Background Report
2011 International Forum on Economic Globalization and Trade Unions

Transforming the Economic Development Pattern · Workers’ Capacity Building

Decent Work and Social Security

International Trade Union Forum
April 27-28, 2011
Transforming the Economic Development Pattern · Workers’ Capacity Building

Decent Work and Social Security

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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ACFTU</td>
<td>All-China Federation of Trade Unions</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<td>APLN</td>
<td>Asia-Pacific Labour Network</td>
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<tr>
<td>BEA</td>
<td>US Bureau of Economic Analysis</td>
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<tr>
<td>CDM</td>
<td>Clean Development Mechanism</td>
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<tr>
<td>CEDEFOP</td>
<td>European Centre for the Development of Vocational Training</td>
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<tr>
<td>COSATU</td>
<td>Congress of South African Trade Unions</td>
</tr>
<tr>
<td>DB</td>
<td>Defined Benefit (Plan)</td>
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<tr>
<td>DC</td>
<td>Defined Contribution (Plan)</td>
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<tr>
<td>DWA</td>
<td>Decent Work Agenda</td>
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<tr>
<td>EAP</td>
<td>Employee Assistance Programme</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>EGFSN</td>
<td>Expert Group on Future Skills Needs</td>
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<tr>
<td>EI</td>
<td>Education International</td>
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<tr>
<td>EIU</td>
<td>Economist Intelligence Unit</td>
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<td>ESF</td>
<td>European Social Fund</td>
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<td>ETUC</td>
<td>European Trade Union Confederation</td>
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<tr>
<td>EUEC</td>
<td>European Union Education Council</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FEDUSA</td>
<td>Federation of Unions of South Africa</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HRDWG</td>
<td>Human Resources Development Working Group</td>
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<tr>
<td>ICFTU</td>
<td>International Confederation of Free Trade Unions</td>
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<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IEA</td>
<td>International Energy Agency</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<tr>
<td>MOSALVY</td>
<td>Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation</td>
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<tr>
<td>OATUU</td>
<td>Organisation of African Trade Union Unity</td>
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<tr>
<td>OECD</td>
<td>Organisation of Economic Cooperation and Development</td>
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<tr>
<td>PSR</td>
<td>Potential Support Ratio</td>
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<tr>
<td>SDR</td>
<td>Special Drawing Right</td>
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<td>SIYB</td>
<td>Start and Improve Your Business</td>
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<tr>
<td>SPF</td>
<td>Social Protection Floor</td>
</tr>
<tr>
<td>SYB</td>
<td>Start Your Business</td>
</tr>
<tr>
<td>TVET</td>
<td>Technical and Vocational Education and Training</td>
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<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
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<tr>
<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organisation</td>
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<tr>
<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>WFTU</td>
<td>World Federation of Trade Unions</td>
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<tr>
<td>WRF</td>
<td>World Rehabilitation Fund</td>
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<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
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Foreword

A global economic recovery is now well under way, reinforced by the strong rebound in some of the emerging markets. Economic globalization has been geared towards the path of “rebalancing” and, given that the concept of inclusive growth has been gradually accepted by most countries, the development model of a low-carbon, environmentally friendly and green economy driven by the new technological revolution has moved to the top of the agenda. The global financial crisis triggered by the US sub-prime mortgage crunch seems to have faded from the public horizon.

Nonetheless, the impact of the global financial turmoil is far from over as the sovereign debt crisis in the developed world is spreading, the capital bubbles and inflation pressure in the emerging economies still loom large, trade protectionism around the world is heating up, unemployment rates stay sky high and global poverty continues to worsen. Potential factors in a new round of economic downturn remain: poverty disparity, energy shortages, environmental degradation, climate change, food crisis, drastic price turbulence of major international commodities and currency exchange rates, to name a few. Social unrest and the political shake-up caused by economic recession have swept through some countries and are in the process of escalating in others.

In addition, employment, income, poverty and other concerns related to workers’ rights and interests continue to be issues in the climate of economic growth, and the pursuit of decent work is still confronted with daunting challenges. Working people, as the producers of social wealth, can hardly escape the fate of being victimized in times of crisis and they are always those first and worst hit. In the midst of the financial crisis, unemployment and poverty have plagued their lives, while in the aftermath of the crisis, the uncertainties of future economic and social development will continue to put their livelihoods at stake and plunge them into a scenario of helplessness.

All these issues are enough to stimulate our thought processes: in the post-crisis era, what sort of economic development models do we need to promote? What kind of globalization do we wish to achieve? How can trade unions perform their role as the safeguard of workers’ interests, protect their rights and interests in practice, take proactive and preventive measures and devote themselves to their long-term well-being? In view of this state of affairs, this year’s International Forum on Economic Globalization and Trade Unions calls for the transformation of economic growth models towards sustainable, quality and balanced development, centring on two main topics – workers’ capacity-building, and social security development – for discussion and exploration by the international labour movement.
Chapter 1 Transforming the Economic Development Pattern in the Post-Crisis Era

1.1 Rebalancing: A Buzzword in the Post-Crisis Era

We are entering a post-financial-crisis era. Economic globalization is deepening, the international economic order is diversifying, developing nations are demanding a bigger say, and new forums for international coordination are emerging. The world economy is in the midst of "rebalancing", at the core of which is the new-found equilibrium between Asia and the developed world of North America and Europe. The rebalancing is also reflected in the more coordinated development of the virtual economy with the real economy, shifts in the international division of labour, changes in the distribution of industrial centres, and the looming restructuring of both the manufacturing and financial sectors.

1.1.1 The Role of Emerging Economies in Driving Global Growth

The world economy is recovering from the financial crisis, with developing countries leading the way. However, recovery in the US and other advanced economies is still fragile and a sovereign debt crisis is spreading from Greece to other parts of Europe. This casts a shadow over the prospects for the sustained recovery of advanced economies and creates new uncertainties for the world economy as a whole. Developed and developing economies are taking on new aspects, new centres of growth are emerging, and shifts are under way in the global division of labour and countries’ influence over world affairs.

More Contribution from Emerging Economies

With their economies only slowly beginning to recover, Europe and North America’s contributions to global growth are diminishing. Growth is now mainly driven by the emerging market economies, especially the BRIC countries (Brazil, Russia, India and China). The growth rates of emerging markets have far exceeded those of advanced economies and the world as a whole (see Figures 1.1 and 1.2). Take the third quarter of 2010, for example. China and India’s gross domestic product (GDP) grew by 9.6 and 8.9 per cent respectively; thanks to sound economic fundamentals and rising income from commodity exports. Brazil’s grew by 6.7 per cent, and Russia’s by a more moderate 2.7 per cent, a rate that was nonetheless much higher than in many advanced economies. The more independent and home-driven nature of growth in these emerging economies is part of a series of quiet changes in the world economy.
The emerging economies are expected to maintain fast growth in 2011. In its *World Economic Outlook* report released in October 2010, the International Monetary Fund (IMF) forecast that emerging and developing economies are likely to grow by 7.1 and 6.4 per cent in 2010 and 2011 respectively. According to the report, emerging economies in Asia are projected to grow by 9.2 and 7.9 per cent in 2010 and 2011, faster than any other regions in the world; Latin America and the Caribbean will see strong growth rates of 5.7 and 4 per cent; and emerging economies in eastern Europe will also see decent rates of growth of 3.7 and 3.1 per cent (see Table 1.1).

Table 1.1 Projected growth rates (%) of emerging economies and advanced economies in 2010 and 2011
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<tr>
<td><strong>Advanced economies</strong></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>United States</td>
<td>3.3</td>
<td>2.6</td>
<td>2.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Eurozone</td>
<td>0.7</td>
<td>1.7</td>
<td>1.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Japan</td>
<td>2.5</td>
<td>2.8</td>
<td>2.1</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>BRIC countries</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>China</td>
<td>9.5</td>
<td>10.5</td>
<td>8.5</td>
<td>9.6</td>
</tr>
<tr>
<td>Brazil</td>
<td>6.4</td>
<td>7.5</td>
<td>4.5</td>
<td>4.1</td>
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<tr>
<td>Russia</td>
<td>4.5</td>
<td>4.0</td>
<td>4.8</td>
<td>4.3</td>
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<tr>
<td>India</td>
<td>8.3</td>
<td>9.7</td>
<td>8.6</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>Other emerging economies</strong></td>
<td></td>
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</tr>
<tr>
<td>South Africa</td>
<td>3.1</td>
<td>3.0</td>
<td>3.4</td>
<td>3.5</td>
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<tr>
<td>Mexico</td>
<td>4.3</td>
<td>5.0</td>
<td>4.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Turkey</td>
<td>6.3</td>
<td>7.8</td>
<td>4.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Argentina</td>
<td>4.8</td>
<td>7.5</td>
<td>3.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5.9</td>
<td>6.0</td>
<td>6.2</td>
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The rapid and sustained growth of emerging economies has not only energized the world economy but also changed the direction of international capital flows. While much capital fled developing countries during the crisis, some has returned since 2009. Net capital flows to Asia in 2009 reached 35 billion dollars and this figure was expected to rise further in 2010, fuelling stock and property bubbles in emerging Asian markets. BRIC countries generally saw bullish stock markets in 2009: the Mumbai Sensex index surged by 81 per cent; the Sao Paulo Ibovespa index by 82.7 per cent; and the Russian RTS index by 128.8 per cent. Stock markets in other emerging economies, such as Indonesia, the Philippines, Thailand, Vietnam and Argentina, all jumped by over 60 per cent – the Dow Jones index increased by only 18.8 per cent in the same period. The emerging economies, therefore, face the challenge of balancing asset price bubbles and economic growth, and their future growth will gradually return to trend levels.

**Weak Recovery in the United States**

The sub-prime mortgage crisis, which started in early 2007, soon turned into a balance-sheet crisis, hitting the entire US financial system. By the end of the year, the US real economy was in deep recession. Seeing this, the government implemented an unprecedented stimulus package, and the US economy began to show signs of stabilization in 2009, thanks in part to the rapid recovery of emerging economies and improvement of the global environment. The latest figures published by the US Bureau of Economic Analysis (BEA) show that the GDP registered an annualized increase of 1.7 per cent in the second quarter of 2010, the fourth consecutive quarterly

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expansion since the third quarter of 2009. The economy seems to be recovering.

However, according to a report released by the US Department of Labor on August 6th 2010, the unemployment rate in non-farming sectors did not budge at all in July from the June figure of 9.5 per cent. Besides, fiscal debt in the United States, currently more than 10 trillion dollars, is the highest in the world. It seems that as the world economy recovers, external imbalance is coming back to the United States. Under the pressures of high unemployment and dual (fiscal and trade) deficits, the US recovery is rather fragile and economic growth is unlikely to return to pre-crisis levels any time soon (see Figure 1.3).

![Figure 1.3 GDP growth rate, nominal GDP, national debt, debt ratio and unemployment rate in the United States 1980-2010](http://www.bea.gov)

**Looming Debt Crisis in Europe**

EU and eurozone economies have also shown varying degrees of recovery. According to Eurostat figures, they experienced a stronger-than-expected quarterly growth of 0.2 per cent in the first quarter of 2010. Preliminary statistics released by Eurostat on August 13th 2010 showed a further 1 per cent growth in the second quarter. In particular, Germany registered 2.2 per cent growth, the largest quarterly increase in 20 years. All of this points to an upturn in the European economy.

However, European recovery must also pass the test of the looming sovereign debt crisis. On April 27th 2010, Standard & Poor’s downgraded the credit rating of Greece

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6 Refers mainly to international trade deficit.

to “junk” status, drawing attention to the debt problem in Europe, especially in the so-called PIIGS countries, which comprise Portugal, Ireland, Italy and Spain as well as Greece (see Figure 1.4). In 2009, fiscal deficit as a share of GDP in Ireland, Spain and Portugal amounted to 14.3, 11.2 and 9.4 per cent respectively, whereas public debt as a share of GDP in Italy was as high as 115.8 per cent (see Figure 1.5). Faced with the challenge of re-establishing fiscal discipline, Europe may have to start with some fiscal belt-tightening. At any rate, the significant uncertainty in Europe’s economic outlook has given rise to greater concern about a “double dip” in the world economy.

Figure 1.4 Overall debt levels in Greece, Ireland, Italy, Portugal and Spain 1995-2010

Figure 1.5 Debt-to-GDP ratio in Greece, Ireland, Italy, Portugal and Spain 1995-2010


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1.1.2 From Global Imbalances to Changes in the International Division of Labour

The global financial crisis is the result of the build-up of global economic imbalances. All financial crises in human history could be attributed to changes in the global economic landscape. Yet every time, humankind adapted and found a solution. The current crisis will, like previous ones, have a far-reaching impact on the international distribution of labour. As the world turns to correcting the imbalances, changes to the international division of labour will be key to the “rebalancing” process.

Global Trade Imbalance: Poor Producers and Rich Consumers

The current global production system – from manufacturing to marketing to the allocation of economic benefits – emerged after the end of World War Two. It is the result of mushrooming foreign direct investment (FDI) and accelerated shifts of global industries, and rests on the availability of key factors of production and resources to each country. This globalized production system features a new pattern of international trade, which is substantially different from previous arrangements in terms of product structure, trade methods, trade flows, trading entities, allocation of benefits, etc.

The trade surplus or deficit of an economy is determined by its place in the global production system and trade pattern. Emerging countries, which are the leading manufacturers and resource suppliers in the global industrial chain, often run trade surpluses; advanced economies, which are undergoing a phase of “de-manufacturization”, are the primary consumers of global goods and therefore tend to run large trade deficits (see Figure 1.6). The financial and economic crisis forces both to re-examine the production-consumption pattern of the past few decades: Can this unbalanced situation, where developing nations export primary goods to developed ones, sustain itself? If some kind of change is required, how will different nations readjust their economic benefits and who is to pay for the costs of change?

Figure 1.6 Net exports of leading economies 1995-2010
Value Chain Imbalance: The Smiling Curve

The imbalance in the value chain is a contributing factor to the global trade imbalance. For decades, developed countries have occupied the higher end of the industrial chain, leaving developing countries to settle at the lower end. This is manifested in the different types of goods that developed and developing countries export (see Figure 1.7). In the industrial process, added value is higher at the two ends (research and development, and marketing) and lower in the middle part (production), hence the “smiling curve” (see Figure 1.8). The higher end often takes up 90-95 per cent of the profit, whereas the lower end is left with only 5-10 per cent. Lacking control of core technologies, developing countries can only engage in manufacturing and processing, which require a substantial input of key factors of production as well as labour. Their products are often sold at depressed prices and their workers have less protection. Developed countries control the core research and development and marketing processes. With the help of technological barriers, they have long occupied the most profitable part of the value chain.

With the rise in their economic strength, developing nations have realized that the enviable position of being at the bottom of the smiling curve will hinder the sustainability of their development. Equally unsustainable is the attempt to trade resources, markets and labour for technology. They have realized that to stop being others’ “factory floor”, they have to combine their resources, markets and labour pool and upgrade their industries – in short, move up the value chain. The financial crisis offers them an opportunity to do just this. To make the leap, it is crucial to nurture knowledge and improve the educational level and innovation capability of their workers. It is also important to find a way to adjust their industrial structure.

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The Quest for Core Competitiveness in the International Division of Labour

Developed economies would prefer to keep the existing division of labour, but at the same time they are building new industrial chains to sustain growth. Europe and North America are moving to position themselves better in the new energy revolution and building a more advanced, competitive and future-oriented infrastructure, with a view to reigniting their economic engine, recapturing control of the global economy and reshaping the international division of labour. They have also formulated strategies to reorient their economies, revamp manufacturing industries and consolidate the real economy. Whether these efforts will succeed or not, they will affect the manufacturing and financial sectors in every country and prompt shifts in industrial centres and their global distribution (see Box 1.1).

New energy and environmental industries will likely shape the global industrial transformation and upgrading. Many western advanced countries have increased spending on research and development in these sectors and worked to commercialize them (see Figure 1.9). In doing so, they hope to dominate the global industrial adjustment and ignite the new round of global growth.
As the main players in the global economy, western advanced countries will dominate technological innovation, high and new technologies and the international division of labour for a long time to come. While making great efforts to develop new energy, environmental and other green industries and using low-carbon technology to upgrade traditional industries, they will likely retain their advantages in financial, insurance, information, science and technology, legal, consulting and other modern services. However, this does not mean that developing countries will be permanently condemned to the lower end of the value chain. As emerging economies expand, industries will relocate to those developing countries with large market potential and greater dynamism, which can then transform or upgrade these industries and reap “latecomer’s benefits”. Through a process of both economic integration and competition, which will take place in different tiers and different directions, what will emerge will be a more complex division of labour.
Many countries have set their sights on emerging industries in the post-crisis era.

In the United States, the Obama Administration has focused on research, development and industrialization of new energy, stem cells, aviation and space, and broadband networks. The strategy is to use the new energy revolution to transform the industrial system and spur a new round of economic, technological, environmental and social change.

In Japan, emphasis has been placed on the commercial space market, the application of information technology, new vehicles, low-carbon industries, medical and nursing care, new energy (especially solar energy) and other emerging industries. The government has put together and implemented a strategy called “Innovation 25”, which will shape Japan’s economic development and science and technology policy long into the future.

To overcome the recession, the British government has launched a green recovery plan to manufacture electric and hybrid cars on a large scale, hoping that a low-carbon focus will lift the country out of economic malaise.

The German government has approved a 500 million euro budget for research and development on electric cars. The initiative will support three research partners (including Mercedes Benz) in starting industrial production of lithium cells in 2011 so as to spur development of the electric car industry.

The Republic of Korea has adopted New Growth Engine Industries Development Vision and Strategies, which identified 17 emerging industries (under the three umbrellas of green technology, integration of cutting-edge industries and high value-added services) as new sources of growth.

On November 3rd 2009, the Chinese government identified information networks as the “locomotive” of strategic emerging industries, highlighting its crucial role in the transformation of economic development patterns and adjustment of the economic structure.

In sum, the international financial crisis has changed the attitude of advanced countries, especially the United States, to the service and financial sectors, in favour of the real economy. Chastened by the crisis, these countries have pinned their hopes on the emerging industries as the engine of future economic growth.


1.1.3 The New Premier Forum for International Economic Cooperation

In the wake of the financial crisis, the economic weight has shifted from developed countries to developing ones, prompting adjustments to the international division of labour. However, a new platform for international economic cooperation has yet to emerge that reflects this new economic reality. There is also the urgent need to enlarge the role and voice of emerging markets in international economic decision-making.

From G8 to G20

The focus of the world economy has shifted from the creation to the allocation of
benefits. In this context, a country’s share of economic benefits is often a function of its economic strength and external dependence. Although individual developing countries rely on the developed world for development, it is evident that the latter (including the United States) also relies on the developing world as a whole for external demand. Thus, for the sake of more effective international economic cooperation, it is imperative to reform the current international institutions so that they are no longer under the control of developed countries and will better reflect the collective aspirations and concerns of developing countries.

Before the birth of G20 summits, international economic coordination mainly took place in the World Trade Organization (WTO), the International Monetary Fund (IMF) and the World Bank. Following the collapse of the Bretton Woods system in the 1970s, the G7 – which became G8 after Russia joined the club – played an important coordinating role. However, its role has been on the wane as the influence of emerging markets has grown in recent years.

The international financial crisis hastened this process. During the crisis, G20 leaders met three times in Washington, London and Pittsburgh to discuss and prepare an international response. At the Pittsburgh summit, the G20 was designated “the premier forum for international economic cooperation”. This marked the birth of a new mechanism for international economic coordination, one that recognizes the role of developing nations and pursues win-win results. At the fourth G20 summit, held in Toronto on June 27th 2010, Chinese President Hu Jintao stressed the need to “turn the G20 from an effective mechanism to counter the international financial crisis to a premier platform for advancing international economic cooperation… We need to take a longer-term perspective and shift the focus of the G20 from coordinating stimulus measures to coordinating growth, from addressing short-term contingencies to promoting long-term governance, and from passive response to proactive planning,” outlining the goal and role of economic cooperation. The summit issued the Toronto Declaration, calling for further action to promote strong, sustainable and balanced growth of the world economy – a clear demonstration of its crucial role in the post-crisis world.

The Growing Voice of Developing Countries

Apart from making themselves heard in G20 summits, developing countries also sought to increase their voice in international institutions.

The G20 Pittsburgh summit in September 2009 decided to increase the IMF quota share of emerging markets by at least 5 per cent from the current 43 per cent. Their voting power in the World Bank was to rise by at least 3 per cent. When the IMF boosted its capital in 2009, China announced an increase of 10.4 billion dollars in special drawing right (SDR) holdings. In September, China announced that it would purchase up to 50 billion dollars of IMF bonds, one of the first countries to do so. Thus, emerging countries have seen increases in their quota share and voting power in

various international institutions.

Emerging economies have also seen more of their nationals in senior management positions of important international financial institutions, which increased their say in the international financial system. After Justin Yifu Lin became Vice President and Chief Economist of the World Bank, Zhu Min, a former Deputy Governor of the People’s Bank of China, was appointed special adviser to the IMF Managing Director. This has positive significance for improving the international monetary system and raising the profile of emerging economies (see Box 1.2).

**Box 1.2**

**IMF Reform and the Voice of Developing Countries**

IMF reform covers many areas: from the value and functions of the institution to its governance structure and working methods, from strategic decision-making to personnel management. However, it can be summarized in three words: legitimacy, accountability and effectiveness.

**Legitimacy.** This addresses value-related questions such as: Does the existence of the IMF promote international equity and justice? The establishment of the IMF was an example of international cooperation, but it also reflected divergent national interests and an attempt at global governance. In its 60-year existence, the IMF has played an instrumental role in maintaining the international financial order and promoting world economic development. However, the current arrangement – under which member countries’ rights are linked to their quota shares – is neither scientific nor dynamic. It gives developed countries considerable decision-making power at the expense of developing countries: even rapidly emerging economic powers hardly have their due place. To prove its relevance, it is important for the IMF to better promote international equity and justice.

**Accountability.** This addresses institutional issues such as the specification of functions and the monitoring and response mechanisms. Under the Bretton Woods system, the main functions of the IMF were to maintain exchange rate stability among member countries, consult them on their exchange rate when there is “fundamental misalignment” in their balance of international payments, and provide liquidity support to members when necessary. Under the so-called Jamaica system, the main role of the IMF is to maintain the stability of the international financial system and mediate in negotiations between international creditors and debtors. Over the years, however, many issues have cropped up regarding its operation: Should the IMF focus more on national policies or systemic issues? How can the IMF enhance its early warning function? Is it appropriate for the IMF to affix conditions to its loans? Whom should the IMF be accountable to, and how can it be held to account?

**Effectiveness.** This addresses operational issues relating to the IMF’s governance structure, such as institutional setup and personnel management. At present, the IMF comprises the Board of Governors, the International Monetary and Financial Committee (IMFC), the Executive Board, the management team and a number of professional service providers. The key questions with respect to the IMF’s governance structure that are under discussion include the following: Should the IMF set up a ministerial committee to enhance strategic decision-making? How to create an effective liaison mechanism between the IMFC and the Board of Governors? How to reform the method to select Executive Directors, the Managing Director and the senior management team?

Source: Yan Rong, “Three Key Words of IMF Reform”, *Study Times*, June 8th 2010, p. 5.

**1.1.4 Inclusive Growth: A Priority on the Rebalancing Agenda**
The “rebalancing” agenda seeks to resolve contradictions (for example, in growth structure, trade and the financial system) built up in the world economy over decades through a process of international consultation, coordination and cooperation, and to promote steady and balanced growth of the world economy. This requires adjustments to many long-term and fundamental global arrangements. To make it happen, countries need to work together over long periods to share responsibilities as well as benefits.

The Difficult Journey to a Balanced Global Economy

The global “rebalancing” involves redistribution of economic benefits and wealth across national borders. Therefore, it is quite inevitable that countries may prefer different pathways. The bone of contention in the current debate focuses on the global trade imbalance. Western countries, such as in North America and Europe, argue that export-oriented emerging economies should bear the most responsibility for global imbalances. According to this view, it is by boosting exports through holding down their currencies that emerging economies have come to hold massive trade surpluses against the United States and maintain high savings rates but low levels of domestic consumption. Based on this view, North America, Europe, the IMF and some international financial organizations have pressed China and other emerging economies to appreciate their currencies, lower exports and increase domestic consumption.

Proceeding from their own development levels and needs, China and other emerging economies advocate a different approach. They urge developed countries not to shirk their responsibilities for correcting global imbalances and to implement reforms to change their saving/investment ratio, enhance supervision and regulation over the financial sector and cut fiscal deficit. They also ask for a reshaping of the world economy to help all countries achieve balanced growth. Due to differences over exchange rate and trade imbalance, although the international community has, after many international consultations, reached some consensus on promoting sustainable and balanced growth of the world economy, the world has failed to agree on concrete ways to achieve global rebalancing.

From Unilateral Adjustment to Inclusive Growth

As former IMF Chief Economist Olivier Blanchard pointed out, calibrated rebalancing is required both within and across countries if the momentum of recovery is to be sustained. Multi-tiered international cooperation on trade and finance will be key to the global rebalancing effort. If too much emphasis is placed on unilateral adjustment in the current account and trade structure while little attention is given to the more fundamental issues – global economic governance, economic imbalance, transformation of economic development patterns in individual economies, etc. – global rebalancing will become empty talk, and both national economies and the world economy will again slip into the cycle of “prosperity – excessive expansion – collapse – readjustment”. 12

In allocating benefits and responsibilities in the rebalancing process, developed and developing countries must abandon the old-fashioned mentality of “unilateral adjustment”. Big, strong, rich countries should be more accommodating to small, weak, poor countries, and vice versa. All countries must shoulder greater responsibilities so as to resolve the imbalances facing individual economies and allow their people to benefit from economic globalization (see Box 1.3).

On November 15th 2009, Chinese President Hu Jintao spoke on the theme “Meet Challenges Together and Promote Sustainable Development” at the APEC Economic Leaders’ Meeting, stressing that it is important to “follow a holistic approach and advocate inclusive growth”. On September 16th 2010, President Hu gave an address entitled “Deepen Exchanges and Cooperation for Inclusive Growth” to the 5th APEC Human Resources Development Ministerial Meeting, in which he again stressed that it is important to “realize inclusive growth, resolve the social issues emerging from economic development and lay a solid social foundation for trade promotion, investment facilitation and long-term economic development”.

On October 18th 2010, the 5th Plenum of the 17th Central Committee of the Communist Party of China (CCCPC) adopted the Proposal for Formulating the 12th Five-Year Plan for National Economic and Social Development. The Plan stressed that in future, China must focus on speeding up the transformation of the economic development pattern, make development more comprehensive, coordinated and sustainable, promote economic transformation in the course of development and pursue development in the course of economic transformation, and achieve sound and fast economic and social development. The Plan made it clear that to speed up transformation of the economic development pattern, the country must take the strategic restructuring of the economy as the main direction, and scientific and technological progress and innovation as the key support, maintaining and improving the people’s well-being as the fundamental aim, and building a resource-efficient and environmentally friendly society as the focal point.

The main goals for economic and social development listed in the 12th Five-Year Plan are strategic, forward-looking goals that will guide China’s development. Aligned to the major measures adopted to fight the financial crisis, they fully demonstrate the government’s commitment to inclusive growth and its determination to make it a reality in China.

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Box 1.3

Inclusive Growth in the Post-Crisis World

“Inclusive growth” is not a new concept. It was first used by the Asian Development Bank (ADB) in 2007 to remind member countries of the imbalances built up in the course of rapid growth and encourage them to put growth on a freer, more open and equitable footing. ADB coined this phrase both to recognize China’s rapid growth following its entry into the WTO and to highlight the risks of imbalance. “Inclusive growth” stresses the need for all members of society to benefit from economic growth. Its core objective is to eliminate social exclusion of the poor and promote equal opportunity and fair participation.

In November 2009, Chinese President Hu Jintao used this concept in his remarks at the 17th APEC Economic Leaders’ Meeting. This shows that the Chinese leadership was considering incorporating this concept in its policies and actions. Attending the 5th APEC Human Resources Development Ministerial Meeting in September 2010, President Hu went further to include this phrase in the title of his speech: “Deepen Exchanges and Cooperation for Inclusive Growth”.

Zhuang Jian, Chief Economist of ADB’s China Mission, said in an interview that the concept of “inclusive growth” was first proposed by the ADB in 2007 and has since been developed by various international organizations. According to him, “This concept was coined to recognize China’s strong growth after it acceded to the WTO”. Ma Xiaohe, Vice President of the National Development and Reform Commission’s Academy of Macroeconomic Research, emphasized that it is a forward-looking move to reiterate the concept at this time, as it shows the way for China’s economic and social development for the next five, 10 or even 20 years. Deng Yuwen, associate senior editor of the Central Party School’s Study Times, predicted with high confidence that the 12th Five-Year Plan would include this concept and that it would be accepted by more and more people.

Although “inclusive growth” is an economic concept, it is in tune with China’s Scientific Outlook on Development and its vision of building a harmonious society. It is an inherent part of the effort to promote scientific development and social harmony in China. It recognizes that only more comprehensive and balanced development can lead to social progress and rising living standards in tandem with economic growth. The concept has three priorities: balanced growth, equitable growth and comprehensive growth.

“Inclusive growth” also gives more emphasis to “rights”. It reminds us that decent work is a higher level of rights and that it is not merely “protecting basic labour rights and personal rights”. It informs us that full payment of wages is not the same as decent work, because workers in this case only receive low pay for their labour but enjoy neither benefits nor protection, nor any social status or economic voice. This “rights poverty” is what “inclusive growth” seeks to tackle.


1.2 Transformation of Economic Development Pattern: A Challenge of the Post-Crisis Era

Although people may still shudder at the repercussions of the economic crisis, it is the energy and environmental crisis that poses a greater, long-term threat to humankind. The passing of the financial storm allows nations to ponder the relationship between
economic crisis, energy crisis and climate change. The extent to which the new technology revolution can meet the challenges of the post-crisis world depends crucially on whether countries can successfully transform their economic development patterns – an institutional challenge as much as a technological one.

1.2.1 Low-Carbon Economy: The Solution to the Looming Energy Crisis

An energy crisis has loomed over the world since the oil crisis of the 1970s. The second oil crisis in the early 1980s – the result of the Iran-Iraq War – again sent oil prices skyrocketing and dealt a serious blow to developing nations. The Gulf War in 1990 was more like a “war over oil”: oil prices spiked to 40 dollars per barrel, seriously holding back world economic growth. The hovering oil prices since 2009 have even pushed up the prices of coal and natural gas. The International Energy Agency (IEA) pointed out that a new energy crisis may have arrived.\(^{14}\)

The growing energy demand from both developed and developing nations has led to fierce competition for influence in and rapidly rising energy exports from resource-rich regions. Russia, the United States, the European Union (EU) and China are regarded as the significant energy clients, followed by Iran, Japan, the Republic of Korea and India. Russia has tended to consider Central Asia its “energy backyard”. The United States has followed a strategy of maintaining and preferably expanding its energy supply bases in the region, diversifying its energy sources, supporting American petroleum companies in the region, eroding Russia’s and Iran’s advantages, and denying China access to Central Asia’s energy wealth. EU countries now import 40 per cent of their natural gas from Russia, and their gas consumption is rising rapidly. To make matters worse, gas supply to many EU countries has been frequently disrupted in recent years due to disputes between Russia and Ukraine. If current trends continue, the picture of global energy consumption will become very worrisome (see Figure 1.10).

![Figure 1.10 Forecast of world energy use](image_url)

There are two challenges here: due to economic recovery, energy needs in advanced economies are running high; on the other hand, emerging economies are still in the process of industrialization and can hardly cut back energy consumption. To meet these challenges, big energy consumers should expand energy sources, reduce energy consumption per unit of GDP, raise energy efficiency, lower energy cost, cut emissions, and improve the environment. No country can shirk its responsibility to transform its development pattern, namely to break free from the old pattern of energy-intensive development and reduce the consumption of fossil fuels (see Table 1.2).

Table 1.2 Global energy-saving and clean production industries in 2008

<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio of clean energy consumption (%)</th>
<th>Ratio of renewable energy in total energy consumption and emission (%)</th>
<th>Inflammable, renewable energy and waste (tonnes)</th>
<th>Energy consumption per unit GDP ($/kg standard oil)</th>
<th>Per capita electricity use (kWh)</th>
<th>Per capita energy consumption (kg standard oil)</th>
</tr>
</thead>
</table>
| **Developed countries**
| Japan    | 17.1                                 | 1.4                                                          | 7 116.0                                        | 7.5                                          | 8 219.8                       | 4 129.4                                    |
| ROK      | 18.1                                 | 1.1                                                          | 2 434.0                                        | 5.3                                          | 8 063.3                       | 4 482.7                                    |
| Austria  | 9.6                                  | 13.1                                                         | 4 490.0                                        | 8.4                                          | 8 089.9                       | 4 132.5                                    |
| Denmark  | 2.6                                  | 12.9                                                         | 2 707.0                                        | 9.0                                          | 6 863.9                       | 3 849.9                                    |
| Finland  | 18.6                                 | 20.4                                                         | 7 628.0                                        | 4.5                                          | 17 177.4                      | 7 108.5                                    |
| France   | 44.9                                 | 4.4                                                          | 12 082.0                                       | 7.0                                          | 7 812.7                       | 4 444.3                                    |
| Germany  | 13.9                                 | 4.6                                                          | 16 135.0                                       | 7.6                                          | 7 174.1                       | 4 231.3                                    |
| Greece   | 2.5                                  | 3.3                                                          | 1 015.0                                        | 9.3                                          | 5 372.1                       | 2 791.5                                    |
| Italy    | 4.6                                  | 2.6                                                          | 4 828.0                                        | 9.1                                          | 5 754.5                       | 3 124.6                                    |
| Netherlands | 1.5                           | 3.3                                                          | 2 657.0                                        | 7.3                                          | 7 054.8                       | 4 901.2                                    |
| Norway   | 39.6                                 | 5.1                                                          | 1 330.0                                        | 8.6                                          | 24 296.5                      | 5 597.9                                    |
| Portugal | 5.2                                  | 11.9                                                         | 3 016.0                                        | 8.7                                          | 4 799.2                       | 2 402.4                                    |
| Spain    | 13.8                                 | 3.6                                                          | 5 172.0                                        | 8.5                                          | 6 206.4                       | 3 276.7                                    |
| Sweden   | 44.5                                 | 18.5                                                         | 9 464.0                                        | 5.9                                          | 15 231.2                      | 5 650.4                                    |
| Switzerland | 35.9                        | 7.2                                                          | 2 025.0                                        | 9.7                                          | 8 360.4                       | 3 769.8                                    |
| UK       | 8.9                                  | 1.7                                                          | 3 888.0                                        | 8.6                                          | 6 185.1                       | 3 813.7                                    |
| US       | 10.8                                 | 3.4                                                          | 79 619.0                                       | 5.5                                          | 13 581.6                      | 7 778.1                                    |
| **Developing countries**
| China    | 3.0                                  | 12.0                                                         | 225 494.0                                      | 3.2                                          | 2 040.9                       | 1 433.0                                    |
| Indonesia| 3.7                                  | 29.2                                                         | 52 340.0                                       | 4.2                                          | 529.7                         | 802.9                                      |
| Vietnam  | 3.9                                  | 46.4                                                         | 24 240.0                                       | 3.7                                          | 597.7                         | 621.5                                      |
| Argentina| 7.6                                  | 3.7                                                          | 2 556.0                                        | 6.6                                          | 2 619.9                       | 1 765.7                                    |
| Brazil   | 15.0                                 | 29.6                                                         | 66 413.0                                       | 7.3                                          | 2 072.5                       | 1 191.2                                    |
1.2.2 Climate Change: Common Response Required to Avert Catastrophe

The past few years have produced the most dramatic weather conditions seen in several hundred years, such as the frequent occurrence of El Niño events, causing huge economic losses for countries around the world. Developing countries are often the worst hit due to their weak capacity for handling natural disasters; yet developed countries have not been immune. To control the emissions of greenhouse gases (GHGs) and the adverse impact of climate change, the United Nations Conference on Environment and Development adopted the UN Framework Convention on Climate Change (UNFCCC) in 1992, which proposed to bring down the annual GHG emissions of developed countries to 1990 levels by the end of that decade. In 1997, the second Conference of the Parties to the UNFCCC was held in Japan and the Kyoto Protocol (KP) adopted at the Conference set out GHG emission reduction targets for relevant countries.

