes	No
<b>A</b>	Yes	Good <i>Good</i>	Worst <i>Best</i>
	No	Best <i>Worst</i>	Bad <i>Bad</i>

If both countries respect the common norms (both Yes) they both reap the benefits of open trade and workers get decent work. If either country defects (the No/Yes combination) the defector violating the norms may reap unwarranted competitive advantages, whereas the country complying with the rules may lose market shares and the workers may face redundancies and pressures to accept deteriorating conditions. The violator can thus capture a short term comparative advantage. But is it a legitimate one, and does it enhance long-term productivity and growth?<sup>6</sup> The implicated answer is that the tardy countries would be an obstacle to mutually beneficial trade and labour arrangements – indeed, laggards, not pioneers would set the pace of progress towards decent work and a more fair trading system.<sup>7</sup>

*Letting the laggards set the pace, or ...*

Again, the only way such a situation can be overcome is for countries and companies to enter into cooperation, ranging from moral suasion through 'peer group' commitments to enforceable common standards – i.e. by some kind of collective action. In this connection it should be pointed out that *not agreeing to common procedures, be it for trade, environmental protection, or labour rights, is also a form of regulation.* Hence the principles with which it is justified must be explained and consistent, suggesting that the issues cannot be treated in isolation. It is not just regulators that have the burden of proof.

*...staging collective action?*

*Government intervention not a matter of economic theory pure and unadulterated...*

*...but a matter of ethical principles*

A similar Prisoner's Dilemma can be set up for most kinds of market-shaping interventions – e.g. rules regarding environmental issues, tax havens, consumer protection, property rights etc. Logically there is nothing special about tariff protectionism or core labour standards. In the same way as international agreements may prohibit polluting production or poisoned goods, they may prohibit modes of production denying workers basic rights and undercutting exports and employment in another country. What the international community chooses to regulate, or not, and what is given political primacy, is therefore not a question of economic theory pure and unadulterated. It is a matter of choice based on a set of ethical principles that cannot themselves be justified in terms of economic theory per se. The challenge for the international community is to find proper and flexible ways, adapted to countries' different capacities and level of development, to move from a situation of uneven exchange to a more level playing field.

## Errors of two kinds

*Two types of errors...  
... neglecting labour rights  
... invoking protectionist measures*

*Entailing the risk of escalating unilateralism and polarization*

In making decisions pertaining to the decent work and open trade agendas policymakers can make two mistakes. Type 1 error is to neglect social protection and labour standards that shield workers from being put in harms way and expose them to risk, exploitation and disempowerment. Type 2 error is to accept protectionist standards that prevent competition, reduces efficiency, hampers trade and restrains development. A similar error could be to free-ride on other countries' efforts to overcome the crisis by boosting domestic demand. The horn of the dilemma is that it is, generally speaking, hard to reduce the risk that some countries make Type 1 error without increasing the risk that other countries conduct Type 2 error, and vice versa. In contexts of asymmetric power relations, such dilemmas easily unleash dynamics of polarization and deadlock in economic and political exchange between countries with higher and lower standards. .

This throws us back to the point made above that institutions are values backed up by power *and* that there are great variations in the power that different international organizations have to uphold, advance and enforce their mandated values. Some member states are also more equal than others, and some interest groups tend to better represented than others.

*Contrasts between the protection of exporters and consumers ...*

*...the environment*

*... and workers.*

For example, the World Trade Organization is mandated to enforce rules preventing protectionism but not to enforce core labour standards. By contrast, it clearly seeks to protect, say, intellectual property rights and recognizes the so-called *Codex Alimentarius* as the frame of reference for resolving disputes concerning food safety and consumer protection.<sup>8</sup> The outbursts of Mad-Cow disease in recent years, which led to prohibition against import and withdrawing products from the market, is but one example of circumstances where market intervention by governments not only is accepted but welcomed. Many similar examples are found in the pharmaceutical

industry, where the side effects of drugs can lead to their immediate banning and withdrawal from the market. Hence, political intervention in markets and trade is broadly accepted in the interest of protection of consumers and increasingly the environment.

The crux is this: It is not economic *theory* which determines what is to give – «market distortions», consumer health, or the environment. The choice is based on principles and priorities – ethics, values, and negotiating power – defined outside the particular market. By the same logic it is not economic theory which determines or even *can* determine whether not only the health of consumers is to be protected by «market distortions» but also that of workers. Yet, it is an important difference between protecting consumers and protecting workers. Consumers, when they learn of a tainted product can generally protect their *own interests* by stopping buying the product – i.e. by exit. This is not so easy for workers: Barriers to migration are high and it may be difficult for them to find a new job if they resign from the one they have. And if they try to enlist consumers to support their case, that support is based not on immediate self-interest of consumers but on their solidarity.

A matter for joint examination is thus the conditions under which these deliberations could be extended from harmful products to harmful processes of production, which is a rising subject in the field of environmental protection. Should market exchange of goods produced by processes violating the natural habitat be treated differently from goods produced by processes violating the health, habitat, or fundamental rights of human labour? Labour is, after all, the main source of productivity and growth in the global economy, and decent treatment and training of labour is essential to combat poverty.

How to build the social foundations of the global economy is an extra-economic, ethical choice. Which choices will carry the day, are at the end of the day partly a question of capacity to negotiate, compromise, and find viable means of enforcement, partly of creating arenas where competing objectives can be handled in a holistic perspective.

*Harmful products are prohibited...*

*but what about harmful production processes?*

*How to build the social foundations of the global economy is an extra-economic, ethical choice.*

## 6 Summary and Conclusion: From Activities to Orchestration

Above the case has been made that there is little need for a new program or even items for the substantive agenda for promoting decent work and swift action to overcome the employment crisis. What is needed is not so much a better agenda as efficient implementation, not so much communiqués as coherence, not so much new initiatives as orchestration.

What is also needed is a reflection on the hierarchy of values underlying the priorities pursued by international agencies, both separately and as an ensemble. For example, there has been much more attention paid to subsidies or customs that may distort trade than to degrading working conditions or absence of rights that may have the same effect. There has been much more attention paid to the risks for consumers from tainted products than for workers for tainted production processes. Hence there has to be as strong a focus on implementing and enforcing rights for those who produce the goods as the rights of those who consume the goods. Similarly, there has to be as strong a focus on securing income maintenance for redundant workers as securing the revenues of investors and financial institutions. The main gap is one in *the skewed governance of globalization*.

In this respect, the efforts over the last year to respond to the recession have shown promising developments, illustrating that crisis may also open avenues for change. Not only did the G-20 Summit agree on measures to shore up the global economy, it acknowledged the importance of cushioning workers and mandated the ILO to assess that the measures taken are appropriate in terms of enhancing employment and countering negative social effects. The World Bank has set up a Vulnerability Fund and a scheme for Rapid Social Investment, enabling interagency cooperation on the ground. According to the President of the Bank, Robert B. Zoellick, «[...] Keynes ideas, borne out of the opportunity forced by crisis, are still influential today. He and others [...] created the multilateral system that survives which we must remake anew to address the challenges of our era».<sup>9</sup> The International Monetary Fund, which has been granted increased credit lines to rescue collapsing economies, has apparently suspended its tough line on cutting deficits and debt. Such examples may indicate that the global downturn, like former large crisis, can spur coordination and institutional renewal.

*Needed is  
orchestrated  
implementation ...*

*reflection on values ....*

*social protection ....*

*and redressing the  
skewed governance of  
globalization.*

*Crisis entails  
opportunities*

*Signs of change*

*Multilateralism where  
all play from the same  
score*

Addressing the skewed governance of globalization requires that multi-lateral agencies with different mandates and powers are brought together to play from the same score. In this process nations as member states are multi-stakeholders and have to be drivers to break deadlocks by insisting that fragmentation has to end, different issues must be brought to the table and addressed at the same time, and that agencies are held accountable for results. As funders of agencies member states can insist more vocally their demands for concerted action which can simultaneously promote the separate goals of the specialized agencies. For this purpose it is also imperative that the international dialogue be informed by practical experience – not just by arguments based on theories that often are partial and by their sometimes biased assumptions.

*Member-states are multi-stakeholders...*

*and have to be drivers*

*demanding coherence and accountability.*

*Must be based on practical experience*

As a practical matter a first step towards reducing fragmentation can be done by two simple tabulations. The first aims to identify the whole set of labour market related initiatives and measures taken by different agencies. Similar exercises can be done nationally. The aim of the second tabulation is to identify cross-deliveries among agencies. One example is the WHO/ILO collaboration in a common definition of occupational health. Another is the agreement between the International Finance Corporation, the private sector arm of the World Bank, and ILO to collaborate in developing a global program for better standards in global supply chains. Yet another example is IMF's and ILO's programs for promotion of employment growth around the world. An example of agencies which may be at cross purposes is The World Bank's report on the «Ease of doing Business» which ranks countries low that set minimum wages above a quite low standard, set maximum hours of work at levels respecting international labour conventions, or require any advance notice for dismissal or specific procedures for job termination. A simple way to improve coherence and accountability would therefore be to identify in tabular form a range of both positive and negative interactions.

*Mapping of cross-deliveries*

Such tabulations may yield surprising results. First that much more is done to promote decent work globally than is generally known. Secondly the cross-tabulation of interactions between agencies will quickly highlight overlaps and synergies as well as gaps and bones of contention. This would facilitate actions for improving collaboration, setting priorities jointly and holding to account partners that now too often are compartmentalized.

*Simple tools may yield surprising results*

Or put differently: In order to be able to play from the same score, it is necessary to ensure that all are on the same map.

Tabulation 1

Agency	Labour market oriented programs and initiatives	Focus/emphasis
World Bank		
IMF		
ILO		
ECOSOC		
UNCTAD		
WTO		
OECD		
ITUC		
IOE		
.....		
.....		