Table 1.3 Economic and GHG emission figures of major countries

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP ($1bn)</th>
<th>Energy consumption (million tonne oil equivalent)</th>
<th>CO₂ (million tonnes)</th>
<th>GHG emission reduction targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2006</td>
<td>1990</td>
<td>2006 Change</td>
</tr>
<tr>
<td>United States</td>
<td>13 201.8</td>
<td>2 340.3</td>
<td>5 059.4</td>
<td>5 975.1</td>
</tr>
<tr>
<td>Japan</td>
<td>4 340.1</td>
<td>530.5</td>
<td>1 144.3</td>
<td>1 273.6</td>
</tr>
<tr>
<td>Germany</td>
<td>2 906.7</td>
<td>344.7</td>
<td>980.4</td>
<td>880.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2 345.0</td>
<td>233.9</td>
<td>590.4</td>
<td>557.9</td>
</tr>
<tr>
<td>France</td>
<td>2 230.7</td>
<td>276.0</td>
<td>395.6</td>
<td>408.7</td>
</tr>
<tr>
<td>Italy</td>
<td>1 844.7</td>
<td>185.2</td>
<td>399.3</td>
<td>448.0</td>
</tr>
<tr>
<td>Canada</td>
<td>1 251.5</td>
<td>272.0</td>
<td>456.0</td>
<td>560.4</td>
</tr>
<tr>
<td>Russia</td>
<td>986.9</td>
<td>646.7</td>
<td>2 496.3</td>
<td>1 577.7</td>
</tr>
<tr>
<td>Australia</td>
<td>768.2</td>
<td>122.0</td>
<td>277.9</td>
<td>390.4</td>
</tr>
<tr>
<td>China</td>
<td>2 668.1</td>
<td>1 717.2</td>
<td>2 414.4</td>
<td>6 103.5</td>
</tr>
</tbody>
</table>

India 906.3 537.3 690.6 1,510.4 118.70%
Brazil 1,068 209.5 208.8 352.5 68.80%
South Africa 255.0 127.6 333.6 414.7 24.30%
ROK 888.0 213.8 241.6 475.3 96.70%
Mexico 839.2 176.5 384.7 436.2 13.40%

Sources: United Nations; World Bank; IEA.\textsuperscript{15}

However, more than two decades have passed since the adoption of the UNFCCC and the reality is falling woefully short of the targets (see Table 1.3). Rather than being cut, carbon emissions in many developed countries have increased, rendering little hope for attaining the targets set out in the Kyoto Protocol. The GDP figures of developing countries change with their energy consumption levels. Some of them, which have enjoyed relatively fast economic growth, have seen fairly big increases in carbon emissions as well (see Table 1.4). Changes in carbon emission figures also have to do with a country’s economic level during the base period. According to UN statistics, low-income countries which experienced rapid economic growth in the 1990s have seen their emissions grow by several or even dozens of times from the 1990 levels.

Table 1.4 Average annual change (%) in carbon emission figures of major countries 1981-2008

<table>
<thead>
<tr>
<th>Developed countries</th>
<th>Industrial CO\textsubscript{2} emissions per dollar GDP (kg)</th>
<th>Industrial CO\textsubscript{2} emissions (1,000 tonnes)</th>
<th>Per capita industrial CO\textsubscript{2} emissions (tonnes per person)</th>
<th>Share of CO\textsubscript{2} emissions from solid fuel (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>-0.85</td>
<td>1.35</td>
<td>1.00</td>
<td>1.35</td>
</tr>
<tr>
<td>ROK</td>
<td>-1.31</td>
<td>5.54</td>
<td>4.57</td>
<td>0.55</td>
</tr>
<tr>
<td>Austria</td>
<td>-1.10</td>
<td>1.22</td>
<td>0.86</td>
<td>-0.53</td>
</tr>
<tr>
<td>Denmark</td>
<td>-2.33</td>
<td>-0.15</td>
<td>-0.38</td>
<td>-0.54</td>
</tr>
<tr>
<td>Finland</td>
<td>-1.72</td>
<td>0.71</td>
<td>0.34</td>
<td>0.56</td>
</tr>
<tr>
<td>France</td>
<td>-2.58</td>
<td>-0.48</td>
<td>-0.97</td>
<td>-1.91</td>
</tr>
<tr>
<td>Germany</td>
<td>-2.94</td>
<td>-1.08</td>
<td>-1.28</td>
<td>11.77</td>
</tr>
<tr>
<td>Greece</td>
<td>0.54</td>
<td>2.74</td>
<td>2.18</td>
<td>1.25</td>
</tr>
<tr>
<td>Italy</td>
<td>-0.92</td>
<td>0.93</td>
<td>0.77</td>
<td>0.87</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-2.70</td>
<td>-0.23</td>
<td>-0.79</td>
<td>4.75</td>
</tr>
<tr>
<td>Norway</td>
<td>-0.46</td>
<td>2.58</td>
<td>2.07</td>
<td>-2.06</td>
</tr>
<tr>
<td>Portugal</td>
<td>1.30</td>
<td>4.03</td>
<td>3.74</td>
<td>12.85</td>
</tr>
<tr>
<td>Spain</td>
<td>-0.73</td>
<td>2.39</td>
<td>1.79</td>
<td>-0.56</td>
</tr>
<tr>
<td>Sweden</td>
<td>-3.41</td>
<td>-1.15</td>
<td>-1.48</td>
<td>4.70</td>
</tr>
<tr>
<td>Switzerland</td>
<td>-1.27</td>
<td>0.37</td>
<td>-0.28</td>
<td>-3.84</td>
</tr>
</tbody>
</table>

United Kingdom -2.69 -0.03 -0.31 -1.64
United States -1.88 1.13 0.07 0.43

Developing countries

<table>
<thead>
<tr>
<th>Country</th>
<th>1.37</th>
<th>6.65</th>
<th>5.00</th>
<th>19.99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>2.59</td>
<td>8.27</td>
<td>6.50</td>
<td>-2.42</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0.05</td>
<td>1.85</td>
<td>0.55</td>
<td>0.04</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.33</td>
<td>2.86</td>
<td>1.16</td>
<td>1.65</td>
</tr>
<tr>
<td>Brazil</td>
<td>-0.44</td>
<td>4.50</td>
<td>2.94</td>
<td>1.52</td>
</tr>
<tr>
<td>Chile</td>
<td>-0.82</td>
<td>1.39</td>
<td>-0.28</td>
<td>4.17</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.86</td>
<td>5.54</td>
<td>3.28</td>
<td>-0.82</td>
</tr>
<tr>
<td>Egypt</td>
<td>-0.06</td>
<td>5.69</td>
<td>3.77</td>
<td>-0.10</td>
</tr>
<tr>
<td>India</td>
<td>0.91</td>
<td>5.95</td>
<td>3.33</td>
<td>1.19</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.11</td>
<td>2.07</td>
<td>-0.06</td>
<td>0.06</td>
</tr>
</tbody>
</table>


The positions taken by different countries began to diverge over the past decade or so. Worried about the threat of rising sea levels, the Alliance of Small Island States subscribes to the emission reduction plans put forward by the European Union. Some less developed countries are more concerned about adaptation and hope to get more financial compensation. Brazil has been active in international climate change negotiations and offered to cut emissions mainly by reducing deforestation in the Amazon region and the burning of savannah. India refuses any legally binding emission reduction targets. And OPEC member States have stressed economic and social development and opposed imposing emission cut obligations on developing countries for fear of undermining their own interests. If the world fails to find an effective model of low-carbon growth just because countries have different situations and interests, the prospects for sustainable economic growth will be indeed worrying, and the Copenhagen conference on climate change, which hardly produced any results, was just one stark reminder.

At the Cancun conference in 2010, the situation at one point looked very bleak when Japan and other developed countries back-pedalled from their previous positions and rejected the idea of a second commitment period of the *Kyoto Protocol*. Thanks to the hard work of the BASIC countries, namely Brazil, South Africa, India and China, as well as other developing countries, which engaged the US and EU representatives in active consultations, the conference finally agreed on two important documents. The UNFCCC, its *Kyoto Protocol* and the Bali Roadmap were upheld, the principle of “common but differentiated responsibilities” was honoured, and initial progress was achieved on adaptation, technology transfer, funding and capacity building. Meanwhile, developing countries have worked hard to fulfil their emission reduction responsibilities during the process of industrialization (see Figure 1.11), which shows that emerging economies have, in a sense, become a formidable force for fighting climate change. It also shows that only through cooperation and a common response from all countries can global climate change be effectively addressed.
1.2.3 New Technology Revolution: Knowledge Dividend or Digital Divide?

The financial crisis has exposed the unsustainable nature of the old economic development model. The world is in need of a new technology revolution which brings new growth points. In fact, in almost every major economic crisis in modern history, it was the ensuing science and technology revolution and the knowledge dividend it created that led the world out of the downturn. The steam engine came into being in the wake of the first world economic crisis in 1788, signalling a new development era for the world economy. The electric revolution, triggered by the 1857 economic crisis, brought the world economy onto a track of fast growth. The 1929 economic crisis was followed by the third technology revolution, which was characterized by breakthroughs in electronics, aerospace and aviation, and nuclear power and opened up a century of high-speed growth. The current global financial crisis, which erupted in 2008, has laid bare serious challenges facing the existing economic growth pattern. Taking into account the need to tackle the energy crisis and climate change, a green revolution looks the most viable solution.

However, as the digital divide has widened the gap between North and South and heightened differences between developed and developing countries, people question whether a technology revolution will bring a knowledge dividend and whom it will benefit. Productivity determines the superstructure. From the perspective of developing countries, a new technology revolution requires new institutions. For one thing, more advanced technologies will invariably lead to a more fine-tuned division of labour, greater economic interconnectedness and deepening economic globalization. This will require a change towards new, efficient regimes for international trade, negotiations and coordination. Yet the fact that the developing countries have long stayed at the lower end of the international industrial chain means that it will be

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difficult for such a change to come. For another, technology advances result in greater productivity. This means the share of labour remuneration in national income should increase. How to innovate in the income distribution pattern and build workers’ capacity so that they will be compatible with the new labour relations is a major issue in developing the future labour market. Developing countries, while aspiring to a knowledge dividend, should work harder to narrow the widening digital divide. Technology import and learning is important, but more important is to reform the institutions of developing countries.

1.2.4 Measuring Economic Development: From GDP to Green GDP

As energy and environmental constraints on economic and social development grow, more and more countries are opting for changing the economic growth pattern as a strategic solution to global climate change and energy security. They are beginning to move away from using growth rate as the single measure of development, working to build an energy-efficient, low-carbon industrial chain, and pursuing green trade and investment. But transforming the economic development pattern is about more than technological changes; it is about changes in mindset and institutions.

Adjusting the Performance Evaluation System Holds the Key

Human economic activities have two sides: the positive side as they create social wealth, and the negative side as they impede social productivity. The current national economic audit system only captures the positive side of economic activities and leaves out the negative side. A GDP-centred approach will encourage people to relentlessly exploit the environment and discharge pollutants, leading to an unsustainable development pattern. Therefore, the economic performance evaluation system must change, which will guide a change in the economic development pattern.

The System of Integrated Environmental and Economic Accounting (SEFA), a handbook published by the UN in 1993, established the idea of Environmental Domestic Product (EDP), or what we call green GDP. The reality is that, due to the inertia of using the old system, deficiencies in the EDP system and lack of interest in some countries, a global green GDP evaluation framework is yet to be put in place.

China began to experiment with green GDP auditing at the start of the 21st century, one of the first developing countries to do so, demonstrating its resolve to change the growth pattern. Statistics from 2005 to 2009 show (see Figure 1.12) that China’s green GDP accounts for about 35 per cent of its nominal GDP; in other words, about 70 per cent of the resources were wasted in economic development. Under a growth model driven by high energy consumption and highly polluting investment, real economic growth is only one third of the GDP figure. What has happened in China is not only typical of the developing world, but also reveals the reality in developed countries.
Build a Low-Carbon Industrial Chain

By improving production processes, the world will move away from the previous highly polluting, low-end and extensive-investment-driven model towards a low-energy-consumption, low-emission and low-pollution industrial and economic system, thus achieving a win-win between economic development on one hand and resources and environmental conservation on the other. Already the low-carbon model has played a major part in the response to the international financial crisis and can only play an even more important role going forward.

A low-carbon industrial chain consists of such emerging sectors as solar and wind power, electricity, energy-efficient buildings and new energy-powered vehicles. It will cover all aspects of economic activities and the key is to readjust economic structure, raise energy efficiency, develop emerging industries and promote a conservation culture. Improving energy and resource efficiency and promoting the development of renewable energy are two basic strategies for countries to develop low-carbon economy and achieve green growth. By shifting to a low-carbon model of economic growth and way of life, humankind will embark on a path of sustainable social development and ecological conservation. At the core of this shift are the innovation of energy and emission reduction technologies, the upgrading of the industrial structure and a fundamental change in people’s understanding of survival and development. In fact, low-carbon has become a catchword and a host of related concepts have sprung up: low-carbon technology, low-carbon development, low-carbon way of life, low-carbon society, low-carbon city, low-carbon world, and so on.\(^\text{17}\)

Low-Carbon Trend in International Trade and Investment

The financial crisis and the subsequent economic downturn have spurred major

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developed economies to overhaul their trade and investment structures. As for developing countries, they are trying to follow a low-carbon growth pattern in the course of industrialization. The trend of low-carbon trade is now gaining momentum throughout the world.18

First, trade in carbon technologies has increased. It costs developed countries five to 20 times more money to cut emissions at home than in developing countries, a major incentive for the former to transfer funding and technology to the latter. The Clean Development Mechanism (CDM) is one such win-win arrangement in which developed countries transfer technology and capital to developing countries. As a major provider on the global CDM market, China offers over 40 per cent of the emission reduction credits annually and the CDM has in turn greatly boosted technology transfer to China.

Second, international trade in carbon emissions has risen. Estimates show that the cost of reducing 1 tonne of carbon dioxide is 234 dollars in Japan, 153 dollars in the US and 198 dollars in Europe, whereas it costs on average no more than a few dozen dollars in developing countries. This huge disparity has resulted in a burgeoning growth in global carbon trade. In 2008, it was valued at 64 billion dollars, equivalent to 2.98 billion tonnes of CO2. It is projected that the figure may rise to 600 billion dollars by 2030, making carbon the most traded good on a global scale.

Third, carbon finance has resulted in international capital flows. Carbon finance refers to all financial activities conducted to curb GHG emissions, including direct investment and financing, carbon index trade and related bank loans. The huge difference in marginal cost for emission reduction among countries means that international capital will naturally flow into countries with relatively low costs. Carbon funds have been set up to facilitate emission cuts. The London and New York Stock Exchanges have introduced securitized carbon emission rights in the form of carbon derivatives and financial instruments. And the European Climate Exchange offers futures and futures options related to emission cuts.

Fourth, the introduction of carbon tariffs is changing the global trade pattern. A number of countries such as Denmark, Finland, the Netherlands, Norway, Italy and Sweden and much of the US and Canada have already begun to levy carbon taxes. National carbon tariffs will impose an extra burden where they are applicable, and without mitigation or compensation measures, will have an adverse impact on energy-intensive sectors by reducing or even destroying their competitiveness in international trade. An international carbon tariff will alter the existing international trade pattern. First, it will change the trade structure: the product mix will change and the share of low-carbon products will grow. Second, it will affect comparative advantage. Carbon taxes will internalize the climate cost, thus reducing or even reversing the comparative advantages of countries and overhauling the current international trade pattern (see Box 1.4).

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Box 1.4
Carbon Tariff and Change in International Trade Pattern

Carbon tax, carbon credit trade and other GHG emission reduction tools may have different impacts on trade. Of these, the carbon tax is the most efficient economic lever. National carbon tax refers to the carbon tariff system adopted by countries in line with international agreements to achieve domestic emission reduction goals. It may reduce the competitiveness of countries in international trade.

An international carbon tariff will change the current trade pattern. Although it does not violate the WTO principle of non-discrimination, it is in reality discriminatory due to the different capacities of countries to cut emissions. Carbon tariffs have become a technical barrier to trade and investment. By levying carbon tariffs, Europe and the US will import less from countries with fewer emission cuts and curb the outsourcing of their own companies. This may reduce foreign investment going into developing countries. On top of this, developing countries will have to meet higher environmental and technological requirements when investing in the US and Europe. As companies from developing countries often have low levels of technological and environmental standards, they face stern challenges in investing abroad.

Protectionist measures will be pursued under the pretext of green development. Developed countries will use the international carbon tariff to realize their own interests. By imposing a carbon tax, they force developing countries to reconcile with quantified emission reductions. The EU and Japan have developed advanced environmental and energy technologies and industries, and the dissemination of such technologies and products will bring enormous profits. Carbon requirements will become a new obstacle to the exports of developing countries, as western consumers often prefer low-carbon products and developed countries will use their technological advantage to impose green trade barriers. Environmental protection articles, which have already appeared in international trade negotiations, may become a constraint on the exports of developing countries.


Global investment has also seen the emergence of a low-carbon trend. According to estimates of the UN Conference on Trade and Development (UNCTAD), foreign direct investment (FDI) in three major low-carbon sectors, i.e. renewable energy, recycling and environmental technology-related manufacturing, topped over 90 billion dollars. Given its current size, the potential for future investment in green-tech sectors will be immense as the world economy continues to shift to a low-carbon mode.

For many developing countries, although they are not major GHG emitters, the introduction of foreign investment and technology in the low-carbon sector will nevertheless help expand production capacity, increase export competitiveness, ease global climate change and speed up their shift to a low-carbon economy. Therefore, countries that encourage foreign investment and technology transfer in low-carbon sectors should see to it that their development strategies are in harmony with

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international climate change and investment policies. Going forward, developed and developing countries should forge a partnership to coordinate global investment and climate policies, which will further boost investment in low-carbon sectors.

1.3 Transformation of the Economic Development Pattern: The Social Impact

The post-crisis transformation of the economic development pattern throughout the world will inevitably bring about extensive social impacts, and those involving workers’ interests and rights are still to be seen. It is therefore the responsibility of trade unions to follow and study these issues so as to prepare for the future and achieve decent work in the course of transformation.

1.3.1 Employment: Still a Challenge?

“In today’s societies, work and employment constitute the main path to a better life.” Both the financial crisis and the subsequent transformation of the economic development pattern will have a far-reaching impact on employment.

The Negative Impact of the Financial Crisis Will Stay for a Long Time

For ordinary workers, the worst impact of the recent financial crisis is the large-scale unemployment, job instability and worsening employment quality it has caused. And it will stay long after the crisis is over.

The ILO’s International Institute for Labour Studies has warned that “despite these significant gains [in countering the financial crisis] … new clouds have emerged on the employment horizon and the prospects have worsened significantly in many countries. … If current policies persist, a recovery in employment to pre-crisis levels will be delayed until 2015 in advanced economies, instead of 2013 as projected one year ago.”

First, temporary, cyclical job losses caused by the financial crisis may turn into sustained, structural unemployment.

Conventional wisdom has it that job losses caused by the financial crisis are temporary, cyclical unemployment, which will go away as the economy picks up. In reality, such job losses may become structural and permanent ones. This is because job losses caused by the financial crisis will stay for a considerable period, and when people lose their jobs and remain unemployed for two to three years, they will gradually exit the labour market, their skills will disappear and so will the labour market’s need for them. Thus, cyclical, temporary unemployment will translate into structural, permanent unemployment.

The recent financial crisis has vindicated this point. ILO data shows that “the longer the labour market recession, the greater the difficulties for jobseekers to obtain new

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employment. In the 45 countries in which data exists, nearly 40 per cent of the jobseekers have been without work for more than one year and therefore run significant risks of demoralization, loss of self-esteem and mental health problems. Importantly, young people are disproportionately hit by unemployment. These people will probably stay jobless for a very long time.

Second, trade protectionism triggered by the financial crisis may delay employment growth throughout the world.

Economic recessions often breed trade protectionism and isolationist sentiments. The Great Depression of the 1930s lasted for a long time mainly because of American protectionist measures and subsequent European retaliation, causing the collapse of the international trade system. The recent financial crisis has seen a shift in the protectionist tendency from developing countries to developed countries. The latter often attack the former for “too shoddy products and too cheap prices” so as to protect themselves in the de-industrialization process. This has had a lasting, negative impact on employment recovery in export-dependent developing countries, especially emerging market economies.

The Impact of Green Employment Is Uncertain

A direct result of greener economic growth patterns is the reduction and, sometimes, disappearance of old jobs and the creation of new (green) jobs. In the long run, green employment will play a positive role in increasing the quantity and quality of employment. However, its short-term consequences are uncertain.

During the financial crisis, green employment was seen as an important measure to revive the economy and tackle unemployment. In fact, many countries made green investment and green employment key elements of their stimulus plans (see Box 1.5). Yet opinions are divided on whether green employment will bring a net increase in job opportunities and promote employment.

Some institutions and organizations believe that developing low-carbon industries can generate green jobs, especially in sectors directly related to emission reduction and the streamlining and upgrading of traditional sectors to meet higher environment standards. For instance, a study by the European Trade Union Confederation asserts that “the EU’s transition to a ‘green economy’ will create jobs, particularly in areas such as renewable energies and energy efficiency, in the building sector for example.” According to the ILO, there may be as many as 100 million green jobs in 20 years, accounting for 2 per cent of the 5 billion workers around the world by 2030. Some of the green jobs are newly created ones and others have replaced the old ones. The Global Climate Network, an organization comprising research institutions from the UK, the US, India, Germany, Brazil, Nigeria, Australia, South Africa and China, published a report entitled Low-Carbon Jobs in an Interconnected World in March 2010, which identified as many as 19.5 million energy-related job

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22 Ibid.
opportunities that could be created in those nine countries between now and 2020.  

However, research results from some other institutions raise doubts about the effectiveness of green employment. An OECD report asserts that “caution has to be exercised when assessing the jobs potential of green measures in the stimulus packages. First, these employment gains are in many cases likely to be temporary, in that they involve the employment of some of the cyclically unemployed rather than raising equilibrium employment in the long run. Second, it is clear that the implicit employment multiplier used in the assessment of the jobs potential of the green components of the stimulus packages varies significantly across studies and countries. Finally, while moving towards green growth is likely to involve the development of new growth, employment and innovation opportunities in some sectors, it is likely to involve down-scaling and employment losses in the more traditional, polluting and resource-intensive sectors.”  

The report concludes that “the employment impact of green growth will be uneven across geographical areas. Localities that have specialised in what will become declining sectors (e.g. fossil fuel production) will face the challenge of developing new specialisations … Many workers in declining regions and sectors may require public assistance to relocate or acquire new skills.”  

What happened in China has vindicated this argument. “To conserve energy and cut emissions, backward production capacity in the thermal power sector has to be eliminated. Yet the closing down of small coal-fired power plants alone will affect 600,000 jobs. … Efforts to protect forest resources will undermine the employment rights of about 500,000 workers.”

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Box 1.5

Employment Potential of Green Components of Stimulus Packages

– Some Examples

Many governments have highlighted the job potential associated with the green investments made as part of fiscal stimulus packages. For example, some of the official government estimates include the following:

The United States Council of Economic Advisers estimates that the approximately 90 billion dollars of Recovery Act investments will save or create about 720,000 job-years by the end of 2012. Projects in the renewable energy generation and transmission, energy efficiency, and transit categories would create the most job-years. Approximately two-thirds of the job-years represent work on clean energy projects, either by workers employed directly on the projects or by workers at suppliers to the projects.

The Republic of Korea has been implementing its “Green New Deal” policy since January 2009 as a part of an economic recovery package. The policy’s aim is to overcome the financial crisis in the short term as well as to ensure growth potential over the long term. Fifty trillion won has been invested to create 960,000 jobs from 2009 to 2012 in, for example, an environmentally friendly transportation network, water management and river rehabilitation, clean energy, green IT, and waste-to-energy.

China’s stimulus package includes the largest green stimulus programme enacted by any country, accounting for almost 40 per cent of the total 586 billion dollar package. Although no official estimates for the number of jobs expected to be created are available yet, the potential gross increase in employment in green activities is undoubtedly large.

France is another example of a country taking the opportunity of the crisis to transition to a greener economy. Its stimulus package totalled 33.1 billion dollars, 21 per cent of which was designated for green measures, which are estimated to have created 80,000-110,000 jobs during 2009-2010. Along with the fiscal stimulus, the French government announced a longer-term “Green Growth and Employment” plan. The plan is notable for its emphasis on skills development, one of whose goals is to train 360,000 green technicians, including 70,000 young people, every year.


Given the uncertainty of the short-term effect of green employment, it is a major and unavoidable task of trade unions to study and explore ways to protect, as much as they can, the rights and interests of workers in traditional sectors in the course of low-carbon economic development and industrial restructuring, including their training, relocation and re-employment.

1.3.2 Income Inequity: Will it Continue?

Workers’ Income in Continuous Decline Prior to the Financial Crisis

“The gap between capital and labour has been widening in the past two decades and so has the income gap between the few senior executives and other social groups. Managers in enterprises and companies have returned to the backward, outdated corporate governance models and abandoned the effective form and tradition of cooperating with workers, thus impoverishing and disenfranchising large numbers of
labourers.” A key indicator is the declining share of labour income in the national incomes of countries (see Figure 1.13). The ILO Global Wage Report 2009 pointed out that while the wage growth rate generally lagged behind economic growth during the boom period, it fell faster than the economic slowdown in a recession. According to the report, for every 1 percentage point growth in annual GDP between 1995 and 2007, annual average wages grew by only 0.75 percentage points; yet for each 1 percentage point decline in GDP, wages dropped by more than 1.55 percentage points.

Prolonged Worsening of Workers’ Economic Situation Due to Financial Crisis

Poverty is aggravated as workers’ wages are eroded due to unemployment and reduced income as well as rising food and energy prices during the crisis (see Box 1.6). Studies show that such a situation will continue (see Figure 1.14). And inadequate social security has made the situation even worse for vulnerable groups in crisis.

Strong Anti-Government Movement: The Political Consequences of Income Disparity and Poverty

Anti-government movements have broken out around the world since the start of the financial crisis. The direct trigger was the poor economic situation, a result of unbalanced income distribution and a widening wealth gap. These problems had built up over the years and became uncontrollable during the crisis, prompting massive movements in which people rose up to demand democracy and equality and the sharing of the fruits of economic and social development.

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Countries where such movements have broken out often experience high unemployment rates, high inflation and poverty. The youth unemployment rate in Tunisia is as high as 52 per cent. The jobless rate in Egypt has stayed around 10 per cent since 2007. The figure in Algeria is 10 per cent, or 22 per cent for young people between 16 and 24. Unemployment rates in Bahrain and Yemen stand at 15 and 35 per cent. And these countries have generally experienced rising inflation, ranging between 5 and 13 per cent. In various Arab countries, a number of mostly poor and jobless individuals set themselves on fire. Anti-government protests and demonstrations have occurred in European countries too. For example, over 100,000 people from Denmark, France, the Netherlands and another 30 or so countries held a massive demonstration in Brussels, the seat of the EU, on September 29th 2010 in protest at budget cuts and austerity measures planned by European governments. Protests were staged on the same day in dozens of cities in Spain, Greece, Ireland, Italy, Serbia, Poland and other European countries in solidarity with the Brussels demonstration.32

The unemployment and poverty induced by the financial crisis and the global transformation of the economic pattern serve as a reminder that social stability is important not only for developing countries but also developed ones. A fully fledged social security system is an important guarantee of economic and social development and a safety net for social harmony and stability. Such a system will enhance the resilience of vulnerable groups in crises, ensure and improve their quality of life, and help achieve decent work.

![Unemployment rate](http://www.imf.org/external/pubs/ft/weo/2010/02/index.html) - High unemployment rate in developed countries will continue

**Figure 1.14** High unemployment rate in developed countries will continue


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Box 1.6

Unemployment and Poverty Will Persist

By the end of 2010, 64 million people in developing countries had fallen into extreme poverty (i.e. living on less than 1.25 dollars a day). In spite of optimistic prospects for the global economy, it will take years to resume employment and absorb excess production capacity.

The long-term implications of the crisis are more disturbing as its adverse impacts on health, education, employment and poverty standards, and on both infants and older children (girls in particular) do not show up immediately.

The consequences of the crisis are long-lasting: by 2015, 20 million people in Africa will have fallen into poverty.

In East Asia, large numbers of workers flow from one sector into another (job instability), often with lower incomes, especially in the manufacturing and construction industries.

Europe and Central Asia were the hardest hit by the financial crisis, and their recovery has been slower than in other parts of the world. The financial crisis has evolved into a social and humanitarian crisis, and rising unemployment and a bleak economic outlook have made the poor poorer. It was projected before the crisis that the numbers of the poor and vulnerable would decrease by 15 million in 2009; in reality, they increased by 13 million.


1.3.3 Skills Enhancement: A Pressing, Long-Term Task
Green Jobs and Transformation of Labour Markets Set Higher Standards for Workers’ Skills

It can be predicted that as the economic growth pattern is transformed and the industrial structure is upgraded in the post-crisis era, green employment represents the future trend, and along with it comes higher labour remuneration and a bigger share in income distribution. This will contribute to decent work and more coordinated development of the economy and society. But to make it happen, it is imperative to build the capacity of the workforce first.

First, only workers equipped with green skills can get and retain green jobs. As green employment will significantly improve workplace conditions, it will also set higher standards for workers. And only those with improved skills and qualities will get the green, safe and decent jobs. “The transition towards green growth may lead to an intensification of structural economic changes, including significant reallocation of labour and other factor inputs within and across broad economic sectors (e.g. power generation, transport, construction and agriculture). Moreover, the application of new technologies and production practices throughout the economy suggests that job skills requirements are also likely to change significantly across the board. This raises the possibility of skill mismatches that could slow the expansion of green activities or become a source of rising structural unemployment.”34 Workers lacking green skills

will neither get green jobs nor benefit from green employment.

Second, green jobs need workers with green skills. “Evidence from a number of countries shows that skill shortages have already developed in certain sectors or occupations where green growth policies have created a need for new skills, or new combinations of familiar skills. For example, a report to the French government recently identified a number of emerging occupational specialties in the construction sector (e.g. energy auditors and solar panel installers), which are not well served by traditional training institutions and hence face potential recruitment bottlenecks.”

Therefore, skills enhancement becomes necessary for green employment and green growth.

Training Policies are Key to Workers’ Adaptation and Transformation

To achieve sustainable economic development and decent work, it is essential to build the capacity of the workforce so that future economic growth will rely more on science and technology advances, improved worker capacity and management innovation. To do so, we need to develop a skills training mechanism for all workers that is compatible with the transformation of the economic growth pattern and structural upgrading, and create guidance, training, evaluation and incentive mechanisms that encourage workers to learn, with a view to comprehensively improving their professionalism and skills and building a society committed to life-long learning.

Proactive training policies are crucial to our efforts to relocate workers from declining industries and companies to growing ones and to attain high employment levels and common prosperity. “Labour market and training policies can play a key role in facilitating the structural adjustments associated with green growth, while at the same time minimising the associated social costs. … In general, a strong skill development system and active labour market programmes that facilitate a quick reintegration of jobseekers into employment will be key supply-side policy elements for reinforcing the structural adaptive capacity of labour markets. … Dedicated labour market programmes could help workers to participate fully in the emerging green economy, such as initiatives to overcome specific shortages of ‘green skills’ or special measures for declining sectors or large plant closings.”

In the post-crisis era, countries should modernize and develop education as a priority, ensure its public-welfare nature and universality, and protect people’s lawful right to education. This is fundamental to raising workers’ ability and performance, equipping them with new knowledge and new skills and turning them into a high-calibre workforce suited to new economic and social conditions. In light of individual national realities, countries need to devise a green professional development programme and introduce a strategy to produce green-collar workers.

In sum, the global transformation of the economic development pattern in the post-crisis era will have far-reaching impacts on the employment, income and economic situations of workers and set higher standards for the quality of their work output. While working for global economic recovery and balanced and sustainable

35 Ibid.
36 Ibid.
growth, trade unions should pay attention to such issues as workforce capacity and social security, which will have a key impact on workers’ rights and interests, discuss ways to improve the existing arrangements and push for the realization of decent work.
Chapter 2 Transforming the Economic Development

Pattern and Workers’ Capacity Building

Workers represent the most dynamic and active factor in economic and social development, while the key to transforming the economic development pattern lies in enhancing the capacity of the workforce together with behavioural change. Workforce capacity enhancement is essential for technological advancement, institutional innovation, economic restructuring and industrial evolution, as well as social tolerance and justice.

2.1 Targets and Hopes: A Perfect Combination of Economic Development and Workforce Capacity Building

The pattern of economic development, conditioned by and based on growth, basically reflects the status of economic development over a particular period and under certain circumstances. Economic development and its pattern are closely related to workforce capacity.

2.1.1 Imperative: Capacity Enhancement Induces Pattern Change

Changes in the pattern of economic development can be viewed from two angles: the transition of the growth model from extensive to intensive; and the process of industrial greening. The two are almost identical in terms of development philosophy, but the former places more emphasis on technological advancement and effective use of economic resources, while the latter concentrates more on coordinating relations between economic development and the ecological environment. Neither of the two can be achieved without enhancing workforce capacity.

——The key to changing the economic development pattern is technological progress and innovation

The traditional, extensive economic growth model, given its many limitations, is hardly sustainable. A switch therefore has to be made towards an intensive model. This involves three things: (1) Changing the extensive, not very effective growth model, cutting consumption and cost, and raising efficiency. (2) Achieving a transition in the dynamic comparative advantage. As the advantage of low cost gradually wears out, a new comparative advantage and competitive edge based on better technology and more added-value must be espoused through technological, organizational and institutional innovation. (3) Making systematic and institutional adjustments to adapt to a more open international environment. The core of the three is technological advancement and institutional innovation.
Second, the key to industrial greening is technological progress and innovation. The traditional form of economic development manifests itself not only in the extensive growth model that relies on input of productive elements, but also in the industrial process featuring single direction, linearity and non-circulation. Such a model is characterized by “high investment, high consumption, low efficiency and heavy pollution”, and is unsustainable. In order to overcome such a predicament, people have been actively exploring an effective way to realize a harmonious integration of economic development and environmental protection, and more and more attention is being paid to the issue of industrial greening. This is an advanced form of industrial development. By way of building an industrial ecosystem that imitates the natural ecological closed cycle, it seeks to use resources in a cyclical way, reduce emissions of pollutants and undo environmental damage, so as to achieve a harmonious combination of economic, social and ecological benefits, and ultimately achieve sustainability and coordination between industry and nature.

Industrial greening should start with the following steps: first, pursue clean production; second, develop eco-industries; third, realize a circular use of resources by renovating traditional industries in an ecological way (see Figure 2.1).

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Figure 2.1 Renovation of Traditional Industries in an Ecological Way


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The promotion of clean production requires technological advancement and innovations in areas such as clean resources and energy development, clean production techniques, pollution treatment and waste transformation. The internal driving force for eco-industries is technological and industrial upgrading. From Figure 2.1 we can see that the renovation of traditional industries in an ecological way greatly depends on technological progress and innovation. Therefore, it can be said that there will be no industrial greening without technological advancement and innovation, which are key.

Finally, the determining factor in achieving high growth amid the transformation of the economic development pattern is technological progress and innovation. An example is the growth miracle of Japan after the Second World War, which to a large degree can be attributed to an enhanced capacity for innovation. Especially in the 1960s, the annual GDP growth rate of Japan reached 9.6 per cent, of which 6.1 percentage points were contributed by technological progress and 3.5 by capital and labour. Another example is China during its economic takeoff from 1981 to 2000, when the contribution of technological progress to GDP growth was as high as 40 per cent. The Chinese government was fully aware of the importance of innovation, and took the initiative very actively to introduce a range of guiding plans, such as the 863 programme (National Programme for High-Tech Research and Development), the 973 programme (National Programme for Key Basic Research and Development), as well as the Torch Programme for the development of high and new technology. The government also set up 53 national high-tech zones to attract foreign investment and support the growth of high-tech enterprises.

——The key to technological progress and innovation lies in enhanced workforce capacity

Stocks of human capital are necessary for any country to achieve sustainable development on the basis of technological progress, whether through technology import or independent innovation. This point is somewhat vindicated by the formation process of independent industrial innovation capability (Figure 2.2).

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As Figure 2.2 shows, independent industrial innovation capability is based on the input of innovation resources (human resources, capital, equipment, etc.) and, with the key to it being independent innovation transformation (transformation mechanism, innovation mode, etc.), is manifested by innovation outcome and supported by innovation environment. The core question faced by the main players in industrial innovation (such as enterprises, research institutes, governments and intermediaries) is how to transform innovation input into concrete outcomes with the support of a pro-innovation environment, and how to form independent industrial innovation capability in the meantime. All this bears largely on the enhancement of workforce capacity.

2.1.2 Effective: Returns for Capacity Enhancement

Enhanced workforce capacity is not only necessary to transform the economic development pattern, but also feasible and economically beneficial. Improving the quality of the labour force through education and training benefits workers themselves, as well as enterprises and the country and society as a whole.

——Capacity enhancement increases workers’ ability to create wealth

Figure 2.2 The Formation of Independent Industrial Innovation Capability

Education and training can equip workers with employability, give them access to decent work and help them avoid poverty and marginalization. They also help boost productivity, increase income opportunities, and expand the scope of job choice for workers. A survey in the US found that people with a college diploma or associate’s degree (education and training to foundation level) had incomes 20 to 30 per cent higher than average. 40 In France between 1970 and 1993, a middle-level vocational education certificate was highly useful in terms of increased employment opportunities, reduced likelihood of unemployment, and dramatic rise in income. 41 World Bank research found that rural workers with four years’ education were much more productive than their peers who had no education at all, and that increased educational opportunities for women could effectively reduce poverty. 42

Education and training not only help boost productivity, increase income opportunities and expand the scope of job choice for workers, but also are economically justifiable from an investment perspective, as shown in a survey based on the short-cut, Mincerian and internal rate of return methods conducted by Cohn and Addison on the rates of return on investment in education of 19 OECD countries. It shows that Austria, Canada, France, Mexico, Portugal, the UK and the US have a higher Mincerian rate of return, usually above 10 per cent; while the average internal rate of return of Belgium, Denmark, Finland, France, Germany, the Netherlands, Spain, Sweden, Switzerland and the US reaches 10.6 per cent. 43

--- Improved workforce capacity bolsters enterprise profitability ---

By investing in human capital, a company can raise its productivity, improve organizational performance and successfully compete in a world market that is increasingly globalized. Research has made it overwhelmingly clear that business investment in human capital helps improve workers’ attitude, 44 reduce employee turnover rates, 45 enhance organizational citizenship behaviour, 46 raise customer satisfaction 47 and organization productivity, 48 and ultimately enhance organizational

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In 2007, the European Centre for the Development of Vocational Training (CEDEFOP), after a comprehensive review of the results of research about the impact of training on productivity, affirmed that a 5 per cent increase in employee participation in training can bring about a 4 per cent increase in productivity, and that increasing the duration of training by even 1 per cent can lead to a 3 per cent growth in productivity. About 16 per cent of the total productivity increase can be attributed to training. In Denmark, enterprises that have introduced technical or production innovation combined with targeted training are more likely than those without innovation to gain output growth (11% vs. 4%), job growth (3% vs. 2%) and productivity growth (10% vs. 4%). In the US, surveys have concluded that corporate investment in employee training is beneficial to both employers and employees, but that enterprises need to take the initiative to invest.

——Investment in human capital propels the growth of national economies

Investment in human capital represents a sizable contribution to economic growth. After an analysis of the source of growth of the American economy between 1948 and 1989, Edward Denison discovered that 37 per cent of the output growth was owed to capital growth, whereas the impact on total output growth of education, technological innovation and other sources reached as high as 42 per cent, and their impact on per capita output growth was more than 50 per cent. This speaks volumes about the vital importance of technological advancement for economic growth. Technological development is either a direct or indirect result of investment in human capital. Hence, in terms of the ultimate source of economic growth, it is human capital that gives rise to economic growth.

As a matter of fact, there is a stable correlation between economic social development and investment in education and training among all countries. In high-income countries, 98 per cent of the adult population are believed to be able to read and write, while by comparison, in 1997 in the least developed countries, the enrolment rate for the same age group in primary education was 71.5 per cent, secondary education 19.3 per cent, and tertiary education as low as 3.2 per cent. Per-student investment by industrialized nations in education and training is 30 times that of the least developed countries.

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Even among developed countries, differences in education and training lead to different economic performances. For example, the apprenticeship system in the UK is less adequate than in Germany in terms of coverage, quality and completion rate, and this has led to a shortage of supply of skilled labour in the UK, and ultimately to a lower productivity and trade performance.\textsuperscript{54}

From an investment-return perspective, education and training have a high social rate of return. George Psacharopoulos measured and analysed the rates of return in over 70 countries and regions using the internal rate of return method, and he found that rates in those countries were all positive and usually higher than physical capital yields (10 per cent). At the same time he also discovered that education investment return rates in developing countries were higher than in developed countries, and that among developing countries, return rates of those with medium and low incomes are higher than medium- and high-income countries.\textsuperscript{55} This means investing in the human capital of developing countries is worthwhile. These countries should especially strengthen their investment in education and training to help economic and social development.

\textbf{2.1.3 Green Returns: Environmental Protection Is Compatible with Decent Work}

In October 2008, the United Nations Environment Programme (UNEP) launched the Green Economy Initiative, issuing a Global Green Economy New Deal Report in March 2009 which called on all governments to seize the opportunity brought by fiscal stimulus plans and lay a good foundation for the transition to a green economy through investments in green sectors.\textsuperscript{56} The Green Economy New Deal considers the expansion of green employment a positive factor to stimulate local economies and alleviate the environment crisis, and calls for a transition from “grey employment” to “green employment”. History shows that such a transition needs to be managed in an active manner, and that measures should be taken to adjust the labour market so as to make the most of the opportunity to create new jobs and address the issue of likely loss of jobs. Skills development will play a prominent role in this process.\textsuperscript{57}

\textit{——Green employment relies on the development of green skills}

On the road to a green economy, skills needed in the “grey economy” will gradually decline.\textsuperscript{58} Green employment requires new, diverse and higher-level skills. These


include the skills of new technology research and development, skills related to the
construction, management and maintenance of energy-saving buildings, as well as
core skills to support reform and evolution. For instance, in the waste treatment and
reclamation sector, technological and social skills are needed to acquire technical and
management processes, invent new technologies, promote new-generation designs
and help the growth of R&D personnel so that they can fully understand the contents
of raw materials used to make products. These skills and abilities are largely
insufficient in universities and institutions of skills and vocational training, as well as
in the corporate and public sectors. Therefore, we can see that the development of
green skills is both arduous and imperative.

The development of green skills can promote sustainable development by providing
active support to job creation through alleviative and adaptive measures. Of course,
skills updating is also needed for those workers in developing countries who have
been affected, and more help should be given to capacity building for vulnerable
groups, so that they can make more effective responses to new demands as a result of
the green economy.

Environmentally friendly decent employment may become a reality

A better qualified labour force through skills development, education and training is
conducive not only to environmental protection in the transition from grey
employment to green employment, but also to realizing decent work in sustainable
development.

Although the fundamental principals of green economy and clean development are
usually viewed as a win-win strategy to achieve balance between environmental
protection and economic development, their impact on employment and decent work
is not always positive. From a broad perspective, in transitional economies,
employment is affected in at least four aspects: First of all, more jobs are created, for
example in the production of pollution control devices to be added to existing
production equipment. Second, some jobs will be replaced during the transition
processes, such as from fossil fuels to renewable energy, from making trucks to
making rail carts, or from waste landfill to incineration and recycling. Third, some
jobs may simply disappear due to lack of a direct replacement, for example when
packing materials are no longer welcome or are banned. Fourth, many existing
occupations (such as plumber, electrician, metal worker and construction worker) are
merely transformed and redefined because the skills, work methods and image of
these occupations are greener. Of the four aspects, the second and the third are against
job growth. Furthermore, evidence shows that green jobs do not automatically make
decent work, and many of them are “dirty, risky and more difficult”. In sectors such as

59 ILO: Skills for improved productivity, employment growth and development, Report V, International Labour
60 ILO: Skills for improved productivity, employment growth and development, Report V, International Labour
61 ILO: Skills for improved productivity, employment growth and development, Report V, International Labour
waste recycling and management, biomass energy and construction, jobs usually combine great danger with low income.62

Green work is challenged by both environmental protection and decent employment, which are not automatically moving in the same direction. The status quo must change in order for green work to become a bridge to real sustainable development. Green work must include essential ingredients of decent work, and effectively link two of the Millennium Development Goals (poverty reduction and environmental protection) and make them work together in a harmonious way. Technological progress, skills development and workforce capacity enhancement are the only ways to achieve such a target. Employment that is environmentally friendly and decent at the same time may become a reality if skills development can really satisfy new demands in economic transition.

2.1.4 Dawn of Fairness: Quality Enhancement Helps Improve Social Justice

For developing countries, capacity building for enterprises and for the country must be strengthened if they are to realize sustainable development by making use of domestic and global opportunities. Management and entrepreneurship as well as command of technical and vocational skills are essential for starting and maintaining the development process.

—Enhanced workforce capacity contributes to equality in the international division of labour

For a long time developing countries have been in a disadvantaged position of subjection and marginalization in the international division of labour, and they severely lack autonomy in their industrial development and structural adjustments. It is true that the creation of such an unfair international division of labour is closely related to supply conditions, state behaviour, economic development levels and weight of voice of developing countries, but knowledge gaps between different countries and regions are also an important reason. Therefore, some countries are working hard to catch up in the area of knowledge, and trying to narrow the gap between them and the developed countries through skills development, education and training. This will no doubt also help improve equality in the international division of labour. Some “leapfrogging” countries such as Costa Rica, Ireland, the Republic of Korea and Vietnam have proved it with their development experiences. All these countries had realized high levels of basic education and higher than 70 per cent adult literacy when their per capita income levels were still low. During periods of industrialization and economic catch-up, the proportion of the population in these four countries that had more than primary education was much higher than in other countries that had similar per capita GDP figures (Figure 2.3). In these countries,

“leapfrogging” took place in education before science and technology.\(^{63}\)

![Figure 2.3 Educational Attainment of “Catch-Up” Countries](image)

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**Skills development makes vulnerable groups better off**

Vulnerable groups are usually in a dire situation and have to do low-productivity work due to their low skill levels. Skills development can help them get out of their plight and share the fruits of economic and social development.

The countryside is the stronghold of poverty. Three quarters of the world’s poor population lives in rural areas,\(^{64}\) so strengthening skills training in these areas can effectively raise employability and income levels for residents there. Research shows that in the Philippines and Thailand, education makes a positive difference in terms of providing non-farm job options and raising income levels, and that family investment in education is vital for children to gain work opportunities in the non-farm sectors and in urban areas in the future.\(^{65}\) The policy of the Indian government to increase investment in education in rural areas has made a huge impact on rural incomes and

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non-farm employment, and there is a notable positive correlation between literacy and computer education and agricultural productivity growth.66

Young illiterates, dropout students, (former) child labourers, young people in rural areas or in the informal economy, and young women as a whole are groups in an especially vulnerable position. Education and training can dramatically change their situation (Box 2.1).

Box 2.1

Education and Training Help Young People Find a Job

Bangladesh provides a wide range of training programmes on self-employment for young people in the rural areas. From October 2001 to March 2004, the 300 training centres run by the Ministry of Youth trained about 555,000 young people, and 341,680 of them started their own business after training.

In Nigeria, the National Open Apprenticeship Scheme (NOAS) has provided education and training in more than 100 occupations for unemployed youth. One of the programmes of the scheme is School-on-Wheels, which has used cars to bring vocational training to school leavers and other unskilled people in rural areas. After three months of training, graduates were included in the NOAS. So far, more than 21,000 young people have benefited from the scheme.


People – especially women – with disabilities are usually a very vulnerable group in the labour market. Enhancing skills for this population group can strengthen their ability to retain their current job in the formal sector (if they already have one) or to secure income in the informal economy when jobs in the formal sector are not so available. For example, the skills training programme for disabled people in Trinidad and Tobago has achieved good results (Box 2.2).

**Box 2.2**

**Trinidad and Tobago: Skills Training For Disabled Persons Is Effective**

The National Centre for Persons with Disabilities of Trinidad and Tobago provides a two-year skills training programme, which includes a series of courses approved by the National Examination Commission of the Ministry of Education. Apart from skills training, the programme also includes numeracy and literacy, IT and independent living skills. It also seeks to teach people with disabilities the work and social skills necessary for them to succeed in an open labour market. Trainees first of all need to accept a career assessment plan, or participate in a work-adjustment training programme, with the purpose of improving work-related personal behaviour and developing core skills in order to enhance employability. Upon completion of the programme, graduates will enter into a senior training or apprenticeship programme, where they will receive support and guidance when needed, and then find a job in a local company. When graduates turn from apprenticeships to full-time or part-time employment, they can continue to access consultancy and advice. Fifty-five per cent of graduates find their jobs in the open labour market, and others become self-employed.


2.2 **Difficulties and Challenges: Real Issues That Cannot Be Ignored When Enhancing Workforce Capacity**

In a post-crisis era, the global economy is steering towards a “green” and “low carbon” direction, where elevation of worker capacity is the foundation and key to realizing change in the economic development pattern. However, there are still many questions facing this quality enhancement process, bringing great challenges for that change and for decent employment.

2.2.1 **An Imbalanced Situation: Workforce Capacity Building Is Moving to Two Extremes**

Green employment is a new trend in future employment worldwide, but its development is still constrained by imbalances in workforce capacity. The imbalances are mainly manifested by disparities between countries or regions within a country, and between different ethnic groups and genders. As long as such disparities exist, green employment cannot really become a true global phenomenon.

——**Growing disparities on a global scale**

Currently countries differ greatly in terms of the capacity of their respective workforces. The education index is a barometer that reflects the level of education of the population in a country, and is one of the three major components of the human development index published by the United Nations Development Programme.
(UNDP), measured by the following indicators: adult literacy rate (with two-thirds weighting) and the combined primary, secondary, and tertiary gross enrolment ratio (with one-third weighting). On a global scale, the average education index of countries with high human development has already reached 0.90, while the index of those with low human development is only about half that, at 0.48. While the education index of countries like Italy and Spain stands close to 1.0, that of Niger is a world away, at only 0.28 (Figure 2.4).

![Figure 2.4 Global Education Index](image)


We can find the following pattern if we use the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio to measure the basic quality of labour: while adult literacy rates differ sharply between different countries, the gap between low-income, medium-income and high-income countries is in proportion to the level of education of workers in these countries. In other words, the differences in general workforce capacity in different countries are mainly reflected by the proportion of highly qualified workers. In high-income nations the adult literacy rate is 98.98 per cent, whereas that of low-income countries is only 63.5 per cent. Statistics suggest that gross enrolment rates for primary school children are roughly the same in both high- and low-income nations, but rates for middle school and college students are dramatically different. Middle and higher education enrolment rates in high-income countries are 100 per cent and 67.2 per cent respectively, but the figures for low-income countries are only 42.9 per cent and 6.9 per cent respectively. It shows that the shortage of highly qualified talent in low-income countries is a serious problem (Figure 2.5).
Among OECD countries, basic quality is where the workforce capacity gap is most evident. Statistics show that junior middle school enrolment rates in the Czech
Republic and Switzerland are about 90 per cent, while in Turkey and Portugal they are only around 30 per cent (Figure 2.6).

![Graph showing percentage of the population by level of education of OECD countries.](image)

**Figure 2.6 Percentage of the Population by Level of Education of OECD Countries**


The human resource comprehensive strength index (HRCSI) stresses the evaluation of R&D capabilities and technology efficiency as a way of reflecting the basic strength
of a country and is an important index to measure workforce capacity. Countries are very different from each other in terms of human resource comprehensive strength, especially in these two areas. For example, the HRCSI of the US is 0.421, while that of Iceland is only 0.004 (Table 2.1).

Table 2.1 HRCSI of Countries in 2005

<table>
<thead>
<tr>
<th>Country</th>
<th>Basic strength</th>
<th>R&amp;D capabilities</th>
<th>Technology efficiency</th>
<th>Human resource comprehensive strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>0.098</td>
<td>0.403</td>
<td>0.548</td>
<td>0.421</td>
</tr>
<tr>
<td>Japan</td>
<td>0.028</td>
<td>0.297</td>
<td>0.419</td>
<td>0.295</td>
</tr>
<tr>
<td>Germany</td>
<td>0.013</td>
<td>0.054</td>
<td>0.157</td>
<td>0.108</td>
</tr>
<tr>
<td>France</td>
<td>0.01</td>
<td>0.04</td>
<td>0.065</td>
<td>0.069</td>
</tr>
<tr>
<td>UK</td>
<td>0.012</td>
<td>0.02</td>
<td>0.075</td>
<td>0.068</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>0.003</td>
<td>0.048</td>
<td>0.083</td>
<td>0.063</td>
</tr>
<tr>
<td>China</td>
<td>0.002</td>
<td>0.025</td>
<td>0.053</td>
<td>0.041</td>
</tr>
<tr>
<td>Finland</td>
<td>0.001</td>
<td>0.026</td>
<td>0.012</td>
<td>0.024</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.002</td>
<td>0.005</td>
<td>0.013</td>
<td>0.022</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.002</td>
<td>0.008</td>
<td>0.007</td>
<td>0.019</td>
</tr>
<tr>
<td>Norway</td>
<td>0.002</td>
<td>0.003</td>
<td>0.001</td>
<td>0.017</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.001</td>
<td>0.001</td>
<td>0.012</td>
<td>0.016</td>
</tr>
<tr>
<td>Austria</td>
<td>0.001</td>
<td>0.006</td>
<td>0.006</td>
<td>0.016</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.001</td>
<td>0.001</td>
<td>0.001</td>
<td>0.008</td>
</tr>
<tr>
<td>Hungary</td>
<td>0</td>
<td>0.001</td>
<td>0.004</td>
<td>0.007</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0</td>
<td>0.002</td>
<td>0.006</td>
<td>0.006</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0</td>
<td>0.001</td>
<td>0.001</td>
<td>0.005</td>
</tr>
<tr>
<td>Iceland</td>
<td>0</td>
<td>0.001</td>
<td>0.001</td>
<td>0.004</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0</td>
<td>0.001</td>
<td>0.001</td>
<td>0.003</td>
</tr>
</tbody>
</table>


——Internal imbalance is getting worse——

The technology efficiency index includes the quantity of patent applications, the citation numbers of SCI papers and high-tech added value. These three indicators can be further broken down into scale indicator and intensity indicator (quantity per capita or relative quantity). The R&D index includes R&D personnel scale and a second type of comprehensive factor, which in turn includes R&D personnel intensity and the share of R&D spending in GDP. The human resource basic index mainly includes labour force scale indicators and labour quality indicators, such as labour productivity, educational attainment and investment, health investment, etc. HRCSI is a synthetic value of the three.
While the workforce capacity gap between countries is widening, workforce capacity development within countries is also imbalanced. Such internal imbalances mainly include those between different ethnic groups, genders and regions.

First of all, the ethnicity gap. Take the US for example: close to 75 per cent of African Americans have an educational level of high school or under, which is higher than for Whites (64 per cent) and Asians (45 per cent), while only 25 per cent of African Americans obtain a bachelor’s or higher degree, lower than for Whites (36 per cent) and Asians (55 per cent). This shows that African Americans generally have a lower level of education than Whites and Asians (Figure 2.7). An important reason why Asians have high education levels is because most Asian migrants to the US have a degree.

![Figure 2.7 Educational Levels by Ethnicity in the US, 2009](http://www.census.gov/hhes/socdemo/education/data/cps/2009/tables.html)

Second, there are internal gender differences. An outstanding feature of the workforce capacity gender gap in the world is that the gap is narrower in high-income countries than in low-income ones. Statistics show that adult literacy rates for males and females above the age of 15 in high-income countries are 99.16 and 99.81 per cent respectively, almost the same. In low-income countries the figures are 71.86 and 55.32 per cent respectively, a 16 percentage point gap (Table 2.2).
Table 2.2 Adult Literacy Rates (Age 15 and above) by Gender (%)

<table>
<thead>
<tr>
<th>Gender Category</th>
<th>Male</th>
<th>Female</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-income countries</td>
<td>99.16</td>
<td>99.81</td>
<td>0.65</td>
</tr>
<tr>
<td>Medium-income countries</td>
<td>89.67</td>
<td>80.08</td>
<td>9.59</td>
</tr>
<tr>
<td>Low-income countries</td>
<td>71.86</td>
<td>55.32</td>
<td>16.54</td>
</tr>
</tbody>
</table>


Finally, there are regional differences within countries. Take China for instance. If we divide China into four regions as northeast, east, central and west, we can see that workforce capacity development in the four regions is imbalanced, specifically as follows: workers’ educational levels in the western region are relatively low, while those in the northeast and east are higher. As shown in Figure 2.3, close to 49 per cent of the population in the western region of China receives an education level of primary school or under, while that ratio in the northeast is only 28.5 per cent. At the same time, people with a high school education or better represent only about 16 per cent of the whole population in the west, while that ratio in the northeast is 24 per cent (Table 2.3).

Table 2.3 Education Ratio in China by Region

<table>
<thead>
<tr>
<th>Factor Region</th>
<th>Under primary school</th>
<th>Primary school</th>
<th>Junior middle school</th>
<th>Senior middle school (high school)</th>
<th>College or above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>4.1756</td>
<td>24.3406</td>
<td>47.3368</td>
<td>15.0812</td>
<td>9.0655</td>
</tr>
<tr>
<td>Central</td>
<td>5.9758</td>
<td>26.3943</td>
<td>45.0492</td>
<td>14.7958</td>
<td>7.7859</td>
</tr>
<tr>
<td>East</td>
<td>6.8653</td>
<td>29.3659</td>
<td>41.6054</td>
<td>14.6956</td>
<td>7.4675</td>
</tr>
<tr>
<td>West</td>
<td>10.1454</td>
<td>38.4474</td>
<td>35.3522</td>
<td>10.4039</td>
<td>5.6516</td>
</tr>
</tbody>
</table>

Balanced development of workforce capacity is beset with difficulties

First, a gap in economic development is an obstacle difficult to overcome. At present, the world economy is imbalanced, a direct consequence being that governments invest human and financial resources unevenly in education and health. This is the main reason behind the imbalance of workforce capacity, and is the ultimate factor constraining a general enhancement of workforce capacity in the world.

Table 2.4 The Ratio of Per-Student Education Spending vs. Per Capita GDP

<table>
<thead>
<tr>
<th>Factor Country</th>
<th>University student education spending vs. GDP</th>
<th>Middle school student education spending vs. GDP</th>
<th>Primary school student education spending vs. GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>44.36</td>
<td>17.72</td>
<td>14.64</td>
</tr>
<tr>
<td>Netherlands</td>
<td>44.45</td>
<td>25.72</td>
<td>17.97</td>
</tr>
<tr>
<td>Mexico</td>
<td>39.97</td>
<td>15.57</td>
<td>15.13</td>
</tr>
<tr>
<td>France</td>
<td>33.8</td>
<td>26.86</td>
<td>17.28</td>
</tr>
<tr>
<td>US</td>
<td>25.39</td>
<td>24.61</td>
<td>22.19</td>
</tr>
<tr>
<td>Israel</td>
<td>23.29</td>
<td>20.71</td>
<td>20.45</td>
</tr>
<tr>
<td>Italy</td>
<td>23.5</td>
<td>28.64</td>
<td>25.21</td>
</tr>
<tr>
<td>Japan</td>
<td>19.08</td>
<td>22.39</td>
<td>21.96</td>
</tr>
<tr>
<td>Argentina</td>
<td>14.24</td>
<td>20.3</td>
<td>13.21</td>
</tr>
</tbody>
</table>


Second, investments of human and financial resources in health are uneven in different countries in the world. Such investments decrease regressively from high-income to low-income nations. The health cost ratios for high, high-medium, medium-low and low income nations are 11.2, 6.4, 4.3 and 5.3 per cent respectively; for the ratios of government spending on health vs. health costs, the figures are 61.3, 55.2, 42.4 and 41.9 per cent respectively; for the ratios of health spending vs. total government spending, the figures are 17.2, 9.4, 7.8 and 8.7 per cent respectively (Figure 2.8).
Third, the defects of globalization are highlighted by the economic crisis. For the past 20 years, the gap between capital and labour has been ever widening, as has the income disparity between the haves and the have-nots. Guy Ryder, General Secretary of the International Trade Union Confederation (ITUC), in a congratulatory message at the congress of the Spanish Workers’ Commissions, pointed out that globalization poses challenges to trade unions and the working conditions of workers. The defects of globalization have been made more prominent by the economic crisis. Many trade unions believe that crisis is the outcome of the very nature of capitalism (casino capitalism), and the economic foundations and financial system of capitalism have been shaken and damaged. Governments of developed countries, led by the US, have abandoned the regulation of world financial markets in an irresponsible way, allowing
those financial groups to do whatever they want in their pursuit of profits in a reckless way. After the crisis, companies and corporate leaders resumed one after another the backward and obsolete way of corporate governance, abandoning the effective ways and traditions of cooperating with the workers, leading to the pauperization of the working class, who are forced to bear the brunt of the crisis.

ITUC’s warnings about globalization have been vindicated one by one: the crises of finance, energy and food have squeezed the living conditions of millions of workers, pushing many of them into poverty, and threatening the life of others. Such a shocking situation is an inevitable consequence of some long-brewing trends. In many countries, the wages of workers have fallen to the lowest levels recorded since the 1930s, while corporate profits and management remuneration have risen dramatically. At the same time, the credibility of the current system has been undermined, and many believe it has become unacceptable and unfeasible. Under such circumstances, a new perspective has emerged which demands that the philosophy of global economic governance be revisited and changed, and strongly calls for serious attention to be paid to social issues under globalization. The cost of the financial and economic crisis has been shifted unilaterally upon the ordinary person in the street. Fiscal austerity measures, such as cuts in social spending, public welfare and education, have worsened the life and working conditions of people worldwide. In order to overcome the crisis and eradicate poverty, we need sustainable and healthy growth, as well as decent work and jobs.

2.2.2 A Neglected Focus: A Grim Future for Skills and Quality Enhancement

The world economy is moving towards green growth, and its realization needs to be supported by adjustment of the industrial structure, which is bottlenecked by the skills shortage. Vocational education and training (VET) is the key to enhancing worker capacity. Currently, most countries in the world have realized the importance of VET, and have given it due attention. However, there are still many problems surrounding it, presenting a grim picture for the future of skills and quality enhancement. It is also a constraint on changing the economic development pattern.

— A necessary linkage between skills training and labour market demand is missing

At present, a projected issue facing VET is that the connection between skills and expertise provided by VET and labour market demand is weak. When training institutions adapt their courses to the opinions of local employers so as to meet their needs, they usually do so only for one or a few companies. This increases the risk that the skills trainees learn are specifically what one particular company needs, which in turn limits the movement of trainees from one company to another. In such training facilities, certificates are issued upon the completion of certain projects, without having to pass a professional skills test. Some other institutions change their courses
according to the needs of employers, and conduct skills tests for trainees together with related companies. This method ensures that the certificates of these trainees are approved of by their employers, but not necessarily by other local companies. In the Republic of Korea, for example, the match between skills developed in VET institutions and the jobs that trainees find after graduation is quite limited. Figure 2.11 shows such a mismatch between labour market demand and the content of VET programmes.

![Figure 2.9 Degree of Match between Occupation and VET Programme Specialization by Educational Level](image)


**Figure 2.9 Degree of Match between Occupation and VET Programme Specialization by Educational Level**


— The quality control of workplace training is far from satisfactory

Workplace training is an important component of VET, which benefits the employer, the trainee, other employers and the wider society. But globally speaking, workplace training is developing slowly in many countries, and in particular the quality of training needs to be improved. For example, according to an OECD report, this is true of workplace training in Chile. Many trainees with high-level vocational education do not participate in workplace training, and the mechanism to guarantee the quality of such training is very weak. VET in the Republic of Korea does not provide systematic workplace training, and its quality, when available, is low. However, some countries, such as Germany and Denmark, have done a good job in ensuring quality control of
workplace training, which means that where a company provides inadequate workplace training, its licence will be revoked. Similarly, in Switzerland, companies need to work hard to win a licence to train apprentices, and in this way supervision of training quality is assured. In Sweden, the Schools Inspection Centre has the task of inspecting workplace training, and local education/management commissions are responsible for workplace training in each locality. In Hungary, the Chamber of Commerce and the Industrial Association have developed a system for quality assurance, which includes the circumstances where workplace training is needed, occasional inspections to make sure that training takes place as required, and that the content and methods of training meet the specifications.

Table 2.5 Quality Assurance in Enterprises Providing Workplace Training to VET Students

<table>
<thead>
<tr>
<th>Factor</th>
<th>Country</th>
<th>Curriculum</th>
<th>Content</th>
<th>Duration</th>
<th>Equipment and training material</th>
<th>Num of training sites</th>
<th>Qualifications acquired during the programme</th>
<th>Educational performance of VET students</th>
<th>Perform on the labour market of VET graduates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Australia</td>
<td>no</td>
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<td>no</td>
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<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
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<td>no</td>
<td>no</td>
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<td>no</td>
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<td>no</td>
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<td></td>
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</tr>
</tbody>
</table>

Improving the institutional design of VET against the odds

At present, VET in many countries still faces a lot of problems, some of the more prevalent including a lack of any systematic plan for the division of work and coordination among government, company and individual in the VET system; teachers in VET are strong academically but short of practical experience; lack of funding or effective plans; workplace training is not yet systematically embedded into VET, so that it is not effectively linked to labour market demand; etc. Take the Republic of Korea for example: its VET system is locked in a dilemma about whether its purpose should be academic development or preparing for industrial needs. Cooperation between schools and factories is typically demand-oriented instead of producing qualified talent for special occupations that acquire different work skills; workplace training is not yet systematically embedded into VET, with no clear standards; and VET teachers have strong academic and educational knowledge, but lack practical work experience in relevant areas. Another example is Australia, where there is a robust labour market with strong economic growth and young people can directly enter into it instead of pursuing VET; there is no clear framework for governments at state and federal levels to play their different roles; the VET system is still underplanned; relevant funds have no clear and precise rules; VET struggles to provide reliable and predictable skills; the planning system for training is overcomplicated, unattainable and not easy to use; teachers of VET are ageing, and their knowledge appear to be outdated compared with the requirements of today’s work environment. In sum, the problems in the VET systems of these countries have placed a fundamental constraint on enhancing workforce capacity.

2.2.3 An Obstacle to Fairness: Capacity Enhancement for Vulnerable Groups Faces Many Problems

Globalization in the future should be fair, and it must uphold fairness and justice. However, the damage done by the economic crisis to developing countries with medium and low incomes is mainly manifested by the reduced quality of employment and the appearance of more vulnerable groups. In the post-crisis era, the size of vulnerable groups is growing, with further decline in employment quality, presenting a constraint on the realization of a fair globalization.

Capacity enhancement for female workers is hampered by gender discrimination

First of all, gender inequality exists in training opportunities. The most profound aspect of the impact of gender inequality on workforce capacity is the contrasting opportunities of receiving basic education, which results in the gap in education levels between males and females. If we look at adult literacy rates above the age of 15, we...
see that for females these are almost 10 per cent lower than for males. In some
countries, the gap is even wider, as in India, where women’s rates are more than
20 per cent lower than men’s.

**Figure 2.10 Adult Literacy Rates above the Age of 15: World Average, and India**


Second, the employment rate of women is far below that of men. In OECD countries
there is a huge discrepancy between men and women in this regard. In 2008, it was
widest in Mediterranean countries and Japan, the Republic of Korea and Turkey, and
narrowest in the Nordic countries (Figure 2.11).
In OECD countries, employment rates are in proportion to education levels, especially for women. Therefore, the more education received, the smaller the difference in employment rates. Table 2.6 shows female employment rates and gender employment gaps by educational attainment for women aged 25 to 64 in selected countries.