Tabulation 2

	ILO	WTO	WB	UNICEF	WHO	Etc
ILO						
WTO						
WB						
UNICEF						
WHO						
Etc						

## Endnotes and references

<sup>1</sup> ILO/IILS (2009) *The Financial and Economic Crisis: A Decent Work Response*. Geneva, March 2009. Recent comparisons of similar financial crisis shows that it usually has taken 4–5 years after recovery set in before employment is back to the level it was before the crisis. Source: Reinhardt, C. and K. Rogoff, 2008, 'Is the U.S. Subprime Crisis So Different? An International Historical Comparison', *American Economic Review*, Vol. 98, No.2: 339–344.

<sup>2</sup> For a brief history of ILO, see <http://www.ilo.org/public/english/about/history.htm>. The motivation for establishment of ILO was partly humanitarian (to improve the lot of workers), partly political (addressing the wide-spread fear after the Russian Revolution that the dire post-war social conditions could trigger social unrest and upheaval in other countries as well), partly economic (not allowing laggards in worker protection set the standard for all), and finally social (strengthening the societal role of workers as a payback for their contributions to the Great War).

<sup>3</sup> In 1998, the Member States adopted the ILO Declaration on Fundamental Labour Principles and Rights, which built on key ILO Conventions and defined a body of unalienable «core labour standards». These comprised Freedom of association and the effective recognition of the right to collective bargaining; The elimination of all forms of forced or compulsory labour; Effective abolition of child labour; The elimination of discrimination for employment and occupation (Conventions 87, 98, 29, 105, 100, 111, 138, 182). [http://www.ilo.org/dyn/-declaris/DeclarationWeb\\_IndexPage](http://www.ilo.org/dyn/-declaris/DeclarationWeb_IndexPage). In 1999, the ILO Conference embraced the concept Decent Work, emphasizing the need to apply a more comprehensive approach to improve conditions in the emerging global labour market.

<sup>4</sup> Stinchcombe, *Constructing Social Theories* (Chicago: University of Chicago Press, [1968] 1987), p.107–108.

<sup>5</sup> When the pound sterling started to slide relative to the euro after 2007, it triggered concerns among other EU members that the UK was seeking an unfair competitive advantage. Hence Lorenzo B. Smaghi, a member of Executive Board of the European Central Bank, reminded EU states outside the euro-zone «that they had to treat their exchange rates as a 'matter of common interest', as stated in Article 124 of the EU treaties». He added: «The question arises whether the single market can function smoothly when the exchange rate is allowed – or even encouraged – to depreciate sharply». *Financial Times*, April 8, 2009. For a simple exposition see also <http://rapidrevision.co.uk/economics-student/2009/03/14/currency-wars-competitive-depreciations/>.

<sup>6</sup> It is interesting that the preamble to the constitution of ILO makes this point: «the failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries». See <http://www.ilo.org/ilolex/english/iloconst.htm>

<sup>7</sup> A study by David Vogel and Robert A. Kagan, «National Regulations in a Global Economy,» (2002) <http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1001&context=uciaspubs/editedvolumes>) concludes: «The evidence presented in this volume weighs heavily against the notion that globalization induces a general regulatory race to the bottom, compelling nations to relax their regulatory standards in order to become or remain economically competitive. In most of the several regulatory fields discussed in these chapters, the direction of regulatory policy has been towards greater stringency, toward the standards of regulatory leaders.» However, the authors point to «some notable exceptions – shipping regulations, fisheries conservation, labour standards, and waste disposal.» (p. 21).

<sup>8</sup> The text of *Codex Alimentarius* is developed and maintained by the *Codex Alimentarius Commission*, first established in 1963 by FAO and WHO to protect the health of consumers and ensure fair practices in international trade. In principle this Codex covers all foods and also general standards on food labeling, hygiene, additives and residues of pesticides as well as guidelines for export and import inspection.

<sup>9</sup> 'Seizing the Opportunity from Crisis: Making Multilateralism Work', Robert B Zoellick, President of the World Bank Group, Thomson Reuter Building, London, March 31, 2009.

## From Financial Crisis towards a Coherent Agenda for Decent Work and Sustainable Globalization

This report sketches the background, elements, and main challenges of the DWA, based on the Fafo-report *Pathways to Decent Work in the Global Economy*, which was presented at the conference 'Decent Work – A Key to Social Justice for a Fair Globalisation' in Oslo 5 September 2008. Focusing on the need for greater coherence, it identifies sources of incoherence in developing and pursuing a common agenda to overcome the crisis and promote decent work. Arguing next that different international agencies are embedded theories, so to speak, it addresses what is called errors of two kinds: One is violation of fundamental rights used to gain a comparative advantage, the other using labour standards for protectionist purposes. Finally some possible avenues for action are identified.



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Fafo-report 2009:25  
ISBN 978-82-7422-683-8  
ISSN 0801-6143  
Order no. 20115