Table 2.6 Female Employment Rates and Gender Employment Gaps by Educational Attainment for Women Aged 25 to 64

<table>
<thead>
<tr>
<th>Country</th>
<th>All levels of education</th>
<th>Less than upper secondary education</th>
<th>Upper secondary and post-upper secondary, non-tertiary education</th>
<th>University/tertiary education</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Employment rate</td>
<td>Gender gap</td>
<td>Employment rate</td>
<td>Gender gap</td>
</tr>
<tr>
<td>Australia</td>
<td>67.4</td>
<td>−17.5</td>
<td>54.5</td>
<td>−20.8</td>
</tr>
<tr>
<td>Austria</td>
<td>68.7</td>
<td>−13.9</td>
<td>51.4</td>
<td>−16</td>
</tr>
<tr>
<td>Belgium</td>
<td>63.1</td>
<td>−14.3</td>
<td>38.1</td>
<td>−22.5</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>67.8</td>
<td>−10.5</td>
<td>38.6</td>
<td>−18.3</td>
</tr>
<tr>
<td>Canada</td>
<td>71.3</td>
<td>−10.2</td>
<td>46.4</td>
<td>−20.1</td>
</tr>
<tr>
<td>Cyprus</td>
<td>68.9</td>
<td>−18.5</td>
<td>49.1</td>
<td>−31.1</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>64.9</td>
<td>−20.3</td>
<td>41.3</td>
<td>−16.1</td>
</tr>
<tr>
<td>Denmark</td>
<td>76.1</td>
<td>−8.7</td>
<td>57.9</td>
<td>−16.2</td>
</tr>
<tr>
<td>Estonia</td>
<td>75.1</td>
<td>−8.9</td>
<td>49</td>
<td>−17.2</td>
</tr>
<tr>
<td>Country</td>
<td>Incident Rate</td>
<td>Part-Time Jobs</td>
<td>Disease Incidence</td>
<td>Employment Rate</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------------</td>
<td>----------------</td>
<td>-------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Finland</td>
<td>74.4</td>
<td>-5</td>
<td>53.7</td>
<td>-9.8</td>
</tr>
<tr>
<td>France</td>
<td>67.8</td>
<td>-10.3</td>
<td>50.4</td>
<td>-15.4</td>
</tr>
<tr>
<td>Germany</td>
<td>69.6</td>
<td>-12.2</td>
<td>48.2</td>
<td>-18.3</td>
</tr>
<tr>
<td>Greece</td>
<td>54.4</td>
<td>-20.4</td>
<td>39.3</td>
<td>-40.7</td>
</tr>
<tr>
<td>Hungary</td>
<td>57.7</td>
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<td>32.7</td>
<td>-14.8</td>
</tr>
<tr>
<td>Iceland</td>
<td>82.5</td>
<td>-9.9</td>
<td>78.3</td>
<td>-11.1</td>
</tr>
<tr>
<td>Ireland</td>
<td>64</td>
<td>-18</td>
<td>40.8</td>
<td>-28.8</td>
</tr>
<tr>
<td>Italy</td>
<td>52.2</td>
<td>-25.8</td>
<td>33.6</td>
<td>-37.1</td>
</tr>
<tr>
<td>Japan</td>
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<td>-27.3</td>
<td>53.5</td>
<td>-27.7</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>57.8</td>
<td>-27.5</td>
<td>58.4</td>
<td>-19.8</td>
</tr>
<tr>
<td>Latvia</td>
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<td>47.3</td>
<td>-17.6</td>
</tr>
<tr>
<td>Lithuania</td>
<td>72.9</td>
<td>-5.8</td>
<td>33.8</td>
<td>-15.6</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>62.2</td>
<td>-18.3</td>
<td>5</td>
<td>-25.7</td>
</tr>
<tr>
<td>Malta</td>
<td>35.8</td>
<td>-43</td>
<td>23.8</td>
<td>-49.5</td>
</tr>
<tr>
<td>Mexico</td>
<td>47.4</td>
<td>-43.9</td>
<td>40.2</td>
<td>-50.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>71.6</td>
<td>-14.5</td>
<td>51.2</td>
<td>-27.2</td>
</tr>
<tr>
<td>New Zealand</td>
<td>71.8</td>
<td>-10.3</td>
<td>62.5</td>
<td>-17.9</td>
</tr>
<tr>
<td>Norway</td>
<td>79.4</td>
<td>-6.6</td>
<td>60.8</td>
<td>-11.3</td>
</tr>
<tr>
<td>Poland</td>
<td>59.6</td>
<td>-16.1</td>
<td>32.4</td>
<td>-22.6</td>
</tr>
<tr>
<td>Portugal</td>
<td>68.8</td>
<td>-12.8</td>
<td>63.3</td>
<td>-16.5</td>
</tr>
<tr>
<td>Slovakia</td>
<td>63.4</td>
<td>-17.6</td>
<td>28.5</td>
<td>-10.5</td>
</tr>
<tr>
<td>Romania</td>
<td>60.7</td>
<td>-14.9</td>
<td>46.1</td>
<td>-21.1</td>
</tr>
<tr>
<td>Slovenia</td>
<td>70.7</td>
<td>-8.8</td>
<td>47.9</td>
<td>-15.5</td>
</tr>
<tr>
<td>Spain</td>
<td>59.2</td>
<td>-21</td>
<td>43.5</td>
<td>-30.5</td>
</tr>
<tr>
<td>Sweden</td>
<td>79.2</td>
<td>-6.2</td>
<td>55.9</td>
<td>-18.1</td>
</tr>
<tr>
<td>Turkey</td>
<td>25.8</td>
<td>-50</td>
<td>21.4</td>
<td>-51.4</td>
</tr>
<tr>
<td>UK</td>
<td>69.3</td>
<td>-13.8</td>
<td>51.1</td>
<td>-19.5</td>
</tr>
<tr>
<td>OECD average</td>
<td>64.7</td>
<td>-17.9</td>
<td>47.8</td>
<td>-22.8</td>
</tr>
</tbody>
</table>


Third, the incident rate of diseases for female part-time workers is much higher than for males. In OECD countries, females are more likely to have part-time jobs. Of part-time workers in all OECD countries, the incidence of disease for women is much higher than for men. Part-time employment is most common among female workers.
in the Netherlands or Switzerland, where the gender gap is very high.

![Chart LMF1.6.A: Incidence of part-time employment, 2007/08](image)

**Figure 2.12 Gender Gap in Incidence of Disease among Part-Time Workers**


Fourth, the proportion of women in low-wage employment is too high. In most countries, the female labour participation rate is usually low, but most low-wage employees are women. Even in the Philippines, where the proportion of women in low-wage employment is below 50 per cent, the incidence of low-wage employment among women is still 46 per cent higher than among men. The fact that women represent a huge majority in low-wage employment has had a negative impact on the gender gap in earnings. Despite major progress made in recent years, the average monthly wage for women is still 75 per cent of that for men.68 In some countries, the wage gap between men and women may be even higher. That the working hours of women are shorter might be one explanation, but there are other reasons too, such as the excessive percentage of women in low-wage employment, and wage discrimination, as shown by Figure 2.15.

---

The scale of labour migration continues to expand, and capacity development is becoming more and more difficult

Over the past 20 years, as labour migration has increased dramatically worldwide, the number of migrant workers has risen rapidly, and the skills level of these workers is having a profound impact on the capacity of the whole labour force. Currently, foreign workers are generally low in qualifications, and their skills development is constrained by many factors.

First, the growing size of the foreign labour force has increased the difficulty in enhancing their capacity. According to OECD data, in 2008 the legal foreign population (about 4.4 million) decreased by 6 per cent, the first decline after five years of growth at 11 per cent on average. In spite of slightly lower international migration into OECD countries due to the economic downturn, temporary migration is still high. If migration rates remain at current levels, between 2010 and 2020 the working population of OECD countries will increase by 1.9 per cent, whereas between 2000 and 2010 it grew by 8.6 per cent. Between 2003 and 2007, 59 per cent of population growth was attributable to migration. One third of the population entering working age comprises migrants. Only in France, the US and New Zealand is population growth mainly driven by natural increase. In some countries such as Austria and the Czech Republic, about 90 per cent of population growth is due to
migration. Table 2.7 shows the proportion of the foreign-born labour force. For example, in 2008 foreign workers represented 20.3 per cent of the total labour force in Ireland, 26.5 per cent in Australia, and as high as 46.4 per cent in the US. The continuous growth in numbers of international migrant workers has increased the difficulty of enhancing their skills.

Table 2.7 Stocks of foreign-born labour force in OECD countries

<table>
<thead>
<tr>
<th>Country</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
<td>AU</td>
<td>2 450.6</td>
<td>2 502.6</td>
<td>2 584.6</td>
<td>2 663.1</td>
<td>2 778.9</td>
<td>2 914.9</td>
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<tr>
<td>% of total labour force</td>
<td>24.7</td>
<td>24.9</td>
<td>25</td>
<td>25.2</td>
<td>25.8</td>
<td>26.5</td>
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<tr>
<td>AUT</td>
<td>557.3</td>
<td>584.6</td>
<td>624.6</td>
<td>662</td>
<td>695.4</td>
<td>682.8</td>
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<td>% of total labour force</td>
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<td>15.3</td>
<td>15.6</td>
<td>16.2</td>
<td>16.8</td>
<td>16.3</td>
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<td>BEL</td>
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<td>512.1</td>
<td>535.9</td>
<td>569.8</td>
<td>498.6</td>
<td>473.8</td>
</tr>
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<td>% of total labour force</td>
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<td>11.5</td>
<td>11.7</td>
<td>12.3</td>
<td>10.6</td>
<td>10</td>
</tr>
<tr>
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<td>..</td>
<td>3 632.8</td>
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<td>..</td>
<td>21.2</td>
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<td>..</td>
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<td>..</td>
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<td>..</td>
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<td>..</td>
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</tr>
<tr>
<td>DNK</td>
<td>154.4</td>
<td>161</td>
<td>167.1</td>
<td>175.3</td>
<td>188.1</td>
<td>202.7</td>
</tr>
<tr>
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<td>5.9</td>
<td>6.1</td>
<td>6.4</td>
<td>6.6</td>
<td>6.8</td>
</tr>
<tr>
<td>ESP</td>
<td>1 832.6</td>
<td>2 240.7</td>
<td>2 782</td>
<td>3 229.6</td>
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<tr>
<td>% of total labour force</td>
<td>10.7</td>
<td>11.3</td>
<td>11.1</td>
<td>11.4</td>
<td>11.9</td>
<td>11.8</td>
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<td>FIN</td>
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<td>102.1</td>
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<td>3.4</td>
<td>3.6</td>
<td>3.9</td>
<td>4.2</td>
<td>4.6</td>
</tr>
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<td>3 052.9</td>
<td>3 052.6</td>
<td>3 146.6</td>
<td>3 308.6</td>
<td>3 332.8</td>
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<td>11.3</td>
<td>11.1</td>
<td>11.4</td>
<td>11.9</td>
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<td>..</td>
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<td>3 340</td>
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<td>..</td>
<td>11</td>
<td>11.8</td>
<td>12.6</td>
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<td>421.7</td>
<td>400.2</td>
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<td>477.7</td>
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<tr>
<td>% of total labour force</td>
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<td>4.6</td>
<td>5.2</td>
<td>5.1</td>
<td>5.4</td>
<td>5.7</td>
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<td>1.9</td>
<td>1.7</td>
<td>1.8</td>
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<td>287.3</td>
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<td>9.9</td>
<td>11.8</td>
<td>13.9</td>
<td>15.8</td>
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<tr>
<td>ITA</td>
<td>..</td>
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<td>2 094.6</td>
<td>2 245</td>
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<tr>
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<td>7.1</td>
<td>7.4</td>
<td>7.8</td>
<td>8.4</td>
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<tr>
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<td>..</td>
<td>..</td>
<td>..</td>
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<tr>
<td></td>
<td>% of total labour force</td>
<td>..</td>
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<td>23.8</td>
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<tr>
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<td>Poland</td>
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<td>379.3</td>
<td>405.5</td>
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<td>7.8</td>
<td>7.9</td>
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<td>461.4</td>
<td>497.8</td>
<td>521.6</td>
<td>..</td>
</tr>
<tr>
<td></td>
<td>% of total labour force</td>
<td>10.1</td>
<td>1.3</td>
<td>10.8</td>
<td>11.2</td>
<td>..</td>
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<tr>
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<td>United states</td>
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<td>21</td>
<td>22</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>% of total labour force</td>
<td>14.8</td>
<td>15.1</td>
<td>15.2</td>
<td>15.6</td>
<td>16.3</td>
</tr>
</tbody>
</table>

Source: International Migration Outlook 2010, [http://www.oecd.org/document/41/0,3343,en_2649_33931_45591593_1_1_1_1,00.html](http://www.oecd.org/document/41/0,3343,en_2649_33931_45591593_1_1_1_1,00.html) (last accessed: October 16th 2010).

Second, the low employment rate of migrant workers has placed a constraint on enhancing their qualifications. For example, in most OECD countries, the employment rate of foreign-born young people is declining faster than that of locally born youth. In the year following the second quarter of 2008, the general employment rate of young people (aged 15 to 24) was down by 7 per cent, and the rate for migrant youth was down by twice that. Furthermore, the unemployment rate for migrant youth is already high: in 2009 the figure was 15 per cent in the US, 20 per cent in Canada, and as high as 24 per cent in 15 EU countries. Given that the issue of whether young migrants and new immigrants can enter the labour market quickly is one of the key factors for their long-term integration into society, this low employment rate is especially worrying. Their frustration in the labour market may generate a “scar effect”, or those who cannot quickly find a job after immigration might be labelled unemployable, making it even harder for them to find a job in the future. For most migrant workers, employment is the basis and precondition for enhancing their skills and qualifications, and their declining employment rate is making it harder.

Third, migrant workers are more prone to suffer infringements to their interests and rights. Migrant workers are more likely to lose their jobs, and they have difficulty accessing the benefits of proactive labour market policies. Due to lack of more reliable contract arrangements, migrant workers are more likely to engage in temporary work, less likely to become a regular worker and more vulnerable to selective dismissal. Migrant workers are often excluded by residence duration or status requirements, for example from employment in the public sector, or from a...
contract with a basic employment period or a permanent contract. They are seldom well informed about the skills needed in other countries. Many leave their home for a new country without knowing anything about the language of that country or any training for the kind of work they wish to do. For example, domestic workers from less developed countries will find it difficult to work in a rich home with modern equipment, and many of them are verbally abused or even physically attacked by their employers, or face wage arrears as a result.

**Box 2.3**

**Migrant Workers In Kazakhstan**

A survey found that most migrant workers had no written labour contracts. On average, the monthly income for a migrant worker was about 39 241 tenges (325 US dollars), 28 per cent lower than the Kazakh average (April 2008, 54 500). Irregular migrant workers were not eligible for social security protection under the law of the country. The survey also discovered that 20 per cent of migrant workers have no lunch or other break during the working day. On average, a workday lasted as long as 11.6 hours. Informally employed Kazakh workers had about the same working time as migrant workers. Working time per week was 75.4 hours on average (ranging from 37 to 126 hours), 89 per cent above the 35.4 hours prescribed by law. About 98 per cent of migrant workers worked longer than legally prescribed. At the same time, it was also found that occupational safety and health conditions were highly insufficient. Only 13 per cent of enterprises with migrant workers provided first-aid kits, fire extinguishers or special protective tools (helmet, face mask, safety rope).


Fourth, the issue of enhancing skills for internal migrant workers. In China, improving the skills of internal migrant workers is the key to comprehensive workforce capacity enhancement. In recent years, as China’s reform and opening-up process proceeds apace and its industrialization, information level, urbanization, marketization and internationalization continue to rise, profound changes have taken place in the structure of the labour force. For one thing, of the 300 million-strong labour force, 150 million are rural-turned-migrant workers who have become an important component of the industrial workforce, and about 100 million of them are new-generation migrant workers, comprising 60 per cent of the total. Second, among these internal migrant workers, only 10 per cent have an education level of senior middle school or above. At the same time, only 36.9 per cent of the younger migrant workers have received vocational training. Therefore, if China is to realize the historic leap from “Made in China” to “Created in China”, the key is to enhance the capacity of its labour force, and the focus is capacity building for migrant workers.
Fair treatment is completely missing in informal employment

On a global scale, the informally employed population is growing. There are huge gaps between informal and formal employment in terms of contractual status, social security and income levels. Such gaps are difficult questions that need to be addressed urgently if we are to improve the capacity of informal employees.

First, labour contracts for informal employment are below standard and unstable. It is quite common for workers in informal employment not to sign a labour contract at all. In the Republic of Korea, more than 25 per cent of informal workers have no labour contract (Figure 2.14). Even if there is a contract, it is usually a temporary one based on the season or number of hours – much less desirable than a formal contract for a regular worker.

![Figure 2.14 Share of Informal Employment in Non-Farm Employment](http://www.oecd.org/dataoecd/8/39/40937787.pdf)

Second, informal workers cannot access social security. Hourly employees in the Republic of Korea are more inclined to work in the informal sector. Part of the reason is that hourly employees do not have any kind of social protection, although pension insurance and unemployment insurance are compulsory social benefits for hourly workers. In Hungary, few workers have no labour contract, but according to careful analysis of statistics and data from the Labour Department, it is estimated that 19 per
cent of employees have not registered for social insurance.

Figure 2.15 Informal Employees by Contract Type


Third, the average earnings of informal workers are much lower than for those in formal employment. Considering that they usually have lower human capital, and are generally younger (at least in Mexico and Turkey), it is normal to have lower pay in informal than in formal employment, but after making a comparison between observable features (including education, work experience and position) and the less observable ones (which might affect the relative possibilities and income of informal workers), Figure 2.16 shows that an average worker in the formal sector earns 1.5 to 2 times that of an informal peer (vertical axis represents the multiple).
2.2.4 Hampering Poverty: Low wages Have Compounded the Plight of Vulnerable Groups

The global economic crisis has had a major impact on wage distribution. In 2008 and 2009, the growth rates of real wages in the world dropped by half compared with the previous year, making another 330 million workers low wage earners. This low-wage trend continues to strengthen on a global scale, constraining the enhancement of workforce capacity.

Plunging wage growth in the world is a reality

Globally, real monthly wages grew by 2.8 per cent in 2007, 1.5 per cent in 2008 and 1.6 per cent in 2009. But these figures are heavily affected by China’s official statistics. According to official data, China’s real wage growth (CPI – as released by the IMF – deducted) was 13.1 per cent in 2007, 11.7 per cent in 2008 and 12.8 per cent in 2009. But it should be pointed out that wage growth figures as published in the China Statistics Yearbook only cover “urban units”, mainly referring to SOEs, collectively owned enterprises and other types of enterprises related to the State. According to an initial pilot investigation carried out by the National Statistical Bureau of China, average pay in the private sector grew by only 6.6 per cent in 2009, which might explain the discrepancy between the general situation and official figures, and it shows that our global projection might be overestimated. If China’s figures were excluded, global wage growth rates would have been considerably lower, at 2.2 per cent in 2007, 0.8 per cent in 2008 and 0.7 per cent in 2009 (Figure 2.17).

Global Wage Report 2010/2011,
If we only take a sample of the G20 countries, which represent about 70 per cent of the world’s wage earners, we get very similar results, as shown in Figure 2.18. If we include China in the analysis, the average wage growth of the G20 countries is 2.8 per cent in 2007, 1.5 per cent in 2008 and 1.7 per cent in 2009. Excluding China, the figures would be 1.8 per cent in 2007, 0.5 per cent in 2008 and 0.5 per cent in 2009.
——The trend for numbers of low wage earners to increase is irreversible in the short term

Observing countries over a period of time, we find an obvious long-term trend: over the past 15 years, most countries have seen low-wage employment grow. As Figure 2.19 shows, generally speaking, since the latter half of the 1990s, low-wage employment has been growing in two thirds of the countries (25 out of 37) where such data is available. The growth is small in the Philippines, the United Kingdom and Switzerland, but big in Luxembourg, Honduras and Panama. Although low-wage employment is on the rise globally, its incidence varies in different countries.

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Figure 2.19 Changes in Low-Wage Employment (Selected Countries), 1995-2000 and 2007-2009

Figure 2.20 shows the latest estimates of the incidence of low-wage employment. Estimates for some countries include all wage earners; others limit their samples only to full-time employees. Estimates excluding temporary employees may underestimate the scale of low-wage employment, because hourly pay for temporary employees is usually low compared with full-time workers. Therefore, it makes sense only when such figures are compared in groups. If we only look at full-time workers, then the incidence of low-wage employment ranges from 6 per cent in Sweden to 25 per cent in the US or Republic of Korea. If we look at all waged workers, national differences may be greater because it will include a lot of developing countries. At least one third of employees in Austria, Honduras and Panama are in low-wage employment. By comparison, only 5 per cent in Finland are in low-wage groups. Generally speaking, the incidence of low-wage employment is higher in developing countries, but the link between the economic development level and the ratio of low-wage employment is not clear. As shown in Figure 2.22, low-wage employment rates are rather high in some developed countries. The source of crisis is usually rooted in practices and cultures of inequality. This phenomenon has become more pronounced in recent years, as reflected in wealth inequality, income disparity, etc.

Figure 2.20 Low-Wage Employment: A Global Comparison (%)


2.2.5 Accumulated Pressure: Restraining the Transformation of the Economic
Development Pattern

Transformation of the global economic development pattern cannot be achieved without improving working people’s capacity. However, the widely existing problems in doing so, including polarized development levels of working people’s capacity worldwide, universal problems of skill shortage, the difficulty of skills improvement for vulnerable groups, and the sustained and growing trend of low-wage employment, have posed restraints on the transformation of the global economic development pattern.

——Industrial restructuring faces the bottleneck restraint of “skill shortages”

The growing concern about the unsustainability of the environment for previous economic growth patterns and awareness of the possibility of a climate crisis in the future mean that people are no longer able to separate environment from economy. At the same time, the financial and economic crisis has offered an opportunity for the implementation of policy interventions for recovery and growth on the basis of environmental and social sustainability. Against this backdrop, green growth is winning growing support, which is taken as a way of pursuing economic growth and development while preventing environmental degradation, loss of biodiversity, and unsustainable utilization of natural resources, and established on the basis of the campaign in many countries for sustainable development. Green growth aims to find cleaner sources for growth, including seizing opportunities to develop new green industries, jobs and technologies, at the same time as managing well the various structural changes brought about by the transformation towards a green economy. The realization of green growth relies on the support of industrial restructuring, but developing green industry encounters the bottleneck restraint of “skill shortages”. The development of the green industry of the future will have a deep-rooted impact on the manufacturing and service industries (Table 2.8).
Table 2.8 Green Industries by Broad Sector of Activity and Broad Environmental Area

<table>
<thead>
<tr>
<th>Production sectors</th>
<th>Environmental sectors</th>
<th>Climate change</th>
<th>Other environmental areas</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GhG emissions from: Fossil-fuel power generation</td>
<td>GhG emissions from: Building energy consumption</td>
<td>GhG emissions from: Transports</td>
</tr>
<tr>
<td>Electric/Utilities</td>
<td>- Wind power</td>
<td>- Electrical power distribution (energy conservation and planning)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Geothermal power</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Solar power</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Hydroelectric power</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>- Nuclear power</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>- Bio-methane production (energy from animal waste)</td>
<td></td>
<td>- Bio-fuels crop production (especially non-food)</td>
</tr>
<tr>
<td>Construction</td>
<td>- Renewable energy plants -Power lines and related structure construction</td>
<td>- Roofing contractors - Electrical and wiring installation contractors - Retrofitting of existing buildings (insulation) - Plumbing and air-controlling contractors</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Services</td>
<td></td>
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<tr>
<td>-----------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Wind turbines - Solar panel components (semiconductors) - Storage battery equipment</td>
<td>- Engineering services - Plumbing and heating equipment wholesalers - Environmental consulting services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Smart systems and equipment - Electric light bulbs - Solar panel components - Automatic environmental control equipment</td>
<td>- Architectural services - Engineering services - Residential and non-residential property managers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Transportation technology (electrical, hydrogen, bio-fuels, hybrid) - Processes for biofuel production - Fuel-efficient vehicle manufacturing - Transportation and logistics equipment</td>
<td>- Repair and maintenance of fuel-efficient vehicles - Logistical consulting Services - R&amp;D in biotechnology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Monitoring equipment for fishing stock - Water metering equipment</td>
<td>- Eco-tourism activities, conservation and wildlife organizations - Watershed conservation and management - Emissions and pollution control - Environmental consulting services - Survey and mapping services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Automatic environmental control for commercial, residential and appliance use</td>
<td>- Solid waste collection - Hazardous waste collection - Engineering services</td>
<td></td>
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</tr>
</tbody>
</table>

While it is clear that the transition to green growth will significantly change job skill requirements, much remains to be learned about the types of skills that will be in increased demand. Evidence from a number of countries shows that skills shortages have already developed in certain sectors or occupations where green growth policies have created a need for new skills, or new combinations of familiar skills. For example, a report to the French government recently identified a number of emerging occupational specialties in the construction sector (e.g. energy auditors and solar panel installers), which are not well served by traditional training institutions and hence face potential recruitment bottlenecks (COE, 2010).  

——Green employment faces the restraint of a “quality gap”

Green jobs have become a new trend for future global employment. After the climate negotiations in Copenhagen, 41 industrial countries announced their general targets for emissions reduction by April 2010 and 35 developing countries outlined their appropriate national mitigation actions. The value of the green stimulus plan is expected to reach US$ 513 billion globally, but the development of global green employment still faces the realistic restraint of a “quality gap”.

First, the restraint brought by the gap in working people’s capacity in different countries. Green employment has gained an important foothold in the developed world; however, it is still quite exceptional in most developing countries. Yet these same countries account for some 80 per cent of the world’s workforce. Developing countries appear to be making progress in this regard, but much more needs to be done to ensure that green employment becomes a truly global phenomenon.

Second, the restraint brought by the gap in working people’s capacity within a country. The continuous rise in employment in the informal global economy and the various difficulties facing capacity improvement have posed severe challenges to the growth in green employment. Moreover, the long-standing and worsening inequality within a country and among countries has become another serious obstacle for the achievement of green employment. To face up to and improve the survival conditions for women employees, migrant workers and those in the informal economy, and to work to promote decent employment and eliminate poverty-based sustainable development, are crucial in promoting green employment, even more so for developing countries.

——There is a long way to go before realizing a “fair globalization”

Before the outbreak of the current crisis there was already a crisis; the globalization

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process is becoming of increasing concern, and coupled with it are growing inequality and imbalances. Too many working men and women in the formal sector and informal economy are deprived of the opportunities for decent employment and sustainable living standards. Research by the World Commission on the Social Dimension of Globalization found that globalization has created a large amount of wealth, but a large number of countries and people do not enjoy the advantages brought by globalization. The current globalization process leads to imbalances among countries and within a country itself, which should be addressed. On this basis, the ILO put forward the goal of “fair globalization”. A “fair globalization” pursues a more inclusive process which is fair and can bring interests and real opportunities for more people and countries. It is also a process of better democratic governance. As part of this goal, decent employment for all should be one global target.

In today’s global economic and information society, knowledge and information are the key to social integration and productive forces, and technical capability is the basis. The State needs a communication infrastructure and a production system to deal with and utilize information for development. People should be able to acquire applicable knowledge and capability so as to participate in, utilize and create in a new technical environment. This puts education and skills at the core of an open and inclusive globalization. However, many places in the world do not have the basis for this. To universalize primary education is the MDG target which is the most remote from reality. As for the secondary and higher-level skills and capability crucial for an information society, there is a bigger gap. The serious disparity in educational opportunities between different countries is a basic reason behind global inequality. Even analysis from the perspective of working people’s capacity shows that there is still a long way to go before realizing a “fair globalization”.

2.3 Strength and Action: Raising Working People’s Capacity While Transforming the Economic Development Pattern

The rise in working people’s capacity is mainly the result of the input of human capital. The investment in human capital is a complex system that needs the participation of multiple forces and the use of appropriate forms as well as sound coordination.

2.3.1 Solid Foundation: Laws, Policies and Cash Support

Human resource investment needs to take laws as its norm for action, and state policies as its guidance and direction, so as to achieve good results with investment from all sides.

——Legal system is the norm for action

A well-functioning legal system can offer guarantees for skills development, education and training, and is crucial to the improvement of working people’s capacity. The rapid emergence of Japan and Germany after the Second World War was closely related to their high attention to legislation on education and skills training
Box 2.4
Japan and Germany: Well-Functioning Legislation on Education and Skills Training

Japan adopts a legislative position on education. Educational administration is done strictly according to the relevant laws and regulations, which give a strong boost and guarantee to the country’s educational development. Modern legislation on education in Japan started after the Meiji restoration, and can be generalized into three stages. The first stage was marked by the early rules such as School System enacted in 1872, Educational Regulations of 1879 and School Regulations of 1886, which was the period of the formation of modern educational laws and regulations. The second stage was represented by the release of the Basic Law of the School in 1947 and was a developmental stage towards Japan’s modern educational laws and regulations. The issuance of the Law on Life-long Learning for Rejuvenation in 1990 marks the maturity and perfection of Japan's modern educational laws and regulations. Legislation at different stages played a significant role in promoting Japan’s educational development, ultimately contributing to the country’s two “economic miracles”.

Germany is one of the countries with the best legal system on vocational education in the world. There are clear laws and regulations on reform and development of its vocational education. As early as the Middle Ages, Germany enacted laws and regulations stipulating the admission conditions, school obligations, faculty training, disciplinary composition, and specific training methods regarding vocational education. The Regulation on Industry and Commerce of the North German Confederation stipulated that assistants, journeymen and apprentices below 18 years old had a duty to accept additional vocational education. In 1872, the government of the German Empire released the Law on Ordinary Schools, requiring employed youth below 18 years old to try to gain access to vocational education. In 1969, the Federal Republic of Germany issued the Law on Vocational Education, setting out unified regulations on vocational training for all businesses in the country, including “content, methods and duration of vocational training, the relationship between business trainees, their rights and responsibilities, and supervision and examination on training”, significantly raising the quality of the country’s vocational education.


—Active labour market policies are indispensable
Active labour market policies can encourage investment in education and training, effectively reduce unemployment and promote social tolerance. Active labour market policies and measures include job search assistance and employment services; training for the long-term unemployed; retraining workers displaced in mass layoffs; employment and wage subsidies; and public works programmes. They generally target population groups that are disadvantaged in the labour market, such as women, young people, the unemployed, migrants, laid-off workers and those at risk of being laid off as a result of enterprise restructuring and technological change. Increasingly, labour market training offers opportunities – within the context of lifelong learning – for skills upgrading, retraining and knowledge development. Such learning helps individuals gain access to new jobs and cope with changes in the knowledge and information economy and society. It also assists in integrating people into mainstream economic life and combats social exclusion. Training and retraining programmes generally account for a significant share of expenditures on active labour market initiatives (usually between 40 and 60 per cent, but over 75 per cent in Denmark).  

The lessons of the catch-up countries show that the integration of skills development policies into national development strategies can achieve good results. Skills and capacity development has become a strategic factor in the national development plans of Costa Rica, Ireland, the Republic of Korea and Singapore. Although these countries differ a lot in their initial conditions, meaning their policies have different priorities and focuses, each of them has adopted very similar strategies in at least the following four fields: active role of the government, open-minded learning, departmental capacity-building methods; and forward-looking methods of skills development (Box 2.5).  

<table>
<thead>
<tr>
<th>Box 2.5</th>
<th>Lessons of Catch-up Countries: Integrating Skills Development Policies into National Development Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Active role of the government:</strong> The governments of Costa Rica, Ireland, the Republic of Korea and Singapore all play a positive role in promoting export, investment, technology transfer, technical transformation, and development of human resources.</td>
<td></td>
</tr>
<tr>
<td>2. <strong>Open-minded learning strategy:</strong> For all countries that are in the initial stage of catching up with others, to learn from others has always been very important. Costa Rica and Ireland chose the strategy of intensively attracting FDI by attracting high-tech multinationals and encouraging them to carry out training. The Republic of Korea adopted a more independent learning strategy in the beginning by encouraging its local enterprises to learn while practising. However, with the growing sophistication of technologies, it too has started to rely on FDI to improve the basis for its technological know-how.</td>
<td></td>
</tr>
</tbody>
</table>

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3. **Departmental capacity-building methods:** Though starting from different stages, Costa Rica, Ireland, the Republic of Korea and Singapore all adopted departmental methods for industrialization. The departmental strategy has provided the basis for their skills development strategies.

4. **Forward-looking methods of skills development:** The education and training policies adopted by latecomer countries include predicting future skills demand, aimed at ensuring timely supply of the skills needed to achieve national development targets.


——Investment from all sides injects dynamism for the improvement of working people’s capacity

Investment in human capital mainly comes from families, enterprises (organizations) and governments. According to the market rule of “investment comes from those who benefit”, individuals and families should be responsible for human capital investment to improve personal skills; enterprises should undertake the investment in vocational training to improve their productivity; and the government should bear the cost of basic education and research that benefit society as a whole. However, the reality is not that clear cut. Due to shortcomings in the market such as externality in human capital investment, uncertainty of returns, and restraints on liquidity, it is necessary for the government to play a special role. Apart from bearing the expenditure on compulsory education and basic research, the government can provide money, technology and policy support through at least three other channels.

First, in order to help overcome the lack of investment in educational training led by restraints on liquidity, the government should provide funding and technical support for the training of vulnerable groups, and in and for SMEs. For example, in the European context, many government programmes, assisted by the European Social Fund (ESF), encourage more effective transfer of technology, particularly ICT, to SMEs by means of employee training, support for the development of ICT networks, and improving collaboration between SMEs and ICT research and development centres.¹

Second, governments can also provide financial incentives to advance private sector and individual investment in training. The most common include levy grant schemes.

(compulsory or voluntary taxes on payroll or outcomes); levy rebate schemes, in which employers are partially reimbursed for approved training; levy exemption schemes, where employers are exempt from levy payments if they spend a percentage (upper bounded) of their payroll; tax incentives for approved training; and also training credits, training awards and individual training accounts. A typical example is Chile, where enterprises are allowed to deduct costs incurred in training staff from their annual taxable income, up to a maximum of 1 per cent of their total payroll value (Act No. 19,518 of 1997). Training plans are discussed and approved by a bipartite enterprise committee, as a prerequisite for tax deduction. In the Netherlands, fiscal policies target both individuals and enterprises. The former can deduct from their taxable income up to €15,000 annually for courses that improve their employability in present or future jobs. Employers can deduct 120 per cent from their taxable income, or 140 per cent when the training targets low-skilled workers, older workers (aged over 40) or workers in small enterprises. In addition, all apprentices receive a tax incentive of some €2,500 for participation in courses of initial vocational education. Both the government and the social partners agree that the fiscal regime has particularly benefited the above-mentioned target groups.

Third, it should be an important task of the government to provide funding to an active labour market plan. ESF supports the efforts against long-term unemployment, and promotes the transition of young people and those excluded from the labour market towards technical work. From 2000 to 2006, nearly 60 per cent (€34 billion) of ESF’s total budget (€57 billion) was allocated to the active labour market plan aimed at improving employment capability across the EU. One third of that money (€11 billion) was designated for the struggle against social exclusion. In Denmark, the national employment campaign achieved a big success, reducing the country’s unemployment rate from 9.2 per cent in 1992 to 4.7 per cent in 2000, and the unemployment rate among young people from 12.2 per cent in 1992 to 7 per cent in 2000. From 2000 to 2006, ESF allocated about €280 million to support Denmark’s active labour market measures, raising its contribution to 1.8 per cent of Denmark’s total national spending on these active measures. In other countries, the proportion of ESF assistance to active measures are even higher: for example Greece (58.4 per cent) and Portugal (40 per cent). Another good example of government assistance to (re)employment which achieved good results comes from Asia: Singapore (Box 2.6).

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Box 2.6

Singapore’s re-employment assistance

Since the 1990s, the Ministry of Manpower (MOM) and the National Trades Union Congress (NTUC) of Singapore have launched several plans for the training of employees, providing subsidies to encourage businesses to organize their employees’ spare time to participate in a variety of vocational training to improve their skills, with priority given to older workers and those with lower education levels. To that end, the Singaporean government has constantly increased its fiscal input to the training programme.

In the early 21st century, with the fast development and wide application of ICT, Singapore needed a large number of professional communication workers. Therefore, it began to introduce such professionals while also developing local ones, enabling more people to receive professional training to meet the requirements of new work. The government allocated 200 million Singapore dollars to training expenditure over five years. At the same time, the Infocomm Development Authority (IDA), the Productivity and Standards Board (PSB) and MOM jointly provided the necessary help to this training plan, offering funding and equipment to ensure its smooth implementation.

In 2003, the Singaporean government put forward a new assistance plan, providing 400 Singaporean dollars’ assistance to low-income jobseekers, plus help for their children’s education and their water and electricity bills. It allocated 280 million Singapore dollars from 2003 to 2008 to create 150,000 training opportunities, 30,000 of which were given to unemployed people.

In 2005, the Singaporean government released the “re-employment assistance plan”, spending 34.5 million Singapore dollars within two years to help 510,000 people to find new jobs. This fund is also used to help develop new training plans, especially those related to ICT development and applications.

In 2006, in order to help low-salary earners to expand job opportunities and ensure they have enough capabilities to participate in retraining, the Workforce Development Agency of Singapore announced it was earmarking 100 million Singapore dollars in the following three years to apply the Workforce Skills Qualification System in the main sectors.


2.3.2 Highly Efficient Organization: Paying Attention to Ways and Means in Genuine Action

Highly efficient skills development, education and training not only need strong support from institutions, policies and financial input, but also require perfect organization and management at the operational level, especially for vocational and
skills training within and outside businesses.

——Building a multi-dimensional system of vocational training

There are multiple types and methods of vocational training. A sound vocational training system should be able to combine various types of training and related methods into an integrated one. In this regard, Japan’s businesses can be called a typical example (Box 2.7).

<table>
<thead>
<tr>
<th>Box 2.7</th>
<th>Multi-dimensional Features of the Vocational Training System of Japanese Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The vocational training of employees in Japanese businesses is very systematic, mainly reflected in the following:</td>
</tr>
<tr>
<td>1.</td>
<td>Paying attention to sustainability of the time spent training, offering lifelong education to employees. Japanese businesses attach high importance to lifelong education for their employees, which includes not only professional skills training and education, but also education on management and operations, as well as on the ethical quality of employees. The venues for education are not confined to business sites. They also send their employees to universities or other educational establishments, which is considered part of vocational education within businesses.</td>
</tr>
<tr>
<td>2.</td>
<td>Implementing diversified and multi-layered education. Vocational education within Japanese businesses is a vertical and self-improving system. The training includes programmes for all employees and different target groups: from top managers and senior technicians down to supervisors, ordinary workers, and newly recruited ones, all are targets for education. The methods for such education are diversified. Apart from formal full-time training, employees can also receive informal full-time training within business workshops. In this way, they can constantly strengthen the capacity development of employees. There are differences for various levels of employees in the choices and application of educational methods, but the principle of relevance and applicability is always followed.</td>
</tr>
<tr>
<td>3.</td>
<td>Combining the training of professionals and generalists. Job rotation is a unique training and personnel practice in Japan to cultivate generalists, and has become an important measure taken by Japanese businesses to develop enduring human resources.</td>
</tr>
<tr>
<td>4.</td>
<td>Combining skills training with ethical and ideological improvement. In their vocational education, Japanese businesses pay close attention to combining ethical and ideological improvement with skills training. This includes education on integrity, sentiment, patriotism, collectivism, risk, collaboration, and awareness of</td>
</tr>
</tbody>
</table>
5. Combining training with social and business needs. In Japanese businesses, in face of the growing changes in modern society, managers must answer such questions as “What can we offer to society in the future?” “In what areas do you plan for industrial activities?” Unless the principles are set, businesses can not set a long-term talent training plan. To be specific, with the changes in industrial structure, technical environment, values and market environment, what must enterprises do to keep up with change? For business employees, what skills do they have to master in order to adapt? These are the questions businesses need to think hard about when setting training policies.


—— Drawing references from the “dual mechanism” model of vocational education

Over the years, there have been two schools of vocational education: the model of business vocational education, represented by Japan and the US; and the model of school vocational education represented by Russia and France. In this context, Germany’s “dual mechanism” is unique. As the core of Germany’s vocational education, this has its uniqueness and advantages (Box 2.8) which others should draw on.

Box 2.8
Features and Inspirations of Germany’s “Dual Mechanism” Model of Vocational Education

1. Mutual complementarity, paying attention to the role of businesses. There are obvious deficiencies in both the model of business vocational education and the model of school vocational education, mainly the possibility of disconnection between skills practice and theoretical study. The “dual mechanism” in Germany basically overcomes the deficiencies of the other two models. According to this model, trainees receive skills training in businesses as an apprentice, so that they know “how to do things” while, at the same time, they receive theoretical education and ordinary knowledge education as students in school, and are thus able to know “why”. In this way, there is a close link between businesses and schools, and between skills practice and theoretical knowledge. The ratio of students’ time in businesses to time in school is usually 3:1 or 4:1.

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2. Designing curricula flexibly according to market demands. Although there are unified national educational guidelines for various types of occupations in Germany, there is no uniform curriculum in Germany. So long as they are consistent with the educational guidelines, schools and businesses are entitled to design their own curricula and choose their own teaching materials according to market changes. The main thinking is to introduce new processes, methods and technologies in a timely manner into their training plans, so as to adapt to the changes in economic and social structures. Due to the close connection between Germany’s vocational training and social production based on modern science and technology, these training programmes are very sensitive to the needs of economic sectors, and can make a timely assessment of the changes in vocational structures and the needs of the labour market, and constantly abandon outdated and redundant training vocations and courses. In that sense, it is a very flexible yet highly efficient training system.


In “dual mechanism” vocational education, businesses play a crucial role, mainly reflected in two areas. First, German businesses bear the majority of expenditure on vocational education, which includes living allowances and social insurance during the whole time of study, salary, payment and social insurance for full-time and part-time teachers, procurement and maintenance fees for training equipment and teaching materials, etc. According to official statistics for Germany, the average annual input of businesses into “dual mechanism” vocational education was around €27.68 billion from 2003 to 2005, while that by federal and state governments was €3.157 billion, €3.115 billion, and €2.815 billion respectively. Second, German businesses are the main player in education. They not only provide actual positions closely related to the vocations and training venues, but also offer detailed teaching plans, as well as trainers with rich experience, good vocational education, and a strong sense of responsibility.  

2.3.3 An Open Programme: Quality Improvement and Social Progress Reinforcing Each Other

The improvement of working people’s capacity is not an isolated process. It is the result and reflection of social progress, and also an important force driving social progress. It is necessary to connect these two to achieve development in the process of mutual reinforcing.

——Combining the improvement of quality and poverty alleviation projects

Although economic growth is always an important driving force behind poverty

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alleviation, the growing evidence of inequality within countries shows that the current growth model is more favourable to the rich than the poor. To improve poor people’s employability through skills development and educational training to help realize decent employment can directly achieve the goal of poverty alleviation.

The priority for poverty alleviation projects is rural areas. Community-based training is an effective means to raise the productivity and employability of poor people in rural areas (Box 2.9). Such training needs to be more widely connected to local efforts at economic development. It is particularly important to extend infrastructure to remote areas. To achieve this goal, the following actions need to be taken: first, defining potential economic opportunities and existing education and training assets (institutions, apprenticeship, and informal education); second, determining skills needed after the realization of potential opportunities and other needed input or infrastructure; last, offering post-training services such as support to business start-ups, employment services and loans.

**Box 2.9**

**Training for Rural Economic Empowerment (TREE)**

The ILO’s TREE programme is a community-based training package to promote income generation and employment creation. Implemented with local and national partners in Pakistan (North Western Frontier Province) and the Philippines (Autonomous Region in Muslim Mindanao – ARMM), TREE targeted society’s most marginalized groups – the rural poor, particularly rural women, disenfranchised male youth and persons with disabilities who had lost their livelihoods in regional conflict. These groups lacked opportunities for training and skills development which could help them access jobs. The TREE programme identified local economic opportunities, designed and delivered community-based skills training and provided follow-up services after training. The programme was adapted to the socio-cultural characteristics and local conditions in each country.

The independent project evaluation of the pilot TREE programme (December 2007) documented considerable success in training both men and women. In the Philippines, for example, tracer studies showed that 94 per cent of those interviewed attributed their present economic activities to the training they had received under the programme. In Pakistan, literacy programmes were included in the programme, greatly improving participants’ ability to benefit from vocational training. Some 56 per cent of the programme participants in skills development or literacy were women.


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The vulnerable group is another priority for poverty alleviation. On this issue, it is effective to adopt skills development strategies that can ensure opportunities for people with special needs to participate in training, including women, people with disabilities, laid-off workers, young people and older workers (Box 2.10, 2.11).

**Box 2.10**  
**Bangladesh: Assisting Girls and Young Women with Access to Secondary Education and Skills Training**

The Female Secondary School Assistance Programme, financed by the International Development Association (IDA), supported government efforts to improve girls’ access to secondary education (grades 6–10) in rural areas. They and their families were given cash stipends to cover tuition and personal costs. This incentive was combined with efforts to increase the proportion of female teachers, to invest in the provision of water and sanitation facilities, and to improve community involvement in the incorporation of occupational skills into the training.

By 2005, girls accounted for 56 per cent of secondary enrolments in areas covered by the programme, compared with 33 per cent in 1991. Their attendance rates increased to 91 per cent, surpassing the boys’ attendance rate (86 per cent). Overall, access to secondary education increased substantially for girls in Bangladesh, jumping from 1.1 million in 1991 to 3.9 million in 2005. An increasing number of the girls enrolled come from disadvantaged or remote areas.


**Box 2.11**  
**Alleviating Poverty through Peer Training in Cambodia**

People with disabilities in Cambodia are some of the poorest and the most vulnerable in the country. They have limited access to education, skills, vocational training, job placement, income generation and poverty-alleviation programmes and other services. The ILO developed a project to address these issues taking an approach that uses successful entrepreneurs as trainers, as well as through apprenticeship and mobile training units. Working with the Ministry of Social Affairs, Labour, Vocational Training and Youth Rehabilitation (MOSALVY) of Cambodia and the World Rehabilitation Fund (WRF) of Cambodia, the ILO project started in 2002 with modest goals of training 65 individuals with disabilities and assisting at least 40 to start a business by the year’s end.
The project reached and significantly exceeded these targets. At the end of 2002, 135 people had been trained (more than twice the target) and the number starting micro-businesses was 50 (25 per cent more than the target of 40). In the first half of 2003, 144 people with disabilities completed training, and 134 have started micro-businesses. The new occupations of trainees include cement jar making, pig raising, various types of basket weaving, soya milk production, blacksmithing, hair cutting, broom making, wood carving, joss stick making, knitting, ox-cart production and mushroom growing. Trainees have increased their incomes as a result of the new skills they have acquired and the micro-businesses they have started, resulting in extra income to support their families. Many of those trained now train other people with disabilities through the project.


—— Paying equal attention to the improvement of quality and local economic development

In educational training and skills development, we must integrate various local resources like universities, technical institutes, business development, financial services institutions, workers’ organizations, and employees’ organizations, so as to provide professional services and training that might go beyond the capability of local businesses, with a view to offering help to emerging and growing enterprises in the industrial cluster and value chain and promoting local economic development. The US Department of Labor (DOL) Employment and Training Administration (ETA) has undertaken an initiative called Workforce Innovation in Regional Economic Development (WIRED) to integrate economic and workforce development activities, demonstrating that talent development can drive economic transformation in regional economies across the United States (Box 2.12).
Box 2.12
US: Workforce Innovation in Regional Economic Development

The WIRED initiative applies the following six-step conceptual framework to the activities taking place in each of the regions where investments have been made:

1. Define the regional economy by identifying the surrounding communities that share common characteristics, looking beyond traditional political boundaries.

2. Create a leadership group that represents the major assets of a region and provides a forum for regional economic decision-making.

3. Conduct a regional assessment to fully map the area’s assets and identify the strengths, weaknesses, opportunities and risks based on those assets.

4. Develop an economic vision based on those strengths and assets and gain support for that vision from the broad-based regional partnership.

5. Build a strategy and corresponding implementation plan that identifies specific goals and tasks and provides a blueprint for how to achieve the region’s economic vision.

6. Identify resources – both to support the region’s plan and invest in the region’s economy – from a wide range of sources including foundations, angel and venture capital networks, and federal, state and local governments.

The initiative supports innovative approaches to education, economic development and workforce development that go beyond traditional strategies, preparing workers to compete and succeed both within the United States and around the world. It is expected that WIRED will demonstrate how talent development can drive economic transformation and enable regions to compete in the global economy.


2.3.4 Integration of Power: Establishing Social Dialogue and Partnership

Skills development and educational training is a process participated in by various parties, with various sides benefiting from it. Therefore, the appropriate integration of
the various players is crucial. To carry out social dialogue and establish social partnership is a feasible way to do this.

—— **Social dialogue promotes power integration**

Skills development and educational training needs the concerted efforts and coordination of working people, businesses and governments, but the interests and goals of the three parties differ. Working people pursue an employment guarantee and self-improvement through training; businesses work to strengthen their flexibility and speed up their response to the (international) market; while governments try to improve international competitiveness and promote skills development, regional development, fairness and social integration. The difference in goals will inevitably lead to conflicts of interest. Social dialogue is an effective tool to ease conflicts and realize coordination. For example, in Germany, the interests of companies in modernization in response to global changes and those of workers in training for employment protection need to be reconciled. Company agreements have been negotiated between employers and works councils for the introduction of teamwork as a new form of work organization and the systematic preparation of the workforce through training. This has resulted in increased productivity at the enterprise level. Workers have negotiated an entitlement to continuous training to ensure their employability in the company and in external labour markets. Similarly, in Austria social dialogue has helped to manage the process of structural adjustment in the iron industry by creating a foundation that provides joint solutions for retraining and social protection. The interests of enterprises and the economy have been served by maintaining and developing local human resources to accommodate newly emerging sectors and adjust to new technologies. Other examples also demonstrate the effectiveness of social dialogue over extended periods of change in technologies and markets (Box 2.13 on Singapore) and at the international, national and sectoral levels. 

<table>
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<th>Box 2.13</th>
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**Employability and labour market adjustment in Singapore**

In Singapore, the Workforce Development Agency (WDA) is the central body for the coordination of all human capital issues. It enhances the employability of workers through multiskilling and retraining. In the long term, the goal is to help workers to stay employed by maintaining up-to-date skills and to cooperate with employers with a view to strengthening human resource practices in a system that promotes lifelong learning.

Private institutions, such as the Singapore Institute of Management (SIM), the Singapore Training and Development Association (STADA) and the Singapore

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Human Resource Institute (SHRI) also provide degree courses to update workers’ skills.

Trade unions contribute to the education and training of their members through the Skills Redevelopment Programme (SRP), originally established in the manufacturing sector and later extended to support worker (re)training in the service sector.

Enterprises contribute to workforce development through a skills development levy of 1 per cent of gross wages and can reclaim most training costs from the Skills Development Fund (SDF).


To view vocational training from the perspective of lifelong learning has become a consensus of the social partners. Equal opportunities and access to lifelong learning and training are becoming a recurrent, cross-cutting theme in negotiations and collective agreements on training. Bipartite and tripartite agreements on lifelong learning and training have recently been growing in number. For example, the National Vocational Training Programme (PLANFOR) in Brazil, an outcome of tripartite social dialogue, provides for learning and training that target marginalized groups.\(^1\) Collective bargaining and dialogue with governments have, in many countries, led to the establishment of training funds that finance lifelong learning and training, for example in Denmark, France, the Netherlands, Spain (see Box 2.14) and Sweden, and also in developing countries (e.g. Benin, Mali, Senegal). Other arrangements provide for national qualification frameworks and skills recognition and certification (Australia, New Zealand, South Africa and the United Kingdom).\(^2\)

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\(^2\) Ibid.
Box 2.14  
Spain: From Collective Agreement to a National Lifelong Learning and Training Policy

The influence of collective bargaining at the national level is well illustrated by the development of Spain’s national lifelong learning and training strategy. Two years of national bipartite collective bargaining led to the conclusion of a collective agreement. Further negotiations between the social partners and the government resulted in a national tripartite agreement in 1992, which became the national policy for the country’s lifelong learning and training system, the Foundation for Lifelong Training (FORCEM). The system is financed by employers’ and government contributions. It involves both public and private institutions at the national, sectoral and local levels. Lifelong learning and training have been expanding rapidly.


——Establishing social partnership is a long-term solution

Skills development and educational training at the business level mainly relies on the coordination of a tripartite mechanism, while at the national level the participation, coordination and cooperation of other social partners are needed. A typical example on this regard is Ireland. During the 1980s, it adopted a development vision and common understanding which recognized that, through high levels of education and training, the country could produce skills that would drive productivity, innovation and entrepreneurship, create competitive advantages and boost employment. The Irish National Development Plan and the ten-year social partnership agreement towards 2016 provide the framework for national policy-making. Ireland’s skills, industrial, labour market and research policies are highly interconnected (Figure 2.21) through a network of interlinked organizations and an institutional framework that enables effective policy coordination between the various policy areas. The social partners are important informants, consultants and sustainers of the process.

Education and training policies are coordinated at the ministerial level by the Department of Education and Science (DES), which, for example, coordinates the planning and development of general and vocational education institutes through the Vocational Education Committees and the Higher Education Authority. The Department of Enterprise, Trade and Employment (DETE) is responsible for enterprise training and labour force development and, through its tripartite national Training and Employment Authority (FAS), coordinates the Irish apprenticeship scheme and continuous vocational training for the labour force, including training programmes for the unemployed.
The future demand for and supply of skills are coordinated through forward-looking skills development policies based on a skills forecasting and labour market information system. In 1997, the Expert Group on Future Skills Needs (EGFSN) was set up by the government to monitor all sectors of the Irish economy and to identify current or future skills shortages. The Board of the Expert Group comprises representatives of government departments, the social partners, science and research and education and training authorities. The Expert Group, together with the National Training and Employment Authority (FAS), which is responsible for the provision of training and employment services, “translates” the information produced by the skills identification system into skills development. The Expert Group advises the ministries responsible for education and enterprise development, trade and employment (the DETE and the DES respectively), thereby contributing to policy coherence in the skills development system.

**Figure 5.3. Policy coordination in Ireland**

![Policy coordination in Ireland](image)

Institutions that promote national enterprises (Enterprise Ireland) and attract FDI (IDA Ireland) cooperate through the National Policy and Advisory Board for Enterprise, Trade, Science, Technology and Innovation (Forfás) with a view to fostering skills and technology spillovers from foreign to domestic enterprises. The National Competitiveness Council (NCC), composed of representatives from many agencies, the social partners and outside experts, identifies industries with a high growth potential (such as biotechnology and ICT) and analyses the technologies and
skills needed to support their growth. The Advisory Council for Science, Technology and Innovation (ASC) advises on the Government’s science and technology strategy and research agenda, which the Science Foundation Ireland (SFI) implements. Forfás has the role of encouraging coordination between scientific research, enterprise development and inward investment, and of linking all this information to the skills development system.

——The ILO plays an important role

The International Labour Organization (ILO) is a tripartite organization. The priority of its work over the past decade has been to promote the Decent Work Agenda (DWA) worldwide. From 2000 to 2009, the ILO’s five two-year plans focused on the DWA, including vocational educational training and the improvement of workers’ capacity. In both the formulation and implementation of the plan, the ILO has stressed the promotion of the tripartite mechanism and social dialogue.

In this way, the DWA has achieved good results in vocational educational training and the improvement of working people’s capacity. For example, in 2008-2009, under the ILO objective “Increase member State and constituent capacity to develop or implement training policies”, many countries and regions made progress as shown in Box 2.15.

**Box 2.15**

**Increase Member State and Constituent Capacity to Develop or Implement Training Policies (2008-2009)**

**Bangladesh** established a National Skills Development Council to formulate the skills development policy and support necessary for institutions to link trainers and industry. Industrial skills councils participated in policy discussions and preparation of qualification frameworks to match training with labour market needs. A Memorandum of Understanding was signed by the Government with the NGO *Grameen Shakti* for the training of solar technicians.

**Grenada** established a training agency to coordinate training.

**India** approved a national skills development policy following a year-long process of tripartite consultations that had built up support among ministries, academics, UN agencies and NGOs.

**Serbia** adopted a law on professional rehabilitation and employment of persons with disabilities, including provisions on training. The social partners have identified specific plans of action to implement the new law.

**Sudan:** The Government in southern Sudan adopted a new technical and
vocational education and training policy. The government and social partners set priorities for technical and vocational education and training system reform in northern Sudan.

**Timor-Leste** established a National Labour Force Development Institute to improve the national skills training system, managed by a tripartite Executive Board. The Council of Ministers approved a national skills development strategy.


### 2.3.5 Trade Unions’ Role: Striving for and Safeguarding Rights of Working People

The basic duties of trade unions are to safeguard workers’ rights. They also have the obligations to participate in decision-making and management, strive for self-improvement, and organize education and training for their members. The latter, by its very nature, is also part of the safeguarding of workers’ rights and the promotion of economic and social development, which is the core of the DWA.

——International trade union organizations pay close attention to improving workers’ capacity

As the two largest international trade union organizations, the World Federation of Trade Unions (WFTU) and the International Trade Union Confederation (ITUC) both attach importance to trade union education and training. They have put forward policy proposals and taken appropriate action at different times based on the specific circumstances.

1. **Action of the WFTU.** Among the eight founding objectives of the WFTU, the fifth is “training, education and culture for all workers, thus enabling them to gain access to any responsibility or position within their capabilities”.¹

On December 4th 2005, at the 15th WFTU Congress, newly elected General Secretary of the WFTU George Mavrikos stressed the ten objectives of the WFTU, of which the fifth was the educational system of trade unions. He said, “Nowadays, knowledge, study and education are absolutely necessary. Multinationals and monopolies through many mechanisms interfere with and influence the consciences of young people and workers. We have the obligation as a class trade union movement to utilize scientists and experts, to apply our movement’s experience in order to reinforce our ideas and objectives through Programs and Educational Seminars.”²

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² WFTU: “Concluding Speech of George Mavrikos, Newly-elected General Secretary of the WFTU at the 15th Congress of the WFTU in Havana (Cuba) on 4 December 2005”,

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In August 2007, the WFTU attended an international workers’ symposium entitled “The Role of Trade Unions in Workers’ Education: The Key to Trade Union Capacity Building.” The keynote speech of the WFTU said, “The education and training of the Working Class and trade unionists is a useful weapon for the Working Class and to this end it is and always has been one of the priorities of the World Federation of Trade Unions (WFTU). Particularly in our days, when capital’s forces launch an attack with scientific accuracy and organization against the Working Class and class oriented unions, trade union education is now more than ever indispensable. Science and technology are in the multinationals’ service and the capacity for wealth and goods’ production is only developed in order for the capitalists to multiply their profits. Even though we are in 2007, there are 115 million children uneducated and more than 800 million people illiterate worldwide. Even in countries where there are laws for trade union education, for the organization and functioning educational institutes, there is a basic question that everybody should answer honestly: “Which orientation do we want the schools and courses to have and whose interests do we want to serve.

……

“The WFTU, in spite of the difficulties in the world trade union movement, having a clear orientation and persistence for the strengthening of the trade unions, is taking initiatives that help in this direction. Many trade union organizations that are WFTU members have their own Universities and Institutes where thousands of students and workers study (like in Cuba, Vietnam, Syria, Cyprus, etc.). In this spirit the WFTU organized a seminar for economic immigrants on May 29, 2006 in Brussels. The WFTU also organized an educational congress for working women on September 13th – 14th, 2007 in Brussels where 100 women from 80 trade unions all over the world participated.

“Within 2008 the WFTU is planning to found a labour educational institute which will be connected to the educational and training centers of its members.”

On February 25th 2010, at the 2010 International Forum on “Economic Globalization and Trade Unions” held in Beijing, Mr Mavrikos said that the WFTU has been working in Latin America, the Middle East, Europe, Asia and Africa to hold various types of seminars and training classes, and actively participated in the development process of the Latin America and the Caribbean region, playing an important role worldwide. He also called for the creation of more job opportunities in health care and education, investment in which is oriented towards the future.

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2. Action of the ITUC. In 1992, the International Confederation of Free Trade Unions (ICFTU), which later became the ITUC, held its Second World Conference on Trade Union Education, setting the ICFTU education policy and programme, adopted and endorsed at the 1994 ICFTU Executive Board meeting. According to this plan, trade union education should contribute to a lifelong learning process of personal development, leading to the active involvement of people within the union and community, reinforcing democratic principles at all levels. Trade union education should play its role in building international solidarity and in increasing the effectiveness and influence of the free trade union movement. The key to realizing the goal is through global trade union solidarity. The key to developing this solidarity is through trade union education.2

Education International (EI), a member of the ITUC, is a trade union, a professional association and a human rights organization, all in one. It pays special attention to the education and training of working people worldwide. Its third World Congress was held at the end of 2001 in Kathmandu, Nepal. Its thesis report entitled “Educating in a Global Economy” mapped out a new strategy on global education and training: education for all; fighting disgraceful illiteracy rates; and commercialization of education services. The report believes that the 21st century will be built upon human resources.3

During the financial crisis, the ITUC stresses tackling the crisis through education and training. On March 26th 2009, members of EI’s Executive Board discussed the impact of the global economic crisis on public education around the world, and suggested investing in education to mitigate the crisis.4

On April 22nd 2009, EI General Secretary Fred van Leeuwen told the congress of Nepalese teachers that “investment in quality public education for all is the key to recovery”.5

On May 7th 2009, FETE-UGT Union General Secretary Carlos López Cortiñas said that the Spanish education and research budget should increase to 11.6 per cent of GDP, so as to achieve a reduction of the drop-out rate, expansion of early childhood education, better vocational education and training, increased use of new technologies in education and a better adjustment of higher education to new European standards.6

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5 ITUC: “EI General Secretary at the congress of Nepalese teachers: Investment in Quality Public Education For All is the Key to Recovery”, http://www.ituc-csi.org/ei-general-secretary-at-the.html (last accessed: October 22nd 2010).
6 ITUC: “EI: Education and research budget should increase to 11.6 % of GDP, says Spanish union leader”,
On November 23rd 2009, the international conference of education workers held in Warsaw expressed its belief that investment in education is the key to solving the economic crisis in Europe. Educational trade unionists from across Europe urged their governments to invest in public education as a smart response to the economic crisis. “Investment in quality public education and highly trained teachers is good not only for short term economic recovery, but also for prosperity and social stability over the long term,” said Ronnie Smith, President of the European Region of Education International (EI).

On the occasion of the 32nd APEC Human Resources Development Working Group (HRDWG) held from February 24th to 28th 2010 in Hiroshima, Japan, and in anticipation of the Human Resources Development Ministerial Meeting (HRDMM) which was to take place in Beijing in September 2010, the International Trade Union Confederation / Asia Pacific Labour Network (ITUC/APLN) issued a statement urging the 32nd HRDWG to facilitate APEC Economies’ responses to the financial and jobs crises, promote labour participation in the APEC process and promote decent work.

International trade union organizations sometimes also take collective action to make their voices heard in safeguarding the rights of working people. In 2008, the ITUC, the Trade Union Advisory Committee (TUAC) of the Organisation for Economic Co-operation and Development (OECD) and the WFTU drafted and issued a joint statement on the financial crisis to the G20 summit, requesting the formulation of a coordinated plan for the recovery of the real economy. The plan supported the creation of jobs and expansion or establishment of social safety nets. Apart from investment in infrastructure, it advocated investment in education, health care and projects for the care of children and older people. In order to achieve the goal of enabling all school-age children to receive primary education by 2015, 18 million new education workers need to be trained. Several million teachers and staff members need to be engaged in professional education and real training, which is a pillar of the real economy.

——Regional trade union organizations take effective action

In the area of improving workers’ capacity through education and training, the European Trade Union Confederation (ETUC) is very active among regional trade
union organizations. On trade union education and training, the ETUC always stresses on lifelong learning.

On February 28th 2002, the ETUC and two other European trade union organizations formulated a Framework of actions for the lifelong development of competencies and qualifications, making clear the definitions, approaches, priorities and resource mobilization required, and outlined its planned action and follow-up. From 2003 to 2005, the ETUC issued follow-up reports on the action framework for three straight years, reviewing work done, and issued the final assessment report in 2006.

In April 2005 the European Commission issued the communication “Mobilising the brainpower of Europe: enabling universities to make their full contribution to the Lisbon Strategy”. The ETUC supports the idea that universities and other higher education institutions should play a stronger role in the Lisbon strategy. Higher education is and will be a major source of skills and competencies needed to increase economic competitiveness and welfare among European citizens. It opposes social exclusion and believes that Europe must construct a new culture of lifelong learning, enabling all citizens to acquire knowledge, skills and qualifications that are needed in order to handle the rapid evolution of society and the economy. Agreeing with the basic ideas of the Commission communication, the ETUC put forward a series of proposals: diversified higher education; opening up higher education to industry and to the whole society; opening up higher education in a lifelong learning perspective; investing in higher education; high quality of higher education; towards a European higher education area; establishing a European higher education area; closer cooperation with society and labour market; and establishing social partnership.

On May 24th 2005, the ETUC adopted a resolution, Lifelong learning for all: A challenge for Europe, giving detailed explanations on the necessity, feasibility, operational methods and policy framework of lifelong learning. The ETUC has dedicated significant efforts to the promotion of lifelong learning.

On May 19th 2006, the European Union Education Council (EUEC) submitted an evaluation report, believing that developing lifelong learning is a crucial priority in finding solutions to labour market problems.

On December 5th 2006, representatives of the ETUC took part in a meeting of European Union ministers responsible for education and training in Helsinki, urging

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the ministers to make a fresh commitment to investment in education and training for workers.¹

At its meeting on March 17th and 18th 2009, the Executive Committee of the ETUC adopted a resolution on initial and continuous vocational training for a European employment strategy, stressing again the importance of lifelong learning, social inclusion and social dialogue.²

Calling for participation in the European Day of Action on September 29th 2010, the ETUC affirmed that everyone should have high-quality and safer jobs and training.³

Other regional trade union organizations also have their proposals and action on improving workers’ quality through education and training. For example, Secretary General Hassan Sunmonu of the Organization of African Trade Union Unity (OATUU) said at a 2008 international symposium on economic globalization and trade unions that education is a basic need of humanity, and the right to education is also a human right. “Public policies must ensure that education can be open to all at various levels. A country with high level of national education is also a developed country… No country in history can achieve development just through universal basic education. As an industry, education can create tens of thousands of jobs and can help in poverty alleviation and development.” He affirmed that trade unions have the obligation to promote people-oriented social and economic policies at national, regional, continental, and even international levels, which can improve educational levels and promote the development of human resources.⁴

——National trade union organizations play their own roles

In order to improve workers’ capacity and safeguard their legitimate rights and interests, national trade unions of different countries also make strong efforts, as reflected in the following:

First, establishing education training institutions, formulating education training plans, carrying out such activities and improving their quality. Trade unions around the world, especially those from western developed countries, all attach importance to educational training for employees, and some have even launched lifelong education training plans for workers. In the trade union federations of five Nordic countries, workers’ education associations are set up to be responsible for the coordination of workers’ culture and technical training work. The budget of Norway’s workers’ education association is supplied by the education and development foundation, which mainly comes from employers each contributing 0.25 per cent. Other trade

¹ ETUC: “ETUC urges EU ministers to make a fresh commitment to investment in education and training for workers”, http://www.etuc.org/a/3116 (last accessed: October 22nd 2010).
² ETUC: “ETUC Resolution on initial and continuous vocational training for a European employment strategy”, http://www.etuc.org/a/6078 (last accessed: October 22nd 2010).
union workers’ education associations mainly depend on budgetary allocations from the government. The Norwegian Confederation of Trade Unions has three schools, one of which is an environmental school. The Confederation of Trade Unions of Denmark established three schools in 1910, 1929, and 1969, offering training to 400,000 people every year. Apart from the workers’ education associations, the Danish Confederation of Trade Unions also has a liaison committee for schools on the workers’ movement, undertaking many cultural activities. The Swedish Trade Union Confederation also pays high attention to the education and training of workers. It carries out “study group” activities nationwide, affording almost all members the opportunity to receive part-time training and study. The Confederation owns six schools, offering off-the-job training to over 500,000 people every year.\(^1\)

The Congress of South African Trade Unions (COSATU) and most of its affiliated trade unions have specific training departments and full-time teachers. In 2003, COSATU’s affiliated trade unions had altogether 70 full-time teachers nationwide. Moreover, COSATU and the Federation of Unions of South Africa (FEDUSA) jointly set up an education institution, the institute on workers’ training, assistance and education, aimed at planning for and implementing trade unions’ education and training plans. For example, from March 2002 to March 2003, the institute offered training to 3,076 students in various training activities, including short-term and senior training classes in organizational work, labour law, and trade union education, as well as leadership workshops for women. At present, the Institute has 17 full-time teachers and a budget of nearly 5 million rand.\(^2\)

The strategy of Spanish trade unions is to stress political participation through the reform of the labour market. Since the late 1990s, trade unions have made progress in safeguarding workers’ rights, including labour supply, training, and employment flexibility. The basis is the strategy of trade unions in emphasizing study and training. Since the early 1990s, the trade union movement has dominated the training and lifelong learning of employees, participating in the management of various training funds to different extents, sending employees to receive pre-job and on-the-job training, and encouraging employers of SMEs to support employees’ training plans.\(^3\)

The trade unions of Kenya have realized that to successfully cope with the challenges of new science and technology and globalization, they must have the necessary capacity. One way of capacity building is education and training. Many Kenyan trade union organizations have training programmes, including for newly recruited employees. International organizations such as the ILO also help trade union organizations in Kenya through seminars, study tours and assistance.\(^4\)

\(^1\) Practice and Inspirations from the Practice of International Trade Unions in Developing Businesses, by the task force of the international liaison group, in International Workers’ Movement, Edition IV, 2009, p. 8.


\(^4\) From the speech by Betty Makena, chairperson of the Central Organization of Trade Unions of Kenya (COTU-K) Women Committee, at the 2009 International Forum on Economic Globalization and Trade Unions, in
A second approach is carrying out international cooperation, issuing joint statements, and calling upon the international community to pay attention to the improvement of workers’ capacity, education and training. On the eve of the 2008 ASEM summit and APEC Economic Leaders’ Meeting, the ASEM trade union leaders’ meeting was held in Bali, Indonesia, from October 12th to 14th 2007. Soon afterwards, the APEC trade union leaders’ meeting was held in Lima, Peru, on October 27th and 28th 2007. Given the situation then and the problems faced by the working class in their social rights, the two meetings adopted two statements entitled Promoting Decent Work and Shaping the Social Nature of Globalization and Promoting Decent Work – New Commitment for APEC Economic and Trade Development, submitted respectively to the ASEM Summit and APEC Economic Leaders’ Meeting. These two statements stress employment and social security issues. In order to promote employment, both meetings emphasized the importance of training. In its statement, the ASEM trade union leaders’ meeting said that in today’s world, full employment to a large extent depends on productivity, and therefore, investment in human capital is the key. ASEM trade unions require the incorporation of low-skilled workers and those from irregular sectors into the plan for improving productivity. Lifelong education should not just be the privilege of skilled workers. In order to ensure that all workers have the opportunity of higher employability, it is necessary to increase public spending on training, which is not only the responsibility of the State, but also requires a contribution from the private sector. It is necessary to strengthen relevant training, strive for tripartite negotiations for employment opportunities, and promote the efforts of the government and social partners to formulate national strategies for employment opportunities and lifelong education. ASEM countries should further promote related information exchange and adopt best measures. An ASEM plan aimed at promoting the transition from education to employment can help young workers to solve special difficulties they face. The statement of APEC trade union leaders points out that the general principles for decent work should include providing employment guidance to unemployed people, helping them to find jobs, formulating personal action plans, conducting training for switching occupations, improving employment treatment, improving the labour market mechanism, promoting employment services, formulating action guidelines that enable women to participate in the labour market on a large scale and guide employment training for young people, and conducting timely evaluation on the effectiveness of the labour market.1

A third approach, at a time of economic crisis and employment crisis, is calling for and participating in the tackling of the crisis through the improvement of workers’ capacity. In November 2008, the Ministry of Manpower (MOM), the Employers’ Association and the National Trades Union Congress (NTUC) of Singapore, on the basis of a predicted drastic slump in the Singaporean economy because of the global financial crisis, jointly formulated a Guiding Principle to Address the Issue of Surplus International Workers’ Movement, Edition I, 2009, pp. 48-49.

Labourers, helping businesses and workers to weather the difficulty. The Guiding Principle made it clear that layoffs should only be the last resort and businesses should be cautious in tackling labour surplus. In order to avoid layoffs, it encouraged businesses to take the following measures to address labour surplus: asking employees to participate in the skills improvement and adaptation plan of the Singaporean government, for which 90 per cent of the expenditure comes from government subsidy and each participant can get an allowance of 6.8 Singaporean dollars per hour; transferring surplus labourers to other departments of the business; and reducing weekly working time, short-term layoffs, flexible working time or other flexible working arrangements. As for the role of trade unions, Vice-President Tan Soo Leng of NTUC believes that “as trade unions, we should also play our roles, and cannot just rely on the government to offer decent work to workers… For example, in the process of cooperation with businesses, we try to persuade workers to participate in the training activities for skill improvement and adaptation. Due to the missing allowances given by the government, businesses can reduce their expenditure for employees’ salaries, and at the same time, the skill improvement of workers can also help improve business productivity. Through the employment and training center of the NTUC, we offer one-stop service to workers including employability assessment, coaching, skill training, and vocational introduction. The training programmes of the training center are designed according to the targets of the training, including laid-off workers, women who have returned to work, professionals, managers, executive members, technicians, low-income workers and senior workers. One of the achievements of the center is its participation in the recruitment for the Marina Bay Sands of Singapore.”

Vice-President Nora Kang of SNTUC of Singapore also talked at the 2010 International Forum on Economic Globalization and Trade Unions about the efforts and achievements SNTUC has made. “Between 2008 and 2009, e2i helped more than 50,000 workers, either by helping them ‘move up’ into an entirely different industry, or help new job entrants ‘move into’ a particular industry. We call this the 4M Framework. In 2009 alone, e2i has helped some 16,000 workers gain new jobs, of which, more than 60 per cent gained employment by moving into new industries. Through e2i, more than 180 companies adopted SPUR and, as a result, more than 33,000 workers were Up-skilled, Re-skilled and Multi-skilled to be ready for the upturn.”

As a member of the national committee of the Força Sindical (FS) of Brazil said at the 2009 International Forum on Economic Globalization and Trade Unions, we must take a road of new globalization that is fair, so that education, vocational training, full employment for all and decent work become the fundamental goals of our national policies, international policies, and the strategies for national development. In his speech, the Central Única dos Trabalhadores (CUT) treasurer talked about the three

priorities of Brazil’s national DWA programme: creating more high-quality jobs to enable everyone to have equal opportunities and equal treatment; eliminating slave workers and child labourers; and strengthening the tripartite mechanism and social dialogue as the tool for democratic management. “CUT has been working hard in all fields to actively promote the realization of these goals. But our work is not confined to that, but rather cover all fields of Brazil’s DWA programme.”

In December 2008 the social partners met to consider how South Africans should respond collectively to the more difficult economic conditions they now faced. Deputy President Jacobus P.L. Bezuidenhout of FEDUSA participated in the process of exploring ways and means of addressing the crisis from a South African perspective. He talked about the principles and measures in his speech at the 2010 International Forum on Economic Globalization and Trade Unions. When talking about employment measures, he said, “retaining and increasing employment will be at the centre of our coordination and efforts in the period ahead… Organized business and its affiliates undertake to urge and encourage CEOs of companies to do everything in their power to avoid retrenchments as a result of the global economic crisis, and to instead invest in their people and modernize their productive capacity in order to avoid job losses… Training and skills development need to be prioritized, quality improved and the learnership programmes enhanced. In addition to other measures to avoid retrenchment, one further option that the parties will consider is training layoffs for workers whose employers would ordinarily retrench them and which can be introduced on terms that would keep them in employment during the economic downturn but reskill them as an investment for the future economic recovery.”

In his speech at the 2009 International Forum on Economic Globalization and Trade Unions, the representative of the Central de los Trabajadores Argentinos (CTA) said that the model of free trade and non-interference of the State dominant over the past thirty years had seriously violated the rights and interests of workers in developing countries. “The only way to reverse this trend is through work and active participation of all citizens, and appropriate intervention of the state in planning. Therefore, our trade union set up research and training centres three years ago, conducting study on science, technology, and society, and putting forward suggestions. We advocate decent work… Our Central Trade Union, together with the Ministry of Labour, and General Trade Union Association signed a joint statement to promote decent employment of our country’s young workers… Moreover, we also participated in the Global Campaign on October 7th in calling for decent work, holding activities nationwide; trade unions also organized training activities and a mobilization movement to protect the decent living rights of people.”

3 Speech by representative of the Central de los Trabajadores Argentinos (CTA) at the 2009 International Forum on
During the crisis, the Vietnam General Confederation of Labour has taken the initiative to talk with the government to work out emergency measures aimed at helping workers and enterprises secure jobs and incomes and stabilize livelihoods and business activities. With Resolution 30/2009, the Government decided to give loans without interest to needy enterprises enabling them to pay due salaries to workers, social security contributions and retrenchment benefits. People who lost their job in 2009 are entitled to borrow money from the National Fund for Employment to find new jobs or to create jobs for themselves, and to go for training within 12 months from the date of losing their job. Trade unions at different levels have actively joined the administration and companies in implementing the said Resolution and taken other measures to assist workers in finding new jobs and securing their legitimate interests and benefits through activities of job promotion and placement, legal aid services offered by the network of trade union vocational training and employment creation centres. Trade unions also organized job fairs and relief actions for workers in difficulty. By the end of 2009, Vietnam had exhibited initial signs of recovery thanks to vigorous measures taken by the Government and the whole society. As Hoang Ngoc Thanh, deputy president of VGCL of Vietnam, said, one of the lessons that could be drawn from the job crisis is to improve qualifications and skills of workers, providing them with knowledge of labour legislation, including relevant international conventions, develop and complete the labour market, and build sound and transparent labour relations.1

The Lao Federation of Trade Unions organized meetings among government officials, employers and trade unions, asking all sectors to pay attention to protecting workers and the economy as appropriate, such as by maintaining or raising wage levels a little, and suggesting employers reduce the number of working hours but still keep the same number of workers. “Promoting and creating professional skills for workers and labouring people are important tasks in order to face the financial crisis and other issue impacting on the living conditions of workers and labouring people. We urge workers and labouring people to participate in activities on socio-economic development to make them strong.”2

During the crisis, the General Workers’ Union of Malta did its best to deal with the terrible economic situation. They presented their government with several proposals, all aiming to aid industry, to protect jobs and to enhance workers’ employability by enriching their skills. One such proposal was directed specifically at employees who were scaled down to a shorter working week, which the government heeded and included in the national economic recovery plan. Through the proposal, these workers supplement their shorter week by attending specific training courses, while their pay

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is not affected. Through these courses, employees not only reskill themselves but are also paid through state financial contributions and EU funding.¹

The Deutscher Gewerkschaftsbund (DGB) reported on its website on April 16th 2010 that before the opening of the G20 ministerial meeting on April 18th, Michael Sommer, president of the DGB, issued a statement on how to address the employment crisis, mentioning the launch of training and retraining for workers worldwide, implementing G20 national educational strategies, and expanding professional knowledge and employment through training and retraining measures. Such a practice can also attract the social partners, making lifelong learning an event for all. In this process, priority should be given to “green jobs”.²

——The essential role of the Chinese trade unions

The Chinese trade unions have always attached high importance to the training and skills development of workers. One of the four primary functions of the ACFTU as underscored in its constitution is “education”.³ In recent years, the ACFTU has made unremitting efforts to upgrade the skills and employability of workers, especially vulnerable groups.

1. Capacity-building for union leaders and shop stewards. Trade unions at various levels all have their own training schools that provide skills training on a regular basis. The China Institute of Industrial Relations (CIIR) organizes many sessions of training courses for trade union leaders or model workers from all over the country.

To strengthen training and raise the capacity of trade unions, the ACFTU released a National Education and Training Plan for Trade Union Representatives (2006-2010)⁴, which gives clear requirements on the guiding principles, objectives and major tasks of education and training. During the period of the 11th Five-Year Plan (2006-2010), the ACFTU trained a total of 6.263 million persons. Many of the people who received training are full-time and part-time union representatives, among whom 2.095 million come from the non-public sector. Some 93 per cent of union representatives and union staff have received training.⁵

2. Upgrading the skills of workers. In 2010, the ACFTU designated 700 national demonstration centres for workers’ training, 100 excellent demonstration centres for workers’ education and 31 demonstration training schools for women workers, and set

up ten pilot vocational training bases. It has trained 3.143 million people, of whom 230,000 are domestic workers. In 2010, 1,000 demonstration libraries and 12,000 workers’ reading rooms were established to enrich the cultural life of workers.

3. Enhancing the employability of low-income workers and the vulnerable groups, through five channels.

The first is Aid Centres for low-income workers. By the end of November 2009, a total of 3096 aid centres above county level had been established, including 16 at provincial level, 358 at city/prefecture level, and 2,722 at county level. Aid centres have been established in all cities and counties and raised 2.2 billion yuan to help 6 million low-income workers with financial aid, health support, education grants for children, employment and legal services, vocational training, policy advice and entrepreneurship development.

The second channel is the “Sunshine Employment Project for College Graduates of Low-income Families”, launched together with the Ministry of Education. By the end of September 2009, the project had helped 152,000 college graduates from low-income families, or 96.4 per cent of the total, find jobs. Under this project, trade unions throughout the country have held 5,543 job fairs with 746,635 job openings, organized skills training for 63,137 people and entrepreneurship training for 33,591 people, provided 21.13 million yuan as micro-credit to 1,817 people, rendered financial aid to 28,665 college graduates of low-income families, and given 11.33 million yuan as allowances to job applicants.

The third is the project of “Assistance for Ten Million Migrant Workers”. In early 2009, the economic crisis forced a large number of migrant rural workers to return to rural areas. Faced with this situation, the ACFTU launched the project in February 2009 (Box 2.16). By the end of October 2009, the programme had helped 13.9358 million rural migrant workers, including training for 5.2049 million (1.8951 million for skill training, 276,700 for entrepreneurship training and 3.0331 million for basic training), employment services for 3.6221 million, and financial aid to 51,008,800.
Box 2.16
Assistance for Ten Million Migrant Workers: Goals and Measures

1. Objectives: integrating social resources and strengthening employment assistance to help 10 million rural migrant workers through skill and entrepreneurship training, employment support, legal services, and livelihood assistance. The programme has provided employment support to 5 million people, legal services and livelihood assistance to 5 million people, and recruited 5 million migrant rural workers into the union.

2. Concrete measures:

- Employment training. This includes skills training, entrepreneurship training and basic training. The courses are organized in the venues of trade unions, large enterprises, the National Trade Union Employment Training Bases of the ACFTU or jointly operated with the professional training institutions, and the rural migrant worker skills training centres in both sending and receiving provinces.

- Job assistance and employment guidance. This includes collection and release of job information, organization of job fairs, creation of new jobs, labour service cooperation between the sending and receiving provinces, micro-finance and entrepreneurship guidance.

- Financial aid and Legal services.

Source: “ACFTU Implementation plan on ‘the campaign to assist 10 million migrant workers’”, ACFTU (2009), No.3 document.

The fourth is the Domestic Service Project. In 2009, the ACFTU, the Ministry of Commerce and the Ministry of Finance jointly issued the Notice on Implementing the Domestic Services Project. Under this project, the government will allocate 300 million yuan for domestic service training. The project aims at expanding the employment channels for unemployed people and rural migrant workers and had trained 130,000 domestic workers by the end of October 2009.

The fifth is the Golden Autumn Education Assistance. Under this programme trade unions across the country have raised 800 million yuan (including 260 million yuan from government, 320 million yuan from trade unions, and 220 million yuan from social donation) and helped 605,000 low-income earners and children of rural migrant workers.¹

4. Working with the ILO to improve the quality of workers and promote decent work. In 2001, Juan Somavia, Director General of the ILO, visited Beijing and signed an MOU on China/ILO DWA. In April 2007, the Ministry of Labour and Social Security (MOLSS), the China Enterprise Confederation (CEC) and the ACFTU signed the China Decent Work Country Programme with the ILO Country Office for China and Mongolia.

To support the agenda of the ILO Decent Work Country Programme, the ACFTU has been sending two study groups to the ILO International Training Centre every year since 2003. The theme of the study is different for every study group, but mainly focuses on the Decent Work Agenda.

In the area of technical cooperation, the Chinese government introduced the Start Your Business (SYB) project in 2001 and the Start and Improve Your Business (SIYB) project in 2004. In May 2004, the ACFTU, MOLSS, and ILO agreed to launch the SIYB Project in trade unions at different levels. The project was piloted in seven cities in the initial stage and extended to the whole country later.

6. Future-oriented skills development for workers. Enhancing the capacity of the workforce and transforming the economic development pattern, the two tasks underscored in the national programme on economic and social development adopted by the Chinese government, are also high on the agenda of the ACFTU. Box 2.17 shows that the 12th Five-Year Plan of China puts emphasis on the tasks of rejuvenating the country through science and education, building a high-quality workforce, developing the green economy, and accelerating the transformation of the economic development pattern.
Box 2.17  
Human Resource Development Strategy outlined in the  
12th Five-Year Plan

*The Proposal of the CPC Central Committee on the 12th Five-Year Plan on National Economic and Social Development* (Proposal on the 12th Five-Year Plan), adopted on October 18th 2010, mentions:

To formulate the 12th Five-Year Plan, we must thoroughly implement the Scientific Outlook on Development, adapt to new changes in domestic and international situations, take scientific development as the main theme, the acceleration in the transformation of economic development pattern as the main line, and deepen reform and opening up.

Accelerate the transformation of economic development pattern through scientific and technological innovation. The country will stick to the strategy of rejuvenation through science and technology and high-quality human resources give full play to the role of science and technology as the primary productive forces and human talents as the primary resource, raise the level of education, enhance the capacity of indigenous innovation, and build a strong pool of innovative talents. The development of the country should be based on advanced science and technology, a high-quality workforce and more innovative management expertise.

Transform the economic development pattern and build a resource-efficient and environmentally friendly society. To tackle climate change, balance socio-economic development and environmental protection, and achieve sustainable development, the country will strictly implement the policy of resource conservation and environmental protection, reduce GHG emissions, develop a circular economy, and promote low-carbon technologies.

Source: *Proposal of the CPC Central Committee on the 12th Five-Year Plan on National Economic and Social Development*, pp. 3-5.

The ACFTU released the *Five-Year Plan on Nationwide Workers’ Education (2010-2014)* (the Plan), mapping out an overall plan to improve workers’ capacity. The Plan calls on trade unions to focus on building a high-quality workforce to help the country transform its economic development pattern and raise its indigenous capacity for innovation. The Plan also sets some specific targets that are to be achieved within its timeframe, including organizing training programmes in 80 per cent of workplaces, helping 10 million workers acquire higher qualifications,
establishing 4,000 local training demonstration bases, 5,000 national workers’ library demonstration centres and 50,000 workers’ reading rooms, organizing skills training and contests in 85 per cent of workplaces, helping 20 million workers to elevate their skills grades, and providing skill and entrepreneurship training to 10 million urban unemployed residents and rural migrant workers. Vocational training should meet the needs of socio-economic development and advancement of science and technology, explore ways to combine production with training, and provide special skills training according to labour market demand.

In 2011, the ACFTU will formulate the National Plan on Education and Training of Union Representatives (2011 to 2015)\(^1\) to plan training activities in the 12th Five-Year period and improve the management and operation of trade union training programmes.

Chapter 3 Social Security and Decent Work

Globalization represents one of the major features and trends of the development in the world of today. It brings about not only new opportunities but also new constraints and challenges. The 2008 global financial and economic crisis has further disrupted the globalization and threatened the welfare of millions in the world economy. For the years to come, another millions of workers are predicted to lose their jobs and fall into poverty. To deal with the global financial and economic crisis, speed up the recovery and restoration of a fair and inclusive globalization, international community shall join forces and strive together for the access to social security and decent work for all workers.

3.1 Post-crisis development of global social security: Formidable tasks ahead

Social security mitigates potential risks, reduces poverty and social conflicts, and promotes social integration and economic growth through redistribution systems. However, in the course of economic globalization, the fast growth of wealth does not translate into adequate coverage of social security for the majority of world population. According to the ILO’s estimates, in the least developed nations, workers covered by social security schemes account less than 10% of the total; in the middle-income developing nations, the figures approximate 20%-60%; and only the figures in the developed industrial nations get close to 100%. In the context of global economic and social development imbalances, struggling in the aftermath of various crises, the social security in the post-crisis era will be confronted with a formidable path of development.

3.1.1 Social security: A luxury or a necessity?

Now, in most European and American countries, Japan, Australia and New Zealand, the system that includes all of the nine categories of social security has been in place. In contrast, only few countries in Africa and Asia have their own comprehensive social security systems.

For decades, social security system has always been the target of neo-classical political critics. In the industrial countries, social security is perceived as costly while in many developing countries, it is simply deemed as burden-ridden. The global financial and economic crisis has pushed the social security development onto the top of international agenda, but the debate on the issue continues.

—Europe: High debts, high welfare

In Europe, countries have always been proud of their status as welfare States and regard it as a symbol of more advanced civilization. The welfare has long been
operating on the basis of high fiscal deficits and piling debts. When it comes to the financial crisis, the welfare policies they have been previously pound of turn into heavy economic burden. And the austerity policies arouse strong public protests in return. That is the dilemma those countries have to face at this time.

**Box 3.1**

**European “luxurious welfare” hardly sustainable**

Greece: Greek Welfare has the reputation for its generosity as workers enjoy high remuneration and pension, low retirement age of 53 on average and annual paid holidays as long as 6 weeks. However, due to the sluggish economic growth for years, the Greek welfare has far outpaced its national economic capacities. Each administration in succession has all been reluctant in altering the current welfare system for fear of losing votes. As the result, the State treasury suffers increasing deficit and government struggles to maintain the economic operation based on debts, pushing the country further into recession.

Italy: Every Italian citizen is entitled to free health services from cradle to grave, free school education and paid holidays. Every year in August, workers in enterprises and institutions will be on holidays except those in the transport, postal service, military and other important sectors. The huge social welfare expenditure has made the government debt-ridden and the fiscal deficit has long been a hot issue to be resolved. Statistics show that Italy’s government debt may reach 116.7% of its GDP in 2010, far surpassing the cap of 60% set by the EU’s “Stability and Growth Pact”, second only to Greece in Europe.


In recent years and since the global financial crisis in particular, countries have found it hard to bear the financial burden of high welfare. On one hand, economic growth slows down, tax revenue increases less and government fiscal revenue rises hard; on the other hand, the ageing of population demands the fast increase of government spending on pension, medical insurance and other welfare schemes. The gap between revenue and expenditure has further widened and the government borrowing is not the solution from the source, leads to nothing but accumulation of debt similar to a rolling snow ball. The European high welfare system faces the challenge of sustainability. Many nations in Europe has began to reform the high welfare systems, either by raising retirement age, freezing the payment of pensions, or slashing the pay of public servants, which have also met with public protests. For the past couple of months, in Greece, Portugal, Spain, France, Italy and even the UK on the opposite side of the strait, waves of mass protests and nation-wide strikes have broken out. In France, the marches and strikes participated by millions and organized by major trade unions against Sarkozy government’s retirement reforms caused social chaos for a certain
period of time.

**Box 3.2**

**Strikes Sweeping Europe Make It Difficult to Implement Austerity Measures**

October 29, 2010 turns out to be the “Day of Strikes” in Europe. Strikes and protests of different kinds are stirred up in Italy, Spain, Belgium and Greece. Trade unions protest the government’s austerity measures and the spending cuts on pension and other social welfare. Unions question why the poor have to pay the bills of financial crisis caused by the bankers. Unions fear the government spending cuts may lead to job losses.

Unions point out that the financial crisis is triggered by the bankers and stock traders, but it is the workers in Europe who suffer the most. They denounce the austerity measures that will slow down the economic recovery and punish the poor.

The ETUC says that the financial crisis has made 23 million European workers lose their jobs and the EU’s austerity measures will cause even more job losses. Trade unions urge governments to ensure workers’ job security, sound social security and more pension benefits.


The reform of high welfare system in Europe has been obstructed with so much dilemma and ambiguity. The lesson drawn from the situation is that any imbalances between the economic growth and the social welfare increase can lead to disasters. Balance between the economic growth and social welfare increase shall be the way out.

—*Asia: High growth, low security*

3.7 billion of the world’s population live in Asia. As the largest continent, Asia has more than 60% of the global foreign exchange reserve, nearly 50% of the global economic volume, but also has the 2/3 of the global poor. Even though some of Asian countries and regions have achieved great progress in the poverty alleviation for the past 20 years and the poverty rate in the developing countries has dropped from 34% in 1990s to 19% in 2006, but only a few regions have seen their poverty rate decline. In addition, income gap continues to widen and there is still a long way to go before reaching the MDG target of halving the global poor population by 2015.

In Asia, the vigorous development of foreign trade has contributed to the remarkable economic growth and prosperity, but local social security development has lagged
behind East Europe, Latin America and other developing countries.

**Box 3.3**

**Around 20% Asian Population Without Social Security,**

**Financial Crisis Adds 21 Million Poor**

Survey results released by the reports of the UN and ADB show that around 20% of Asia’s population has not yet been covered by unemployment, medical, pension or other social insurances, and they are very likely to turn into poverty in times of financial crisis. In some Asian countries, the traditional mindset on social security and the tradition of relying on individual families need to change. The regional development report jointly released by the UN agencies and the ADB on February 17, 2010 illustrates that in the wake of the global financial crisis, poor population in Asia living on less than USD 1.25 a day has increased by 17 million and those living on less than USD 2 a day has increased by 21 million.


In Asia, relatively high coverage is enjoyed by the people of Mongolia and countries of the former Soviet Union, but social security expenditure is low in some of these countries. Evidence indicates that actual pensions paid are very low and often not sufficient to keep the elderly out of poverty. A minority of the Asian nations still have effective coverage rates of between 20% and 40% with the exception of the South-East Asian countries where coverage is lower. But the majority of countries are still faced with the challenge of how to effectively prevent widespread and deep poverty among rapidly ageing populations where a majority work in the informal economy and have no access to any contributory social security scheme (Figure 3.1).
—Africa: Low growth, low security

There are 54 countries in Africa with a combined population of over 800 million people. More than 35 per cent of Africans live in economies that have grown at more than 4 per cent a year for the last decade. Approximately 40 to 50 per cent of Africa’s population is younger than 18. The number of Africans aged 60 or older is estimated to be 35–40 million. In Africa, most people work in the informal sectors without any
contributory social security schemes in place and the coverage of social security is lower. The HIV/AIDS pandemic has increased mortality rates dramatically in Eastern and Southern Africa, and this in turn threatens the financial viability of social security systems in many countries.

Box 3.4
Key Statistics of Social Security in Africa

- In sub-Saharan Africa, social security coverage ranges from 5 to 10 per cent and in most cases is limited to wage earners.

- In the 13 middle-income African countries, social security coverage generally ranges from 20 to 70 per cent of the population.

- African countries spend an average of 4.3 per cent of GDP on social security, compared to 25 per cent in Europe and 16.6 per cent in North America.

- In some African countries, out-of-pocket healthcare costs represent 40 per cent of healthcare spending.

- In recent years, many African countries have developed specific mechanisms to include low-income households within new or existing social health insurance schemes.


In countries with a longer tradition in social security and a larger formal economy (such as Tunisia or Algeria, as shown in Figure 3.2), the situation is significantly better. The highest coverage is in those African countries where, in addition to contributory schemes for those in the formal economy, universal pensions (Lesotho, Mauritius and Namibia) or social assistance pension which reach a large section of the population (South Africa) have been introduced. Achieving high coverage requires resources to be invested: Mauritius and South Africa spend more than 5 per cent of their GDP on pension and other social security benefits, while the majority of the sub-Saharan African countries allocate no more than 1 per cent of GDP and even this is used mostly to pay for civil service pensions.
3.1.2 Social security privatization: A cure or a toxic?

In 1980, under the pressure of ageing population and soaring inflation, Chile decided to reform the pension system and initiated the social security privatization (SSP), known as the “Chilean Model” featuring individual contribution, individual accounts, full accumulation and operation by private companies. The Chilean reform has started a new wave of reforms worldwide and nations begin to resort to the SPP as a cure for the entrenched social protection problems. Peru, Brazil and other Latin American countries take the lead in the road of privatization. Singapore and Malaysia have also
privatized the pension systems based on their specific conditions. The US is exploring the feasibility of privatizing pension insurance. China is shifting its social security from the pay-as-you-go system to a partial accumulation system.

Since the privatization reforms, problems related to the sustainability of social security fund’s solvency have been resolved to some extent, but new issues emerge such as the narrowing of social security coverage and the social divide.

—Enhanced sustainability of social security financing

Latin America’s pension reforms have contributed to the development of social security system in the world. The Latin American Model represented by the Chilean pension privatization has drawn the attention of governments, international organizations and academics.

### Box 3.5
The Impact of SPP Reform on the Sustainable Development of Social Security Financing

The roles played by the Latin American Social Security Privatization reforms in addressing the financing problems are reflected in the following three areas:

First, mitigating government financing pressure. Under the fund accumulation system, government financing pressure has been greatly reduced. Government only ensures the payment of minimum pension benefits or lower levels of retirement replacement rate (ie, the proportion of pension in the pre-retirement salary), and the benefits on the top of that will be paid by individual accounts.

Second, increasing national (individual) saving rate. National saving rates have always run lower in many countries (including Latin American countries). Considering the positive correlation between economic growth and national saving rate, governments of all countries pay much attention to the increase of their national saving rates. The fund accumulation system helps raise saving rates, the individual saving rate in particular.

Third, raising pension investment returns. Empirical research has found that government’s management of fund investments is far less effective than that of the private financial institutions. For example, the Chilean pension fund achieved an annualized return rate of 9%~10% in 1994-2007 (excluding the inflation rate), while the returns might be merely 2%~3% if the pension fund had invested in government bonds.
The Latin American SPP reforms have not only resolved the financing difficulties, but also brought about positive secondary effects. To be specific, the transferability of individual accounts enables the free labour mobility nationwide and further rationalizes the allocation of labour resources. The accumulation of pension funds and the market-based operations promote the development of financial market and accelerate the innovation of financial products. In addition, as a long-term institutional investor, pension fund plays an indispensable role in stabilizing the financial market.

—Narrowing social security coverage

The Latin American social security privatization has addressed the financing problem, but the social security coverage continues to fall. Experts estimated that the social security coverage fell from the 38% before reforms to 28% in 2004 in the 10 Latin American countries that privatized their social security systems, and fell by almost half in Argentina, Dominica and Peru (Figure 3.1).

Table 3.1 Comparisons of social security coverage before and after SSP reforms in 10 Latin American States in 2006

<table>
<thead>
<tr>
<th>State</th>
<th>Year before reform</th>
<th>Coverage before reform</th>
<th>Coverage in 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Contributor (% )</td>
<td>Participation (%)</td>
</tr>
<tr>
<td>Argentina</td>
<td>1994</td>
<td>50</td>
<td>63.8</td>
</tr>
<tr>
<td>Bolivia</td>
<td>1996</td>
<td>12</td>
<td>26.7</td>
</tr>
<tr>
<td>Chile</td>
<td>1980</td>
<td>64</td>
<td>112.6</td>
</tr>
<tr>
<td>Columbia</td>
<td>1993</td>
<td>32</td>
<td>33.3</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>2000</td>
<td>53</td>
<td>79.2</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1996</td>
<td>26</td>
<td>49.1</td>
</tr>
<tr>
<td>Mexico</td>
<td>1997</td>
<td>37</td>
<td>84.2</td>
</tr>
<tr>
<td>Peru</td>
<td>1993</td>
<td>31</td>
<td>31.5</td>
</tr>
<tr>
<td>Dominica</td>
<td>2000</td>
<td>30</td>
<td>36.0</td>
</tr>
<tr>
<td>Uruguay</td>
<td>1997</td>
<td>73</td>
<td>45.3</td>
</tr>
<tr>
<td>Average</td>
<td>—</td>
<td>38</td>
<td>—</td>
</tr>
</tbody>
</table>


Studies shows that Latin America’s highest poverty rate in the world is closely linked to its low social security coverage. According to statistics, 40% households, or more than 200 million population in Latin America live in poverty without the coverage of
any basic social security schemes.¹

—Widening gap between rich and poor

The Latin American social security reforms based on market and privatization have transferred the responsibility of social protection to the market and individuals. In the reforms, government shrugs off too much social responsibility, neglects the role of State in social protection and causes the poverty and helplessness of the vulnerable groups in the society. The social assistance measures taken by government have little effect on the reduction of poverty and the social security systems make no difference in this regard, which gives rise to serious social injustice. In Latin America, those not covered by social security systems are mostly the vulnerable groups or women workers. This social isolation has further punished the vulnerable groups in their social and economic life.

### Box 3.6
Serious rich-poor disparity in Latin America

According to UN ECLAC’s statistics, in Latin America, 213 million people lived in poverty in 2005, accounting for 40.6% of the total population; 88 million lived in extreme poverty, accounting for 16.8% of the total. In terms of the wealth gap, there is an increasing trend of concentration of wealth to the rich. In 2004, the 10% richest people in Latin America owned the 36.1% of the total national income. Brazil had the largest gap between the rich and the poor, and the 10% rich population possessed nearly half (46.8%) of the total national income while the 40% poor population only got 10.2%.


Take Chile as an example, since 1981, its Gini Coefficient has been always on the rise, and the income gap between different retired groups has outpaced the income gap among the working population. It means that the pension system reforms have worsened the inequality in income distribution.

In recognition of the problems of social isolation, distribution inequality and poverty, as well as the damage on social cohesion and justice caused by the SPP, Latin American countries have slowed down their privatization process since the beginning of 21st century. The 2008 global financial crisis has devastated the social security investments of the Latin American countries and the investment losses have significantly driven down the pension benefits. People begin to question the Latin American accumulation-based social security model. In Nov 2008, the Argentine President Cristina hinted that the reform of social security nationalization might be an important approach in response to the global financial crisis.

3.1.3 Ageing Population: A threat or a chance?

Ageing population is one of the key global challenges. With the exception of sub-Saharan Africa, which still retains both a high fertility and mortality rate, the world’s population is mostly shifting to low fertility and mortality rates, and grows older. While Europe and North America took around 150 years to complete the transition to a mature population in 1970s, their ageing will slow significantly over the next 20 years. In contrast, many developing countries have been ageing since 2000 and will age more rapidly. Asia and Latin America, and some parts of Africa and the Middle East will face a near 150 per cent increase in the numbers of older people within two decades.
Even Pakistan and Afghanistan, with current TFRs of 4 and 6.6, respectively, are predicted to see fertility rates fall to just above replacement by 2050. Projected life expectancy at birth will rise across the globe, reaching age 84 for developed regions and age 77 for the less developed by the middle of the century. Thirty-six per cent of Japan’s population will be aged 65 or older and 15 per cent 80 or older by 2050. Korea is ageing fast and its population aged 60 and above is predicted to double and aged 80 and above is to triple by 2030. Even Pakistan and Afghanistan, with current TFRs of 4 and 6.6, respectively, are predicted to see fertility rates fall to just above replacement by 2050.

Box 3.7
Forecast on the Ageing of World Population

By 2030 half the population of Western Europe will be older than age 50, with a life expectancy at that age of a further 40 years.

By 2030 one quarter of the total population of the rich industrialized world will be older than age 65 and half of Asia will be older than age 60.

Europe became mature society in 2000, with more people older than age 60 than younger than age 15, and Asia will become mature society around 2040.

Asian countries currently have the lowest Total Fertility Rate (TFR), with Hong Kong (China) at less than one child per reproductive women, and Singapore and the Republic of Korea at just over 1.

By 2025, the working-age population of Asia will equate to 68 per cent of the total population.

The Russian Federation and the countries of Eastern Europe have a different current and predicted demography to the rest of Europe and Asia. Despite the fact that fertility rates are projected to rise, Russia’s population is projected to fall from 144 million to 104 million in 2050, and Ukraine’s from 50 million to 30 million over the same period.

Health-care spending on older persons in Latin America by 2030 is projected to rise to 25 per cent in the region as a whole.

At the world level, since 1950, the proportion of older persons has been rising from 8 per cent in 1950 to 11 per cent in 2009, and is expected to reach 22 per cent in 2050 (Figure 3.3). With the exception of sub-Saharan Africa, the average proportion of young population aged 15 or less is expected to fall down to 1/5 of the world population in total.¹

![Figure 3.3 Proportion of population 60 years or over: world, 1950-2050](http://www.un.org/esa/population/publications/WPA2009/WPA2009_WorkingPaper.pdf)

The ageing population poses challenges to pension systems, health insurance and social services for the elderly. With the further ageing of population and the dwindling of pension savings, social security revenue is declining and the expenditure is increasing, and there is a need to reform the current social security systems.

—Social security revenue in sharp decline

The withering of pension savings leads to the decline of social security revenue. The pension savings refer to the premiums (taxes) paid by the current workers and used to support pensions for the retirees. Population ageing implies the decline of fertility rate. As a population ages, the potential support ratio (PSR, the number of working people aged 14 to 64 for each older person aged 65 years or over) tends to fall.

Between 1950 and 2009, the potential support ratio declined from 12 to 9 potential workers per person aged 65 or over. By 2050, the potential support ratio is projected to drop further to reach 4 potential workers per older person. (Figure 3.4)

The reduction of PSR varies in different countries. The PSR in the developed world will drop from 4.23 in 2009 to 2.23 by 2050, while the PSR in the developing world will drop from 11.20 in 2009 to 4.24, which shows that the developed countries are facing more severe challenge ahead (Table 3.2).

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Developed Countries</td>
<td>4.23</td>
<td>2.23</td>
</tr>
<tr>
<td>Less Developed Countries</td>
<td>11.20</td>
<td>4.24</td>
</tr>
</tbody>
</table>


The reduction of potential support ratios means the drop of persons to be taxed of pensions and has negative implications for social security financing, particularly for pay-as-you-go pension systems.

---Social security expenditure on the rise

The old-age dependency ratio (ODR) of many countries will surge (Table 3.3). Italy will see its ODR double between now and 2050 to reach 70%. In contrast, the United Kingdom’s ratio will increase only slightly, reaching 67%. Hong Kong (China), the Republic of Korea, Singapore and urban China will reach similar ODRs by 2030. By 2040, rural China and Thailand will see a rapid increase in ODRs, Malaysia by 2045, and India, Indonesia and the Philippines by 2050.1

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Developed Countries</td>
<td>24%</td>
<td>45%</td>
</tr>
<tr>
<td>Less Developed Countries</td>
<td>9%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Against the backdrop of lowering morality rate, the projected global life expectancy at birth will be up to 82.4 in the more developed countries and 74.4 in the less developed countries by 2050. (Table 3.4)

Table 3.4 Projected global life expectancy at birth

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Developed Countries</td>
<td>76.9</td>
<td>82.4</td>
</tr>
<tr>
<td>Less Developed Countries</td>
<td>64.9</td>
<td>74.4</td>
</tr>
</tbody>
</table>

The increase of life expectancy implies that more people will live longer after reaching the official age of retirement, they will claim pension over a much longer period on average and the amount of pension and old-age benefits will continue to rise. Furthermore, as the elderly people live longer and their physical health declines, there will be more risks of developing diseases and the increasing demand of medical spending and services, posing great pressure and challenges to the medical security system.
In 2050, it is expected that there will be two working-age people per elderly citizen in the European Union, as opposed to the current ratio of four to one. EU’s expenditure on pensions and health care will be driven up in the decades to come. The European Union Economic Policy Committee has forecast the combined cost of the most important social security benefits as a result of ageing populations, taking into account expected effects of social security reforms as well as expected increases in labour force participation and employment rates (Table 3.5). The research indicates that the expected average increase in national social expenditure is less than five percentage points of GDP over the next five decades, which should not prove unmanageable. However, there are significant differences between individual countries in the financing, eligibility and benefit generosity.

Table 3.5 Expected increases in European Union social expenditure, 2007–2060

<table>
<thead>
<tr>
<th></th>
<th>2007 (% of GDP)</th>
<th>2035 (change from 2007)</th>
<th>2060 (change from 2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pensions</td>
<td>10.6</td>
<td>+1.7</td>
<td>+2.4</td>
</tr>
<tr>
<td>Health care</td>
<td>6.7</td>
<td>+1.0</td>
<td>+1.5</td>
</tr>
<tr>
<td>Long-term care</td>
<td>1.2</td>
<td>-0.6</td>
<td>+1.1</td>
</tr>
<tr>
<td>Unemployment benefits</td>
<td>0.8</td>
<td>-0.2</td>
<td>-0.2</td>
</tr>
<tr>
<td>Education</td>
<td>4.3</td>
<td>-0.3</td>
<td>-0.2</td>
</tr>
</tbody>
</table>
—Social security reform: Survival in difficulty

As the population is ageing, on one hand, pension savings are dwindling and social security revenues are diminishing; on the other hand, expenditures on pensions, health care and other social protection are increasing. As the result, the social security funds are suffering negative balances.

The ageing of population is not only a challenge, but also a chance for the reform of social security systems. At present, many countries are reforming or restructuring the social security systems to cope with the challenge. For example, measures include the establishment of State pension reserve funds and the “Long Term Care Insurance” system, the extension of official retirement age, the reduction of pension level and the increase of contribution proportion, and the vigorous development of the social care of old people with more focus on the role of families in the care, the innovation of stay-at-home care and the expansion of community services.
Developed countries choose to extend retirement age

Greece: In the brink of economic crunch, Greece announced in Feb 2010 to raise the retirement age from 61 to 63 in the coming 5 years.

Italy: Government announced on 10 Jun 2010 to raise the retirement age of women public servants from 61 to 65, reaching the level of their men counterparts.

France: On 13 July 2010, Cabinet approved the pension reform bill draft according to which, the mandatory retirement age would be extended from 60 to 62.

UK: Government will scrap the fixed retirement age of 65 from April 2011 and raise the retirement age to 66 within 5 years.

Germany: Government has decided to extend the official age of retirement from 65 to 67; and two thinktanks are exploring the feasibility of further extension to 70.

EU: It plans to raise the member states’ retirement age to 70 in a view to address the negative balance of social security accounts.

US: The mandatory age of retirement was 65 and six months in 2005, and got extended by 2 months in the each following year. The extension will continue until the retirement age reaches 67 in 2022.

Singapore: Government’s long-term objective is to raise the retirement age of men and women from 62 to 67.

R. O. Korea: The official age of retirement is 60 and will rise to 61 by 2013; then 1 year will be extended in every 5 years until the official age of retirement reaches 65 in 2033.

Australia: by 2014, women’s minimum age of retirement will be standardized to 65 from the current 60-65 in order to eliminate the difference between men and women in retirement age.


3.1.4 Crises arise, social security worsens
The world of today suffers more frequent incidence of various crises. In the global financial crisis, workers in many countries, the developing countries in particular have found their jobs and livelihood at stake. When the world has yet to recover from the economic recession, Europe’s sovereign debt crisis breaks out and tumbles the social security systems. In addition, earthquakes, hurricanes, landslides and other natural disasters have also hit the world economy badly, which results in a rising number of vulnerable population and increasing demand of social protection.

—Contracting social security funds

The year of 2008 was a nightmare for the global pension funds. Statistics indicated that the stock markets in OECD countries fell nearly a half in the year. At the beginning of 2009, the global public pensions valued USD 5.5 trillion and contracted by USD 180 billion in the financial crisis; the global private pension funds contracted by 23% (Figure 3.5), or USD 5.2 trillion by the end of 2008; and as the strategic reserve of pension assets funded by government fiscal transfers, the Sovereign Pension Reserve Funds contracted nearly US$120 billion1.

The impact of the financial crisis on pensions depends on the type of pension schemes people choose and whether they are already retirees, close to retirement, or still have many years of contributing ahead of them. In defined-benefit (DB) schemes, where pension amounts are calculated without regard to the level of reserves, the immediate impact will be less than in defined contribution schemes (DC), where benefit guarantees are by their nature less effective. However, long-term contraction of employment and hence the number of contributors will also force governments to downward adjustments in DB schemes.

In fully funded defined-contribution pension schemes, pension entitlements in some cases might be lost completely. In OECD countries private pension funds lost 23 per cent of their value in 2008. If the crisis turns into a long-term downward adjustment of asset prices, the outcome in DC schemes will inevitably be lower benefits paid at retirement. Any prolonged suppression of interest rates and asset prices will lead to serious difficulties by way of destabilized annuity rates (prices) and management of annuity reserve funds. The size of the long-term effect will depend on the depth and the duration of the downturn of asset prices. If the present price reductions turn into permanent level adjustments then old-age income will be reduced; if the downturn is short-lived the effect will be transitional.2 While these losses are not permanent, they still show the vulnerability of pension levels in DC schemes, notably for people who are close to retirement and those with long periods of membership in DB-funded pension schemes, and in particular those whose investment policy is heavily exposed

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to riskier assets (many people in Australia, the United Kingdom and the United States). Those pensioners in private pension plans who did not take annuity on retirement may also be seriously affected.\(^1\)

**Figure 3.5 Real investment returns of pension funds, OECD countries, 2008 (%)**


In the OECD countries at present, private financial sources constitute on average one-fifth of retirement incomes, but they are over 40 per cent in five countries: Australia, Canada, the Netherlands, the United Kingdom and the United States. On the other hand, they are less than 5 per cent in Austria, the Czech Republic, Hungary, Poland and Slovakia. However, in the future private pensions (both mandatory and voluntary) are expected to provide 75 per cent of future retirement incomes in Mexico, 60 per cent in Slovakia, 50 per cent in Poland and 30 per cent in Hungary. As many of these schemes are relatively young and thus even if current losses in the pension funds are significant, the impact of this single crisis on the incomes of future retirees may turn out to be relatively minor. Nevertheless, as the OECD stresses, these

developments “highlight the need for resilience to future crisis”. In view of the recent experience a fundamental review is needed of social security pension systems; some of the pension reforms undertaken during the last two decades need to be revisited to see if corrections are required to decisions taken in the past, and if so, what they should be. In fact, when the US subprime credit crunch began to affect Latin America in Nov 2008, the Argentine government announced the removal of privatized pension system and decided to take the re-nationalization reform in a view to expand coverage and mitigate the huge investment losses caused by the financial crisis.

Box 3.10
Argentina: re-nationalization of private pension system

On 21 Oct, 2008, the Argentine President Cristina sent to the Congress the pension reform bill aiming at the replacement of the privatized pension system with a nationalized one and the unification of the pension system into a publicly managed defined-benefit scheme. She pointed out that the situation in Argentina had been serious since the privatization of pension system in 1994. The 2001 financial crisis pushed the country’s unemployment to a record high of 25%. Since the recovery from the crisis in 2004, Argentina had realized the problems existed in the private pension system, including the lowering coverage and the falling participation in the individual plans from 60% to 47%. Government had to largely subsidize individual accounts, in which around 445,000 pensioners claimed their benefits and 33,000 of them had depleted their account savings and depended on government payout. In light of that, the Argentine government made the proposal to remove individual accounts and establish the PAYG scheme managed by the State.

On 7 Nov, 2008, Argentina’s Lower House approved the bill and made some amendments to it. On 20 Nov, the Senate passed the bill. On 4 Dec, the President officially signed the bill and revoked the private pension system implemented in the country for 14 years. The new pension system began effective in Jan, 2009.


—Surging social security expenditure

The economic crisis has increased the number of vulnerable population and the social security expenditures climb up as the result. First, the economic recession has devastated the employment in all the countries, which suffer the high unemployment and the social security pressure caused by the provision of unemployment allowances. The International Labour Organization’s research shows an increase in the number of
unemployed persons by some 24 to 44 million between 2007 and 2009\(^1\). With the fragile recovery in 2010, the revival of labour markets in the world still lags behind the pickup in output, unemployment stands at its highest level ever recorded (Figure 3.6).

![Figure 3.6 Global unemployment and GDP trends (1999–2010)](image)

**Figure 3.6 Global unemployment and GDP trends (1999–2010)**


In addition, the economic crisis adds poor population and increases the social assistance expenditures. According to the World Bank’s research, during 2000–08 low-and-middle-income countries averaged economic growth of 6.2 percent a year, and during 1999–2005 the number of people living on less than USD 1.25 a day fell by 325 million. Affected by the financial crisis and ensuing global recession, the global economy grew only 1.9 percent in 2008 and declined an estimated 2.2 percent in 2009. Some 64 million people have been added into extreme poverty and most of them live in South Asia and Sub-Saharan Africa\(^2\). According to the UN’s new measurement in 2010 based on multiple dimensions and indicators\(^3\), 300 million

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\(^3\)Oxford Poverty and Human Development Centre Initiative establishes the “3 dimensions + 10 indicators” method to measure the level of poverty. The 3 dimensions are health, education and living standard. The 10 indicators include nutrition, children’s mortality, schooling years, children’s school enrolment, cooking fuel, sanitary room, water, electricity, floor and asset, etc.
people were added to the world’s poor, representing an increase of 21%, and the world’s poor population totaled more than 1.7 billion.

Apart from the economic downturn, other crises have also seen more frequent incidences. The emergence of draughts, floods, earthquakes, hurricanes, landslides and other natural disasters has not only made people lose their houses and source of income, but also caused grave economic damages. The devastation of different crises has led to the increasing number of the unemployed, the disabled, the sick, the disaster victims and other vulnerable groups. In the public health sector, the HIV/AIDS epidemic has orphanized many children and increased medical expenditures. The pressure on the provision of social security is mounting.

deprivation of 3 indictors or over could be regarded as poverty.
Box 3.11
China: social assistance system covers urban and rural areas with growing capacities in assistance provision

As showed in the “Report of the Statistics on Civil Affairs Development” released by the Chinese Ministry of Civil Affairs, social assistance programmes have covered all the urban and rural areas of China and assistance capacities have been improving. In 2009, the monthly minimum social security standard for urban residents averaged RMB 227.8 yuan per person and the living allowance for each beneficiary was RMB 165 yuan a month; the monthly minimum social security standard for rural residents averaged RMB 100.8 yuan and the allowance was RMB 64 yuan. By 2009, 11.418 million urban households and 23.477 million residents have been provided with the minimum livelihood allowance nationwide. The spending on the provision of urban minimum livelihood allowance totaled RMB 46.14 billion yuan, an increase of 19.8% compared to the previous year figure. 22.906 million rural households and 47.593 residents were covered by the minimum social security, getting close to the goal of full coverage. The rural spending was RMB 34.51 billion yuan, an increase of 55.2%.

Urban and rural medical assistance has been included in the national basic medical insurance system. By the end of 2009, urban medical assistance was provided to 4.172 million people/times, an annual increase of 18.7%. The annual expenditure on urban medical assistance totaled RMB 3.53 billion yuan, an increase of 50.2%. Rural medical assistance was provided to 6.884 million people/times and 36.898 million were financed by civil affairs authorities. The annual expenditure on rural medical assistance was 5.86 billion yuan, an increase of 63.7%. 1.357 million homeless people and beggars were helped in that year. The temporary assistance system was improved as 613,000 rural population got conventional assistance and 5 million got temporary assistance. Holiday allowance was provided to urban and rural vulnerable groups, covering more than 74 million people.


—Soaring fiscal budget deficits

The financial turmoil has slowed down the world economic growth. The developing countries are particularly adversely affected by the current economic crisis, due to reduced global demand, lower commodity prices, and difficulties in obtaining finance as well as official development assistance (ODA). In trying to respond to the crisis, developing countries often lack the resources to pursue counter-cyclical monetary and
fiscal policies and to implement large stimulus and bailout packages for their banking systems and manufacturing industries. They are presently also affected by crisis-related measures taken by developed countries, including unfair trade practices, rising protectionism, and restrictions on migration. The sluggish economic growth reduces fiscal revenues of the governments around the world.

The world economy is on the way to recovery. However, the pace of the recovery remains subdued and it is far from sufficient to recuperate the job losses and close the output gap created by the deep recession. Economic recovery is also uneven across countries. In most developed countries, private sector activity is not yet on a solid footing. In the face of elevated unemployment rates, soaring public debt and limited credit flows, growth prospects for most developed economies remain lackluster, unable to provide sufficient impetus to the global economy. The recovery is much more subdued in many economies in Africa and Latin America. Many developing countries are still suffering from the fallout of the global financial crisis. Though only a reduced number of developing countries are expected to register another year of decline of per capita income during 2011 (Figure 3.7), the impact of the financial crisis on labour markets and social conditions is still being felt more broadly. The reduction in employment and income opportunities has led to a considerable slowdown in progress towards poverty reduction and the fight against hunger.


The crisis has caused a fatal impact on the world economy. Governments find it hard to guarantee the growth of fiscal revenues and their fiscal deficits are soaring up. The situation will directly affect the investments in social security and many countries suffer the social security funding constraints.

—High welfare model in danger of collapse

The financial crisis and the following debts crisis have pounded the high social welfare model exercised in the EU countries. In the financial crisis, the EU governments’ fiscal revenues slumped and their pension funds made big losses. Also, the measures taken in the EU countries to bail out the financial institutions and stimulate the economic growth have caused the piling-up of debts and triggered the debts crisis in Europe.

In the debts crisis, the cumbersome pension systems of the EU countries become unsustainable. A research conducted by the UK’s Aviva Insurance Plc shows that the pension savings of the current workers in Europe are 1.9 trillion Euros (or USD 2.5 trillion) less than the actual need and the gap equals 1/5 of EU’s annual economic output, which means European families’ saving pattern can not catch up with the increase of life expectancy. The research shows the UK’s pension savings gap could be 379 billion Euros, accounting for 26% of the national GDP and it is the largest gap in the EU, followed by Germany and Spain with the gaps accounting for 24% and 18% of GDP respectively.

Under the dual pressures of economic and debt crises, EU countries have to cut social spending and reduce fiscal deficits. At the same time, the reform of EU’s pension systems is more pressing.
**Box 3.12**

**European welfare cuts prevail and high welfare heaven tends to collapse**

UK: Government released an austerity plan to slash government spending by 20%, including the job cuts and reduced social welfare expenditures.

Germany: Government approved an austerity plan lasting 4 years and involving 81.6 billion Euros (USD 103 billion) with the commitment to reduce the high budget deficit.

France: Government has decided to cut 45 billion Euros of public spending within the following 3 years in order to lower the proportion of fiscal deficit in the GDP within the limit of 3% by 2013.

Spain: Government released the draft of 2011 annual budget plan, in which the government spending would be cut by nearly 8%, the expenditure on public servants’ salaries would be cut by tens of billions of US dollars, the pension subsidies to offset the inflation would be frozen for 2 years, the disability allowances would be cut by USD 375 million, and the USD 3,000 allowance provided to every new-born would be cancelled.

Greece: Government takes stringent austerity measures and implements new reform bills including the cut of public sector wages, the increase of taxes, the reduction of pensions and the relaxed rules on private sector redundancies.

Denmark: Government has decided to shorten the length of unemployment benefits from 4 years to 2 years, reduce the child support allowances provided for individual families and slash education expenditure to control the fiscal deficit.

Eastern Europe: Most countries have taken the fiscal austerity measures and cut government spending on social welfare and pensions. Slovakia, Romania and Bulgaria have announced the plans of spending cut and reduced the deficits by slashing government administrative expenditures, terminating the bonuses and allowances for government employees and selling the fixed assets of government.

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In fact, European countries have long been promoting the reform of pension systems and many choose to increase the pension contribution and extend the retirement age. However, the increase of pension contribution means the weakening of purchasing power and the sliding of consumption, which are not in favor of economic recovery.
The extension of retirement age can mitigate the pressure of funding gaps, but further punish the sluggish labour market, therefore, the issue has stirred up fierce social debates and even become the focal point in the confrontations between ruling parties and their oppositions, between government and their people. That has triggered the upgrading of many strikes and protests, and the controversies of “reform and then step-down” have happened in many countries. The retirement system reform has been a thorny issue of the governments around the world.

Box 3.13
Pension reforms cause massive protests and government step-downs

Many countries’ decisions to raise the age of retirement have ignited angry protests and social conflicts. Massive protests happened in Greece, France, Romania, Spain, Portugal, Germany, Poland, Bulgaria, etc.

The pension reforms always confront politicians with the risk of stepping down. In 2002, Schroder government returned to power and vigorously pushed the pension system reform, which was met with street protests by tens of thousands of German people, and ended up with the declining support for Schroder and his Party, culminated with his defeat in the 2005 general election.

The difficulty in pension reform can be found in France as two French Prime Ministers stepped down as a result. In 1995, then French PM Juppe’s attempt to reform pension system ended up with a massive strike for weeks and his step-down. In 2002, then French PM Raffarin pushed the pension reform and caused the strikes. He stepped down in 2005 after two attempts of resignation.


3.1.5 Economic recovery without social security: sustainable or not?

In the context of economic globalization, driven by the global capital flow to low-cost areas, the global social security policies will develop to the downward competition. Faced with the global competition, both developed countries and developing countries will be inclined to take the social security policies that serve enterprises and punish workers. The important role of social security has been demonstrated in the response to the economic crisis. But, in the post-crisis era, government focuses more on standard macroeconomic and financial policies, less on job creation and social protection. While the recovery is underway, it is a recovery beset by tensions and strains, which could even sow the seeds of the next crisis. Because without jobs and
income security, there can be no rebound in domestic demand—and ultimately, no sustainable recovery\(^1\).

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**Social security policies: Downward competition**

In the context of economic globalization, the national enterprises of less developed countries have to face tough international competition and their opening-up to international trade has led to the collapse of vulnerable industries. For example, in some African countries, their own textile and garment industries had vanished within less than 10 years\(^2\). In order to achieve fast economic growth, in some less developed countries, governments struggle to attract FDI and strive for GDP growth at the expense of tax deduction, lowering wages and exemption of corporate responsibility in social security. As the result, the GDP growth in those countries may rise fast, but the growth of workers’ wages and employment has lagged far behind, and the coverage of necessary social security and the decent work consistent with the economic growth have not yet been realized.

In some countries, special export processing zones have been set up in which, different (or even more lax) labour protection rules are applied. The establishment of export processing zones represents the degradation of labour and social protection\(^3\).

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As the Director of the EPZ of Lagos, Nigeria says, African countries’ less modernized infrastructure and business environment always turn back many prospective investors. In contrast, the EPZs have in place the above-average standards of infrastructure, more streamlined investment approval procedures and loosen labour policies favourable for investors to compress costs and guarantee production, capital safety as well as desired returns. Now, foreign companies are more focusing on the EPZs in Africa.

But experts say that some African countries fall into hostile competition in attracting FDI in their local manufacturing development, during which, native workers are deprived of welfare benefits, their pay levels get lowered and investment laws and regulations are relaxed, and even natural environment is at stake in order to secure investors’ competitive edge in the labour cost. The national interests and the African integration process will be hit hard in such a situation.

Box 3.14
Social security for workers in export processing zones (EPZs) in Africa

In the development of local manufacturing industries, many African countries have taken the model of export processing zone. Since 1990s, Kenya, Egypt, Mauritius, Nigeria, South Africa, Zambia and other 20 African countries have all set up their own EPZs where special favourable taxation and labour policies are exercised to serve the development of infrastructure and the attraction of foreign investments.

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In the developed world, economy has been further into recession due to the significant outflow of capital and departure of companies. To survive the difficulties, the developed countries have resorted to such measures as to cut capital income tax, corporate social security responsibilities and government social security spending, but raise workers’ social security contribution so as to prevent the outsourcing of their domestic capital and companies.
The French government decided to add the preferential tax and the social security policies for multinationals’ senior executives and R&D personnel into its amendment to the fiscal and tax bill. Those policies were designed to enhance French competitiveness and attractiveness and encourage MNEs to locate their headquarters or R&D centres in France. In times of economic globalization and outsourcing of manufacturing industries, French have begun to think about their positions in the global division of labour. Looking around, French find many of its neighbour countries have well positioned themselves.

According to French statistics, Belgium has attracted 40% multinationals to locate their headquarters in its territory; Germany has persuaded 23% MNEs to set up R&D centres in its territory; Netherlands has received 36% MNEs’ warehouses or logistic centres; while 38% MNEs have located their financial centres in the UK; 25% MNEs have placed their design centres in Italy, Spain or Greece; 40% MNEs have moved their factories to Poland, Czech or Hungary. Looking at France, they realize that even though 35% MNEs have located their R&D centres there, the high taxes and social security burden have turned back many prospective MNEs and even led to the departure of many MNEs to other countries. In view of that, French government decided to follow its neighbours and provide MNEs with preferential tax and social security policies to stabilize the existing MNEs and attract more.


—Employment quality: further downgraded

Evidence shows an increase of such forms of employment in OECD countries. In Japan, for example, non-regular employment grew from about 20 per cent of the total employment in 1990 to about 33 per cent in 2006. Part-time employment has increased substantially in the EU-15 countries since 1995, reaching 18.6 per cent of total employment in 2008. Temporary employment has also increased in most EU countries as well as in the CIS countries (Figure 3.8). The fastest growth was in Poland: more than fivefold during 2000–06. In the Russian Federation, temporary employment as a share of the labour market increased from 2.8 to 7.5 per cent1.

In the developing countries, employment informality is on the rise. The ILO has estimated that informal employment as a share of non-agricultural employment by the end of the 1990s was 48 per cent in North Africa, 72 per cent in sub-Saharan Africa, 51 per cent in Latin America and 65 per cent in Asia\(^1\). The informal employment features indecent safety and health conditions at work, lower pay, less security, longer working time and lack of social protection and necessary training.

The financial and economic crisis has further downgraded the employment situation of workers. The ILO’s “Global Employment Trend 2011” forecasts the global unemployment rate is projected at 6.1 per cent in 2011, corresponding to global unemployment of 203.3 million. The employment in developed countries has been hardly hit by the crisis. However, in the response to the economic crisis, the developed countries have focused too much on the cut of deficits, in stead of the creation of jobs, casting a shadow for the outlook of employment in 2011. The employment in developing countries is recovering. The current unemployment rates of Brazil, Kazakhstan, Sri Lanka, Thailand and Uruguay have even fallen below the pre-crisis levels. But, it shall be noted that the developing countries in Asia, Latin America and sub-Saharan Africa have to deal with serious “vulnerable employment”, ie, lack of job security, difficult working conditions. Women, in particular take an increasing proportion in the informal or vulnerable employment. They are always lack of formal registration or labour contracts, and therefore the attention to their

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\(^1\) ILO: *Changing patterns in the world of work*, Report of the Director General to the 95th Session of ILC, 2006, p.28.
unemployment and income losses is rather insufficient. South Asia has the highest rate of vulnerable employment in the world, at 78.5 per cent of total employment in 2009\(^1\).

**Workers’ income: Worrisome imbalances**

The “Global Wage Report 2010/2011” released by the ILO shows that since 1980s, the share of wage in the gross social output has been falling down (Figure 3.9).

![Figure 3.9 World’s growth in GDP, employment and labour productivity, 2000–09 (%)](http://www.ilo.org/wcmsp5/groups/public/@dgrceorts/@dcomm/@publ/documents/publication/wcms_145265.pdf)

The ILO has sampled and analyzed the data on wage share from 24 countries in the period of 1980-2007 and found that 17 of them demonstrate a downward trend until the financial crisis.

The other trend is that in the past 15 years, the low wage employment in over 2/3 countries is increasing together with the rapid growth of high-wage groups, which has caused rising wage inequality between the top earners “flying away” from the

majority and the “collapsing bottom” of lower-paid workers\(^1\). The increasing wage inequality always gives rise to the social tensions.

### 3.2 Social security for all in post-crisis era

Over the recent decades, economic globalization, labour market informalization and family nuclearization have brought about tremendous challenges to social security. In addition, the financial, food, and climate crises have confronted the world with unprecedented social, economic, political and environmental threats and demanded the global consensus on social security, i.e., social security is a fundamental human right and essential to the economic, social and political development. Effective measures shall be taken to ensure the social security for all, to promote the shift of economic development and the inclusive growth of global economy.

#### 3.2.1 Construction of “social security staircase”: With marble or cement?

Social security systems shall be consistent with the economic and social development. Now, the ILO is pushing forward the two-dimension strategy to extend social security to all (Figure 3.10). One dimension comprises the extension of some income security and access to health care, even if at a modest basic level, to the whole population. This dimension may be called horizontal extension. The second dimension would seek to provide higher levels of income security and access to higher quality health care at a level that protects the standard of living of people even when faced with fundamental life contingencies such as unemployment, ill health, invalidity, loss of breadwinner and old age. This dimension may be called the vertical aspect of extension\(^2\).

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The Figure 3.10 shows that the horizontal dimension seeks to extend a basic level of core benefits to as many population groups as possible and as fast as possible, while the vertical dimension seeks to increase the scope of the coverage – the range and level of benefits – to the level that is described in Convention No. 102 and preferably to a higher level as defined in other more recent ILO Conventions.

The ILO metaphors the extension of social security coverage as the image of a social security staircase (Figure 3.11). The floor level comprises a set of basic guarantees for all. For people with tax-paying or contributory capacity, a second level of benefits as a right (defined and protected regarding the minimum levels by law) can be introduced and, finally, for those with the need or wish for high levels of protection, a “top floor” of voluntary private insurance arrangements can be organized (but should be subject to regulation and public supervision in the same way as all private insurance schemes).
THE FLOOR: Four essential guarantees
Access to essential health care for all

<table>
<thead>
<tr>
<th>Income security</th>
<th>Assistance</th>
<th>Income security</th>
</tr>
</thead>
<tbody>
<tr>
<td>children</td>
<td>unemployed</td>
<td>elderly and disabled</td>
</tr>
<tr>
<td></td>
<td>and poor</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3.11 The social security staircase


This metaphor is appropriate to countries at all stages of development. It is important to note that different levels of the staircase could not function alone. The floor level of basic guarantees and the contributory social security are inter-dependent and inseparable. The inter-dependence takes various forms in accordance with specific national conditions and design of overall social security systems.

As shown on the Figure 3.11, if no investment in the floor level of guarantees, many people would not acquire the skills and productivity to enter into formal economy but remain in the informal economy with low productivity. The investment in the floor level of social security will contribute to the virtuous cycle between the productivity and employability. More and more people’s entry into the contributory schemes will ensure the sustainability of the system. Larger contribution base and risk potential will help increase the financial sustainability and the political solidity of the system. Schemes involving a small number of workers will inevitably operate on a fragile financial basis and easily affected by the revenues and expenditures.

—The Social Protection Floor initiative: for the most needed

Since the onset of the global financial and economic crisis in 2008, people around the world face lower income, fewer employment and livelihood opportunities, as well as reduced access to social services, benefits and remittances.

Recognizing the importance of ensuring social protection for all, the United Nations System Chief Executives Board for Coordination (UNCEB) adopted, in April 2009, the Social Protection Floor (SPF) initiative, as one of the nine UN joint initiatives to cope with the effects of the economic crisis. The SPF initiative is co-led by the International Labour Office and the World Health Organization and involves a group of 17 collaborating agencies, including United Nations agencies and international financial institutions.
The term Social Protection Floor is a global and coherent social policy concept that promotes nationally defined strategies that protect a minimum level of access to essential services and income security for all in the present economic and financial crisis and beyond. The main elements of the SPF include: (1) essential services: i.e. geographical and financial access to essential services (such as water and sanitation, adequate nutrition, health and education, housing, and other services including life and asset saving information); and (2) essential social transfers: i.e. social transfers, in cash and in kind, paid to the poor and vulnerable to provide a minimum income and health security.

The systematic relationship between services (the “supply side” of the Social Protection Floor) and means to ensure effective access including transfers (the “demand side” of the Social Protection Floor) is described in the following matrix (Table 3.5). By working on both demand and supply side measures, the SPF takes a holistic approach to social protection. On the one hand, SPF activities will work on means to ensure the availability of goods and services in the areas of health, water and sanitation and housing, education, food and related information. At the same time, the SPF will secure rights and transfers that guarantee effective access to these goods and services for all throughout the life cycle.
### Table 3.5 The Social Protection Floor Initiative

<table>
<thead>
<tr>
<th>Means to ensure the supply of an essential level of:</th>
<th>Health services</th>
<th>Water and sanitation</th>
<th>Education</th>
<th>Food</th>
<th>Other social services as defined by national priorities (including life and asset saving information)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rights and transfers to ensure effective demand from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>People in active age groups with insufficient income from work</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Older persons</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td></td>
<td>√</td>
</tr>
</tbody>
</table>

Note: Goods and services backed by people’s capacity to pay are marked by “√”.

The Social Protection Floor is a global concept, but not a “one size fits all” solution. National SPF policies shall be developed on the basis of their own structures, economic constraints, political will and social aspiration. SPF policies will build on the social protection schemes already in place and the sustainable financing, consistent with national priorities and capacities and implement step by step. Now, according the ILO research, some countries have provided main SPF elements critical to mitigating the poverty and inequality and promoting social cohesion and economic growth.

In Latin America, countries are actively engaged in system innovation to reduce poverty and the Conditional Cash Transfer (CCT) programme is one of the examples. Other flagship programmes, like Oportunidades and Seguro Popular in Mexico, Bolsa Familia in Brazil represent best practices in the implementation of SPF policies.

Box 3.16
SPF in Latin America: Bridging the rich-poor gap

Brazil: In 2003 when Lula administration began, the “Zero Hunger” programme was launched and included the family benefits programme (Bolsa Familia), the housing plan and the “Women’s Economy” programme to raise women’s income. The Bolsa Familia is a successful poverty relief programme with Brazilian features and it has established a national unified social protection net. Allowances are paid subject to certain conditions being met, such as children attending school (attendance rate shall be over 85% for any student 6-15 years old) and health check-ups. The programme’s benefits have covered 12.4 million poor families nationwide, accounting for 26% of the total population. On 1 Mar, 2011, government decided to increase the budget for Bolsa Família by 45% to raise the school enrolment of children from poor families.

Mexico: The first country to implement the CCT programme in the world, in 1997, the government launched the Progresa programme in order to combat the country’s stubbornly high poverty rate. It mainly covers the rural areas and provides cash benefits to poor families as well as financial incentives for children attending school and regular health check. In 2002, President Fox changed the name of the programme as Oportunidades and extended the coverage to high school students and urban areas. By 2007, the Oportunidades had benefited 5 million families or 25% of the total population. By now, 19 Latin American countries have their own CCT programmes in place, taking the lead in the world in the implementation of the programme. Those programmes have promoted the improvement of income distribution, poverty alleviation, broken up the cycle of generational poverty in certain families and contributed to the social cohesion by empowering individual families.

In Africa, some remarkable experiences of the implementation of elements of the Social Protection Floor are Cape Verde and South Africa.

### Box 3.17

**SPF in Africa: Reduction of poverty and inequality**

Cape Verde: In 1994, Cape Verde introduced a tax-financed old age and disability non-contributory pension scheme that reached 90 per cent coverage. The programme has contributed to the substantial reduction in the poverty rate from 36.7 per cent in 2001 to 26.6 per cent in 2007.

South Africa: The Child Support Grant launched in 1998 is a government-supported cash transfer programme that is aimed at the reduction of children poverty. The grant of about 190 Rand (US$ 20) per month is provided to the children’s carers or supervisors (7.5 million children of 0-4 years), with a gross cost of 0.7% of the GDP. It has been credited with a substantial reduction in poverty and inequality, as well as with facilitating improvements in human development indicators such as nutritional status and school attendance.


In Asia, many countries have established their own SPF mechanisms based on the implementation of universal or non-contributory (high-benefit) social security schemes as well as the diversified and wide-range SPF policies promoted by national strategies. Some countries have nationalized their social security staircase and included it into their national social security strategies.
China: Since 2007, a basic livelihood guarantee system has covered all the rural and urban residents. By the end of 2010, 23.111 million urban residents and 52.284 million rural residents have been covered by the government’s basic livelihood guarantees, and 5.549 million rural residents have received five categories of government assistance. China increased health coverage from 15% to 85% of the population. The participation rate in the new rural cooperative medical scheme launched in 2003 has been 96.3% by the end of 2010. In 2007, the medical insurance scheme for urban residents started the pilot implementation and covered all the target groups including the non-participatory residents and economically inactive groups (older people, children and students) in 2010. In December 2009, China launched a pilot rural pension scheme aiming to cover 700 million people in rural areas by 2020. This is the world’s fastest and largest social inclusion process ever and is expected to have substantial impact on boosting Chinese domestic demand and rebalancing growth towards the internal market.

India: In 2005, the National Rural Employment Guarantee Scheme was launched, targeting the rural unemployed and under-employed. The scheme ensures no less than 100 days of employment for each adult farmer (aged 18+) who is willingly to take the low-skill physical jobs with a daily wage of no less than 60 Rupees paid weekly. It has become one of the largest labour rights-based social protection initiatives in the world, reaching around 52.5 million households living below the poverty line.

Box 3.18
SPF in Asia: Extending social security coverage

China: Since 2007, a basic livelihood guarantee system has covered all the rural and urban residents. By the end of 2010, 23.111 million urban residents and 52.284 million rural residents have been covered by the government’s basic livelihood guarantees, and 5.549 million rural residents have received five categories of government assistance. China increased health coverage from 15% to 85% of the population. The participation rate in the new rural cooperative medical scheme launched in 2003 has been 96.3% by the end of 2010. In 2007, the medical insurance scheme for urban residents started the pilot implementation and covered all the target groups including the non-participatory residents and economically inactive groups (older people, children and students) in 2010. In December 2009, China launched a pilot rural pension scheme aiming to cover 700 million people in rural areas by 2020. This is the world’s fastest and largest social inclusion process ever and is expected to have substantial impact on boosting Chinese domestic demand and rebalancing growth towards the internal market.

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In Europe, most countries in the EU have well-established social security schemes, covering nearly all areas such as minimum income programmes and basic social services. However, there are gaps, coordination and consistency problems, and overlaps between some social schemes. Around 80 million people in the EU are still living at risk of poverty and 25 per cent of them are children. Paving the social floor in the EU means cementing the joints between the paving stones, promoting integration between social policies, and especially between minimum income and active labour market policies.
Box 3.19

SPF in Europe: Promoting integration between social policies

In the EU, paving the social floor means promoting integration between social policies, and especially between minimum income and active labour market policies. In this context, French Revenue de Solidarité Active (Revenue of Active Solidarity - RSA) can be considered as one example of social protection floor policies in Europe. It is a new government allocation that supersedes two existing basic welfare payments, the revenu minimum d’insertion (minimum unemployment benefit - RMI) and the allocation de parent isolé (single-parent allowance - API). It also replaces temporary payments for welfare recipients who return to work. The RSA combines those benefits and covers not only the recipients of the replaced welfare, but also the working poor. It is a basic allowance for the unemployed and an income supplement for the working poor. The scheme is financed by the new revenues from 1.1% real estate and securities income tax. Since 1 Jul 2009, the RSA has been implemented nationwide.

The RSA is one of the reform measures to boost employment and address the deficiencies caused by the separation of different social benefits and re-employment incentives. The RSA is designed to change the “assistance reliance” scenario, in which the unemployed may not benefit less than the employed, so as to encourage the employment and reduce poverty through work.


More evidence has shown that the main elements of social protection floor have been implemented and affordable in most developing countries.

BOX 3.20

Global implementation of SPF affordable

The ILO’s cost calculation for the low-income African and Asian countries shows that the gross cost for the cash transfers in the provision of a basic social benefit package (excluding health care) in 2010 accounted for 2.3%-5.7% of the GDP.

ILO calculations show that a basic social floor benefit package, including cash transfers targeted to poor children, the elderly and workers in 49 least-developed countries would cost about USD 46 billion per annum. If transferred to poor families, these resources would be sufficient to pull about 442 million people out of the most severe poverty in the first year, as very substantial contribution to the achievement of
MDG One. The cost would amount to 8.7 per cent of the GDP of all least-developed countries, but only less than 0.1 per cent of global world product and 38 per cent of the total official development aid (ODA) for 2009.

Michael Cichon, Director of the ILO’s Social Security Department said in the press conference at the UN Headquarters in New York on 14 Feb, 2011, the improvement of social security and welfare benefits could reduce poverty and ensure social stability and development. Implementing social protection initiative in a developing country with expenditure as little as 3 to 4% of GDP could reduce the poverty head count by about 40%. Now, only 30 developing countries have made such investments that account for 0.5% of GDP and greatly reduced the poverty and inequality.


—Better off: Toward higher social security

The SPF alleviates poverty, enhances social cohesion and increases labour productivity and employability essential to economic growth and welfare development for all. The working population in civil service or the public and private sectors that belong to the formal economy enjoy the social protection ensured by national laws. But workers in the informal sectors always lack social protection and need the coverage of mandatory social security on the basis of SPF policies.

The social protection provided to the informal employment enables more workers to acquire the skills and productivity of formal economy so as to help them enter into more decent jobs and rely less on social assistance. Only when people successfully transfer from informal economy to formal economy, transform themselves from low-skill workers to decent workers and social security contributors that meet the demands of global technological and economic innovation, more advanced social security and economic development could be achieved.

BOX 3.21
Social security extends coverage to informal employment in Japan and Germany

Japan: unemployment insurance has extended to temporary workers and other informal workers. Government lowered the threshold of short-time and temporary workers’ participation in the insurance scheme, ie, no less than 20 working hours per week and no less than 1 year of employment with the same employer. A temporary worker is eligible to claim the 13-17 days of job-seeking allowance when paying off the unemployment insurance premium for no less than 26 days within two months prior to the unemployment.
Germany: Informal workers have the right to pension, unemployment and work injury insurances. German pension schemes cover the self-employed, whose contribution accounts for 19.1% of their income, in comparison to the contribution rate of 9.55% required for the other informal workers. The German employment insurance bill has changed the calculation of unemployment benefits from working weeks to working hours to allow more informal workers to be included in the unemployment insurance. In Germany, work injury insurance has also covered the self-employed and seasonal agricultural workers, in which, it is the employers who pay the contribution in stead of the employees. The employers’ contribution depends on industrial risk levels involved, and the average of contribution rate is 1.31%. The expenses of work injury treatment cover the medical, rehab and relevant services. Government subsidizes the work injury insurance in agriculture sector.


In China, the 17th Session of the 11th NPC Standing Committee adopted the “Social Insurance Law” to be effective on 1 Jul, 2011. The law has wide-ranging stipulation on the extension of pension and medical insurance coverage to all urban and rural residents, as well as farmers, migrant workers and other vulnerable groups.

**BOX 3.22**

**China’s Social Insurance Law aims at universal coverage and protection of people’s better life**

The Social Insurance Law defines a wide-ranging of general, innovative and prospective rules, such as:

First, universal coverage. The Social Security Law defines five categories of social insurance, in which, pension and medical insurances cover all workers and residents, work injury, unemployment and maternity insurances cover all occupations and groups, thus laying a legal foundation for the universal coverage of social insurances.

Second, coordination between urban and rural areas. The applicable scope defined by the Social Insurance Law meets the demand of urban-rural coordinated development in China and the Law includes the new rural pension insurance into the basic pension insurance system under adjustment and leaves some room for the development of urban pension insurance; includes the new rural cooperative medical scheme into the basic medical insurance system under adjustment and authorizes the government to make further rules; defines the equal participation of migrant workers from rural areas in the social insurance according to the law; stipulates the social insurance applied to farmers whose land has been requisitioned.
In Shanghai, the “informal employment” has been localized and rationalized since the introduction of the concept. The experience in the regulating informal employment has been recognized by the ILO as the “Shanghai Model”. The businesses in informal sectors are exempted of the licensing from the industrial and commercial administration authorities in the beginning 3 years and instead, they are awarded with the “certificates of informal businesses” as the licenses. Apparently, this is what the “informal businesses” are different from the formal businesses or enterprises, or the informal businesses in other Chinese cities. The informal business in Shanghai is also an effective form of employment as workers are covered with social insurance subsidies in addition to standardized management and regulation.

**Box 3.23**

**Informal workers covered by social security subsidies in Shanghai**

The Labour and Social Security Bureau issued the “Implementation Guidelines on the subsidization of social insurance for informal workers” in 2007, which had benefited thousands of workers. The subsidies of the social insurance are targeted at 4050 workers employed in the non-profitable organizations and commercial businesses in the informal sectors. According to the Guidelines, those workers will be subsidized with nearly RMB 300 yuan per month when their individual contribution to the medical, pension and unemployment insurances add up to RMB 1,478 yuan and over.

The social insurance subsidies can be granted after workers and their employers pay out their proportion of contribution. The subsidies for the non-profitable organizations can be applied for by the organizations while the subsidies for the 4050 workers employed in the commercial businesses can be applied for by individuals at their convenient jobs centres.


**3.2.2 Government in social security: Unshirkable responsibilities**

The public and social nature embedded in the social security means that solely relying on the market provision of social security will lead to the insufficiency of supplies and the deprivation of vulnerable groups’ access to social protection. To ensure people’s welfare, the better role of government in the provision of social security is essential,
which is to supplement the deficiencies of market by providing necessary public financing for social security; making social security policies, supervising the implementation and punishing the violation of the policies; improve social security management to achieve the goals of economy, efficiency and effectiveness in the management.

—Improving social security policies

The improvement of social security policies is fundamental to the development of social security systems. Social security covers a wide range of issues and their implementation takes a large span of time, therefore, the social security system needs to be stable and consistent. The social security policies made and implemented by the government can ensure the needed stability and consistency. Government has the advantage in rule-making and shall shoulder the unshirkable responsibilities in the improvement of social security policies.

Box 3.24
China’s “Social Insurance Law”: Allows people to share the fruits of reform and development

The Chinese government devotes to the improvement of people’s livelihood along with the economic growth. Social security is one of the priority areas in the livelihood improvement. The government has accelerated the social security legislation process to develop the social security system. On 28 Oct 2010, the 17th Session of the 11th NPC Standing Committee passed the “Social Insurance Law” to be effective on 1 Jul, 2011. The Law fills the blank of social security legislation in China as this is the first such law since the founding of the People’s Republic.

The Law defines that the State shall set up basic pension, medical, work injury, unemployment, maternity and other social insurance systems to ensure people’s right to social assistance from the State and society in conditions of old age, illness, work-related injuries, unemployment and maternity.

The Law highlights the spirit of allowing people to share the results of reform and development. The ruling Party CPC in the 17th National Congress sets out the objective of achieving a better-off society and the universal coverage of social security system by 2020. The “Social Insurance Law” defines the institutional framework for the social insurance in China and includes all types of workers and residents in both urban and rural areas into different social insurance schemes accordingly in a view to realize inclusive and seamless coverage and ensure the basic pension, medical and other guarantees for all.

The enact of the Law bears great significance in establishing universal coverage of social security system, raising the level of the basic pension insurance plans and improving the supervision and management of social security funds.
—Financing social security

The reliance of social security provision solely on the market always leads to under-supply, particularly the deprivation of social protection for the vulnerable groups, and jeopardize social justice. One of trends in the national social security reforms is to encourage the collaboration of different subjects in society and the contribution of enterprises and individuals to social security. However, even in the mature market economies, the government is expected to provide necessary financial support for the social security of the vulnerable groups. It means that public financing shall be employed by the government to support the provision of social security – a public service vital for people’s livelihood.

Box 3.25
Chinese Social Security Minister Yin Weimin: More sources of investment in social security funds

Over recent years, the Chinese government and the central government in particular, has expanded the financial support of social security. In 2008, the proportion of various social security expenditures in the national fiscal expenditure was more than 13%, or over RMB 800 billion yuan. The scale of social security funds has been increasing rapidly. In 2009, the five categories of urban social insurance had more than RMB 1.2 trillion yuan in revenue, an aggregate surplus of more than RMB 1.9 trillion yuan. China has also set up the National Social Security Fund as a strategic reserve.

To deal with the population ageing, 13 provinces in China have initiated the pilot program to consolidate individual account system for basic pension insurance, shifting from the PAYG model to partial accumulation model. The partial “consolidated” funds managed and operated by the National Council for Social Security Fund has achieved good returns, accumulating experience on how to add value to the investment in the market under the conditions of strict fund regulation.


—Improving social security management

Social security management refers to the process of planning, organizing, coordinating, controlling and supervising the social security affairs through certain agencies and procedures and by certain means, approaches and methods. It includes
social security administration, project management, fund management, etc. The improvement of social security system requires the consistent effort to increase performance of social security management.

The enhanced performance of social security management requires the clarification of functions performed by labour, social security, public health, education and other authorities, strengthening collaboration, building integrated government administration and improving the overall social security service capacities. Due to the fact that social security is always managed by government authorities or their subordinate agencies, the improvement of management depends on better performance management, internal administrative control and legislature’s supervision over government. More importantly, transparency in social security management shall be increased and the public supervision on the management shall be strengthened.

### Box 3.26

**Performance management in social security**

**Step 1.**
Managing staff and budgets
- The goals – handle incoming work in line with budget allocations and in compliance with legal rules and obligations.
- Quantifying improvement – for example, completing a recurrent task with a progressively lower budget.

**Step 2.**
Managing activities and service processes
- The goals – perform the expected tasks with the resources allocated and deliver the expected services through effective and efficient organizational workflows.
- Quantifying improvement – in the first instance, track statistics on the number of client calls answered or benefit applications processed. Thereafter, instead of tracking the number of benefit applications processed, track the number of hours required to complete the benefit application process.

**Step 3.**
Impacting clients and communities
- The goals – deliver the right intervention at the right time to cost-effectively enable each citizen to be a more active member of society. Ultimately, focuses on developing high performance and flexible organizations capable of contributing toward integrated and coherent multi-agency efforts to stimulate community growth and development.
- Quantifying improvement – this proactive/prevention oriented approach involves, for instance, intervening to alleviate the over-reliance of some people on the social benefits. At a more advanced level, improvements in performance may be measured in relation to the number of individuals whose wellbeing is deemed to have benefited from wider, noncash-benefit social outcomes.
3.2.3 Sustainability of social security: Consistent with economic growth

Social security performs the increasingly important function of income distribution and adjustment. To achieve a social security for all, efforts must be made to ensure the sustainable development of social security, which is as vital as the full play of government role, the institutional build-up and the promotion of equality in the area of social security.

—Financial balance: Fundamental to sustainable social security

In the context of ageing population and volatile labour market, maintaining the medium and long term financial balance of welfare plans through financing reforms is vital for the sustainability of social security. The ISSA research shows that many countries have begun to initiate or expand reserve funds to ensure the long term sustainable development of social security systems and mitigate the predictable or unpredictable difficulties; some countries have given up the PAYG system and implemented the tax-funded pension schemes or promoted the social insurance plans; some have extended social security coverage by the provision of tax-funded SPF guarantees.

Box 3.27
Japan: More consumption tax to finance social security

Statistics released by the Japanese Finance Department on 10 Feb, 2011 shows that by the end of 2010, Japan’s State debt balance (including national debts, credits and short-term bonds) totaled a record high of 919 trillion yen (USD 73 trillion), or an average debt of 7.216 million yen (RMB 570,000 yuan) for every Japanese national. The government document delivered to the Congress in Jan indicates that by the end of 2011, the State debt balance is predicted to reach 998 trillion yen, very close to the threshold of 1000 trillion yen.

With the debts piling up, Japan has to raise consumption tax to increase fiscal revenue and sustain social security in the context of population ageing. PM Naoto Kan said in the first press conference of 2011 that he hoped to work out the guideline for the politically sensitive consumption tax hike based on the consultation with opposition Parties by Jun. He also mentioned in his new-year address that, “everyone knows we have to discuss the reform of taxes, including the consumption tax, from the perspective of social security system and its necessary resources”.

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—Social security investment strategies: Reflection and adjustment

Over the recent decade, many countries have initiated market investment to preserve and add the value of social security funds. The financial crisis has made limited losses (app. over USD 180 billion) to global social security funds as just a few funds have invested in the market. The number of global sovereign pension funds is less than 10 and they have made more losses of about USD 118 billion, contracting by more than 20%; Global corporate pension funds have made the biggest losses of about USD5.2 trillion. The above three categories of social security funds have lost almost USD5.5 trillion in total.

The financial crisis has hit social security assets and many social security investors begin to reflect and seek for alternative approaches. The “Green Investment” or “Green Measure” has become a popular alternative for the adjustment of social security fund investment strategies. For example, in March, 2009, the Danish social security fund – ATP announced the formulation of a sustainable “green” strategic investment plan, targeting at forestry as a new type of asset and focusing on “the investment in climate change”. The ATP also announced the first green investment decision to purchase the 38,000-hector forest at the upstream of Hudson River in the US State of New York with an initial payment of USD 35 million and the total contract value of USD 570 million. On 3 April, 2009, Norway’s Finance Ministry mentioned in a report to the Parliament that, as the largest sovereign pension fund in the world, the Norwegian government global pension fund would invest USD 33 billion in the environmental sector of the emerging markets in the coming 5 years as an asset promising sustainable growth1.

—Social dialogue and good governance: Guarantee for sustainability

Finding a balance tip between labour market and social protection policies through social dialogue and good governance ensures that labour market and life risks and burden, and the proceeds of growth and development are fairly shared between workers, employers and the State. Only a fair sharing of risks and rewards ensures the long-term national and international stability that is a prerequisite for development. The strategy applies to both the industrialized and the developing countries. It is aimed at providing greater levels of security, confidence and dignity and at improving the welfare of all people in a changing world.

In the context of labour market and social policies, social dialogue has proven to be conducive to the achievement of sound economic performance. There are various channels through which social dialogue has: improved managerial decision-making due to the use of worker knowledge and experience; solved conflicts of interest through consultation and negotiation rather than expensive strikes; and rendered business and profits more predictable, thereby favouring the investment climate\(^1\).

Good governance needs to follow four principles: first, government must have a capacity to act; second, government needs to be accountable; third, policies need to be predictable and consistent; fourth, participative and democratic partnership need to be ensured.

### 3.2.4 Proactive and preventive approaches to social security

The conventional and dominant objective of social security, to compensate insured individuals in the event of the materialization of a covered risk, has broadened through the greater inclusion of proactive and preventive measures.

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<th>Box 3.28</th>
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<td>Objectives driving preventive approaches</td>
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<td>– Supporting employment.</td>
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<td>– Improving health and reducing dependency.</td>
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<td>– Enhancing empowerment and individual responsibility.</td>
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<td>– Strengthening choice in social security.</td>
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<td>– Supporting the sustainability of social security schemes.</td>
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In effect, the common objective of the proactive and preventive approaches can be summed up as one of “investing in people” as the measures seek to improve welfare and respond to the social security structural challenges.

Prevention strategies in social security have drawn increasing attention from countries and international organizations over recent years. The ISSA has always been promoting the prevention and giving a strong priority to proactive and preventative approaches in social security.

The ISSA believes that compensation is an integral part of social security, but prevention and rehabilitation are also central elements. The ISSA studies reveal that very USD 1 investment in the prevention will reduce the potential compensation by USD 2.5-4.8. With regard to the medical, unemployment and pension insurances, early intervention, rehab, social service and other preventive measures may help reduce the illness costs, stabilize jobs and improve retirement life quality. It is estimated that the prevalence of psychosocial diseases due to the wide application of nanotechnology and other high technologies, the expenditure of medical insurance schemes in the treatment of chronic diseases may increase by as much as 30% by 2030. Prevention is the one of the effective approaches to the reduction of social insurance expenditures.


In the process of social security reforms, medical insurance shall focus on the early prevention of diseases and the promotion of public health; unemployment insurance shall help ensure the employment; work injury insurance shall aim at “zero injury or accident”. All those measures will not only serve to save lives, reduce non-fatal injuries, increase well-being, realize decent work and promote development, but also help save social security costs in the long term.

—Emphasis on early disease detection: From medical insurance to health care insurance

Conventional medical insurance emphasizes medical treatment based on a financial sharing of health risks that fully or partially covers patients’ medical expenses with the contribution of all the participants in the insurance schemes. It helps in the relief of patients’ financial burden, but makes little difference in protecting and promoting health as well as preventing diseases. The rising global prevalence of chronic diseases puts serious pressure on medical insurance financing. In addition, chronic diseases, including mental disorders, are also a major cause of disability. Protecting and promoting health has been increasingly relevant to personal development and social security.
With the economic development and the improvement of people’s living standards, health care insurance schemes in many countries have strengthened their investment in health promotion and prevention and focused on the early detection of diseases to respond to an increasing prevalence of health risk factors and the increase of largely preventable chronic conditions, such as diabetes or cardiovascular diseases.

Box 3.30
Health protection and promotion helpful for personal development and social security:

– Extend the working life
– Reduce the number of new disability pensions awarded
– Strengthen measures to bring persons with disabilities back to work
– Contain health care costs and cash sickness benefit expenditures
– Boost active employment policies
– Better help families balance the responsibilities of children and work

Box 3.31
Focus of health care on high risk groups

Netherlands: Individual prevention focuses on lifestyle changes for persons assessed with a high risk of developing a chronic disease is to be integrated into the health insurance benefit package.
Tanzania: The National Health Insurance Fund has begun to sponsor sports activities for insured members at high risk. Sometimes such measures are directly aimed at reducing health inequalities and at facilitating integration.
Germany: Attention has been paid to long-term unemployed persons who are often at increased risk of disease.

In addition to participating in general health promotion programmes that are led usually by public health bodies, many social security health care organizations have found a niche by focusing their efforts on the early detection of disease, risk profiling
and health promotion/prevention for defined groups of high-risk individuals. The objectives are to prevent diseases, avoid unnecessary complications and associated suffering and costs, and empower persons to take better care of their health or manage their diseases.

Box 3.32
Focus on early disease detection and risk profiling

New types of health check-ups focus not only on identifying existing diseases but include the identification of personal risk profiles, active prevention measures and lifestyle counseling.

Austria: In addition to ensuring the early detection of diseases, it reformed its health check-up system in 2005 to focus on the prevention of chronic diseases and the reduction of risk factors.

India: The Employees’ State Insurance Corporation introduced health check-up camps at workplaces, hospitals and dispensaries.

New types of check-up systems have also been introduced in the Republic of Korea, the United Republic of Tanzania, Germany, Japan, Mexico and Thailand.


—Early intervention to prevent unemployment: Unemployment insurance turning into employment insurance

Unemployment insurance helps in preventing and compensating unemployment as well as promoting employment. Recent years, new developments can be observed in unemployment insurance schemes, such as the early intervention through active measures to prevent unemployment and protect employment. These new developments have been accelerated by the pressure on labour markets caused by the global crisis.

Now, some countries have taken active early intervention measures to prevent unemployment, create jobs and promote employment as much as possible.
In 2008, Poland adopted a programme to promote the employment of workers older than age 50. Among the measures taken are incentives for employers to maintain the employment of older workers, skill development programmes, and measures for older workers who are in danger of losing their job.

Netherlands: Netherlands has reduced the level of social insurance contributions to be paid by employers on behalf of employees aged 62 or older.

Box 3.33

Unemployment Prevention through early intervention

In many countries, early intervention has been taken to prevent a person from becoming unemployed in the first place, in particular for those persons, such as younger and older workers, at risk of long-term unemployment and long-term exclusion. Efforts to prevent unemployment have focused on strengthening existing or new measures to avoid lay-offs, by permitting employers in economic difficulty to reduce employees’ working time, with the value of the employees’ lost earnings compensated by unemployment insurance schemes. For example:

Germany: Germany has extended the eligibility period for “Kurzarbeit” (partial-unemployment benefit) under which employees work reduced hours and receive compensation from the unemployment insurance scheme.

Slovenia: For the first time, Slovenia has introduced the partial subsidizing of work and employers have to commit not to lay off employees as a condition of eligibility.

Other measures to prevent unemployment, such as maintaining and developing the skill levels of older workers to make the employment of this group more attractive, have been strengthened significantly in many countries. For example:

Poland: In 2008, Poland adopted a programme to promote the employment of workers older than age 50. Among the measures taken are incentives for employers to maintain the employment of older workers, skill development programmes, and measures for older workers who are in danger of losing their job.

Netherlands: Netherlands has reduced the level of social insurance contributions to be paid by employers on behalf of employees aged 62 or older.


Now, affected by the financial and economic crisis, youth employment is an issue of concern. The global economy is recovering but youth unemployment is getting worse, according to a new OECD report. Youth unemployment rates in the OECD area are expected to remain at around 18% in 2011 and 17% in 2012. This is more than double of the total unemployment rate, which stood at 8.6% in October 2010. Few governments are taking proactive steps to boost youth employment1. The recent

published “Global employment trends 2011: The challenge of a jobs recovery” revealed that the number of global unemployed youth was 78 million in 2010, well above the pre-crisis 2007 level of 73.5 million. The youth (aged 15–24) unemployment rate stood at 12.6 per cent in 2010, 2.6 times of the adult rate of unemployment. A few countries have strengthened measures in promoting youth employment.

Box 3.34
Promoting youth employment

Belgium: Belgium introduced a “Win-win Employment” programme, under which younger workers without a higher educational degree can, during a period of up to two years of employment, continue to receive an unemployment benefit that the employer can deduct from the salary, thus reducing labour costs.

China: China has invested in college graduates employment promotion actions, the internship programmes and the incentive programmes for their employment in education, rural development, medical services and poverty relief in the grassroots rural areas.


China has set up a dynamic unemployment monitoring system to prevent unemployment and stabilize employment.

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Box 3.35
China sets up a dynamic unemployment monitoring system to prevent unemployment risks

Building on the experience from the trial monitoring conducted in selected cities in response to the financial crisis, since January 2010, the MOHRSS has started to promote the dynamic unemployment monitoring system to the 105 cities in 31 provinces (regions and municipalities) and the Xinjiang Production and Construction Corps, covering 3,568 enterprises and over 5 million employees. It has developed into a monitoring and report system based on monthly data collection and quarterly data analysis. The system helps in the access to the changing employment information at the enterprise level and fills the statistical blank in employment. Its timely and accurate analysis of employment status provides important reference for policy-making in response to unemployment and the prevention of risks.


For those unemployed, some countries have taken proactive and preventive measures. For example, the UK government has extended the “New Enterprise Allowance” to help the unemployed start their own business.
British PM Cameron announced plans on 5 January 2011 to extend the scope of the government’s New Enterprise Allowance (NEA), which helps unemployed people set up their own companies. The assistance will be made available to as much as twice of the original one. He said that throughout this year and beyond they will be focused relentlessly on supporting growth and driving job creation across the economy. He pointed out that those people who find themselves out of work but have the drive and desire to set up their own business shall have all the advice, support and mentoring they need. Given the country prepares to ax more than 300,000 public posts over the next four years and the youth (aged 16-24) unemployment rate reaches the record high, the Conservative-led government is counting on private companies to keep creating jobs for the unemployed.

The NEA started on 5 Oct 2010 designed to help the unemployed people who want to start their own business. Participants will get access to a volunteer business mentor who will provide guidance and support as they develop their business plan and through the early months of trading. Once a customer can demonstrate they have a viable business proposition, they will be able to access financial support, which will be paid weekly with the allowance for the first three months the same amount as job-seeking allowance and the allowance amount for the rest period cut by half. If they need start-up capital, they may also be able to access a loan up to £1,000. The total package of support could be worth up to £2,000 to each participant who starts their own business.


Those preventive measures have reduced unemployment and ensured employment to certain extent. In times of global jobs crisis, government of all countries shall take proactive measures to give to play the role of unemployment insurance in the protection of job opportunities and prevention of job losses, and thus to promote the jobs recovery together with the global economic recovery.

—Fostering safety culture: Zero accident model

The work injury prevention aims to take all the effective measures to prevent accidents and control occupational diseases, protect workers from occupational hazards, including the prediction of potential work injuries and occupational diseases, the appraisal of their outcomes and viable preventive actions.
The work injury prevention is essential to the better provision of work injury insurance. However, fostering a safety culture is very important to address the work accidents from the source. Now, many countries have attached great importance to the work safety culture.

Box 3.37
Fostering safety culture to reduce workplace injuries

EU: Its strategy identifies the need to promote and consolidate the culture of work hazards prevention.

Hungary: Work safety and health is understood as the requirement to thoroughly consider the human elements, a philosophy of consistency with integrated social interest.

Japan: The core of its five-year work safety plan is to develop safety culture, calling for the attention of employers and workers to safety and the establishment of self-protection mechanisms as well as other work safety and health measures.

Korea Rep.: The work safety strategic plan prioritizes the awareness-raising among employers and workers, which is partly done through the continuous training system and the combined efforts of families, schools and the society.

Malaysia: In the pursuit of national industrialization, the country continues its efforts to create a safety culture. The promotion of safety culture has been prioritized as the foundation in all work safety and health activities while raising awareness and conscious compliance.

New Zealand: Safety awareness and culture shall be promoted not only at workplace but also throughout the society, which is part of the work injury prevention strategy.

South Africa: Safety plans are seeking to promote work safety and health as a way of life for all the people.

UK: New measures of “restoring safety and health” have been initiated in a view to bring about real changes to the workplace culture.


Only when the safety culture is prevalent in society, prevention could be conscious action of the people. So, countries in the world shall focus on the culture of work
injury prevention and take preventive measures to promote the healthy development of human society, as well as the green and sustainable development of global economy.

Finally, in post-crisis era, government of all countries shall reach consensus that social security is not a burden, but a prerequisite for social and economic development, a vital investment in social and human capital and affordable for any countries if properly managed. Therefore, government of developed countries shall not cut their spending on social security with the excuse of financial deficits and public debts, while government of developing countries shall not refuse the extension of social security system for all with the excuse of their less developed economy. Countries shall strengthen exchange and cooperation to promote the establishment of better social security systems in the world, move from basic social protection for all to the more advanced social security. Efforts shall be made in the promotion of prospective social security, focusing on the proactive and preventive actions and the sustainable development of social security. Only by this way, we could reduce poverty and inequality, ensure people’s decent life and work, enter into a new phase of inclusive development and accelerate the smooth shift of economic growth model.

3.3 Active roles of trade unions in improving social security and decent work

Struggling out of the financial and economic crisis, the development of global social security also needs the active support and participation of workers’ organizations.

3.3.1 Actions of international trade unions

Since the WWII, global economic crisis is the biggest challenge of international trade union movement. Now, on the basis of research and analysis on the financial crisis, the global trade unions are taking actions to fight for decent social security, life and work for all workers.

—WFTU: Social security for all

The World Federation of Trade Unions (WFTU) believes that the financial crisis is caused by the greed and failure of financial institutions, the privatization policies, free market and deregulation of labour market. In 2009-2010, the world lived in a period of global crisis of the capitalist system. This crisis was deep and embraced all areas of the system: the economy, politics, society, culture, environment, even the personal relationships of the people. In times of crisis, all governments, either neo-conservative or social-democrat, have followed the same policies: attacking on workers, removing trade union and labour rights, redundancies, poverty and privatization1.

The WFTU believes that people are suffering the impact of the crisis and the crisis must turn into opportunities. Capitalism is not the way out of the current economic and financial crisis. To make progress in the road of recovery, all workers in the world shall support each other. The WFTU calls for the unity of workers, joining forces to eradicate exploitation.

Box 3.38

WFTU establishes social security targets of trade unions

On March 23-24, 2010 the European Trade Union Meeting on “social security in Europe and the role of the class-oriented trade union movement”, was held in Athens with great success. 18 trade union organizations from 14 European countries took part and discussed the contemporary issue of Social Security. The WFTU General Secretary George Mavrikos attended and addressed the meeting. Mavrikos believes that European trade unions need to play a role in social security and there shall be some general, common objectives to be jointly claimed by all unions. The common targets are suggested as follows:

1. To compete for a public social security system covering all the modern needs of workers and the unemployed.
2. To fight for social security coverage for all workers.
3. To stop the irresponsible actions of the capitalists in health care and social security. Everyone has free public health coverage.
4. To reduce the retirement age so that the working people to be able to enjoy a part of the sweat of his life and to increase pensions for the decent life of retirees.
5. To resist to the strategies of Maastricht and Lisbon treaties.


—ITUC: Promoting a comprehensive, fair and effective social security model

The International Trade Union Confederation (ITUC) believes that since the jobs crisis triggered by the 2008 global financial and economic crisis, the tasks for trade unions shall be to prevent government and companies from transplanting the negative impact of the crisis to workers; to fight for the divert of massive government budget on military to be used for the workers’ livelihood hit by the crisis; to combine employment and social security and fight for decent life and work.

The ITUC asserts that social protection is a human right and an essential element of social justice. It provides dignity, lifting people out of poverty and reducing inequality.

1“WFTU: Capitalism is not the way out of financial crisis”: http://news.xinhuanet.com/world/2009-05/05/content_11313097.htm (last visited 01 Feb 2010).
through redistribution of wealth and is an investment in both productive capacity and in development, and must be considered a part of the responsibilities of government.

The ITUC underlines the primary role of the state in providing, facilitating, promoting and extending coverage of social protection. It further insists that benefits should be non-discriminatory, adequate and secure, and that the financial sustainability of social protection schemes must be assured. Trade unions and employers’ organizations should be involved in their design and management. Social dialogue and tripartite participation, on an equal basis, are essential instruments for building a fair and effective consensus model.

The ITUC rejects the trend toward privatization of social protection schemes and the decreasing involvement of the social partners in their management. Where private schemes do exist, workers’ organizations should be involved in their governance, they should be complementary to public ones, they should integrate the principles of nondiscrimination and redistribution and they should provide adequate benefits. Private funds must be properly regulated and subject to more stringent surveillance by public authorities. It strongly advocates a return to public provision in light of the economic crisis and the failures of privatization.

The ITUC believes that governments must bring workers engaged in informal activities within a legal framework in order to extend social protection coverage to them on a sustainable basis. And where there is no employer, the workers concerned must try to find a means of survival in the informal economy, they and their families must have access to social safety nets.

The ITUC recognizes the challenge of ageing populations for pension and health schemes but rejects privatization and individualization of schemes as a means to meet it. The Confederation reaffirms full support for pay-as-you-go systems and emphasizes that any system should guarantee stable and predictable retirement benefits for current and future generations and build on collectivity and intergenerational solidarity. Increasing labour market participation rates and achieving full employment must be key elements of the policy response to ageing populations.
Box 3.39
ITUC action programme on social security

The ITUC and regional organisations, working together with Global Unions partners and affiliates, to:
(a) Encourage ratification and implementation of ILO Convention 102 in all countries;
(b) Undertake activities to support affiliates in the area of social protection, through capacity building and other actions;
(c) Advocate the approach to social protection set out in this resolution and work towards the construction of a comprehensive, fair, redistributive, universal social security model in which the state bears responsibility for guaranteeing protection for all workers, regardless of their employment status, geographical location or national origin, to create the foundations of the model of society all workers deserve;
(d) Work with the ILO to campaign for the extension of social protection to all, for ratification of ILO social security conventions and for a basic social floor for all, including the adoption of an ILO Recommendation on the establishment of a social protection floor set at a level above the poverty line, and sufficient to provide


3.3.2 Chinese trade unions: Improving people’s well-being and promoting employment

In post-crisis era, the Chinese government follows the outlook of scientific development that is featured by people-centered, balanced and sustainable development. This development concept pays equal attention to people's livelihood and economic growth, puts same emphasis on economic growth and employment promotion, and stresses the need to shift economic growth pattern and adjust economic structure. It also aims to maintain growth through boosting domestic consumption, improve people’s living standard through strengthening social protection, promote economic and social progress through deepening reform, and secure the urban and rural jobs through achieving the overall economic recovery.

In response to the jobs crisis and social tension triggered by the global financial crunch and economic downturn, the Chinese trade unions called upon the government and whole society to put workers first. The trade unions supported the policies and measures adopted by the government to sustain growth, protect people’s livelihood, and maintain stability through boosting domestic demands, promoting smooth and fast economic growth, reforming social security system, and promoting decent work.

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—Active participation in State legislation

The ACFTU and local trade unions at various levels have attached great importance to the participation at source, which includes the continuous efforts to improve the tripartite labour relation consultation mechanism and the system of joint meetings with government, to conduct practical research and survey, to take active part in making labour security laws and relevant policies, to reflect workers’ demands and unions’ requests in the legislation and policies so as to protect workers’ legitimate rights and interests in employment, income distribution, social security, etc. Over recent years, the ACFTU has participated in the draft, development and amendment of a dozen of laws and regulations, including the “Labour Contract Law”, the “Employment Promotion Law”, the “Social Insurance Law”, the “Social Assistance Law”, the “Guidelines for the Reform of Health System”, the “Work Injury Insurance Regulations”, the “Unemployment Insurance Regulations”, the “Enterprise Wage Regulations”, the “Methods of Basic Pension Insurance Transfer for Urban Workers”, etc. The provincial and municipal trade unions have participated in drafting nearly 1000 local laws, regulations and policies. The suggestions of workers and trade unions have been fully considered and expressed1.

Box 3.40
ACFTU fights for workers’ rights from at source

On 28 Dec, 2008, the National People’s Congress began to solicit public opinions on the “Social Insurance Law (draft)”. The ACFTU released a notice together with the guidelines regarding the 11 issues widely concerned by trade unions and workers, to guide local unions in proposing suggestions and recommendations on the major issues related to the rights and interests of workers and trade unions, and to encourage workers to actively participate in the process. ACFTU’s Legal Affairs Dept. also holds many seminars and discussions to work out advice and suggestions on issues of workers’ concern and refers them to the law-makers.

The “Social Insurance Law” adopted on 29 October, 2010 has reflected the proposals put forward by trade unions in the following areas: enhancing the involvement of trade unions in developing and overseeing social insurance schemes; establishing clearer rules on the management of social insurance funds; strengthening supervision on social insurance, raising the liability of employers who violate the Social Insurance Law, etc.

—Promoting employment and re-employment

Employment is fundamental to people’s livelihood. In recent years, the Chinese trade unions have actively participated in the drafting national laws and policies, and push forward the implementation of proactive employment policies. In addition, trade unions made full use of their job centres, occupational training schools and re-employment bases to provide skill training, entrepreneurial guidance and employment services. These efforts have contributed to promoting employment and re-employment and ensuring employment stability. In response to the financial crisis and its impact on employment, in 2009, trade unions across the country initiated the “Joint Commitment Action” and campaigns of “Assistance for Ten Million Migrant Workers”, “Domestic Services Project”, and the “Promoting Employment through Upgrading Skills”. The ACFTU, together with the Banking Regulatory Commission of China, issued the “Notice on Trade Union Pilot Micro-credit Schemes for Entrepreneurship Development” to promote trade union micro-finance schemes and help laid-off and migrant workers to start their own business. Trade unions at various levels organized various training programmes in their own training schools and provided a full range of employment services to help the laid-off, vulnerable and migrant workers to find jobs.

Box 3.41
Promoting employment through skill upgrade

In 2010, trade unions across the country launched the campaign of “Promoting Employment through Upgrading Skill”, targeting at migrant workers, cash-strapped union members, the college grads from poor families. By the end of August, unions had organized skill training programmes for 1.5 million people, among whom 912,000 have received certificates awarded by human resource department of the government and 1.04 million have found jobs.


—Promoting Mutual Aid Insurance

The Mutual Aid Insurance is a low-contribution and high-compensation scheme, initiated and run by the ACFTU and participated by workers on voluntary basis. It is an important channel for trade unions to help workers to raise living standards and enhance their resilience against risks, ease the burden of enterprises, and maintain social harmony and stability. This union-run insurance is important also in the sense
that it has played a vital role in enhancing the appeal of trade unions to workers, which is of vital importance as the ACFTU is focusing on organizing under the new situation. Today, the Mutual Aid Insurance has been recognized and supported by the government and the whole society, especially by the workers. The insurance, institutionalized through scientific management and strict regulation, has provided quality services up to workers’ satisfaction.

**Box 3.42**

**Workers in Beijing entitled to hospitalization allowance of 40 yuan per day**

Since 2011, hospitalized workers in Beijing are entitled to an allowance of RMB 40 yuan per day starting from the fourth day of hospitalization, with a cap of RMB 7,200 yuan per session.

This insurance plan aims to supplement the basic medical insurance and help people with serious diseases to mitigate the financial pressure of both the patient and their employer. The plan targets those low-income earners, including all the female workers under 55 and male workers under 60, and requires individual contribution of RMB 60 yuan annually.


——More assistance to vulnerable workers

The Chinese trade unions have always paid high attention to assisting vulnerable workers to tackle difficulties in life and at work.

**Box 3.43**

**Employment programmes for college graduates from struggling families**

With the support of the government and the society, trade unions continued the employment programmes for college grads from vulnerable families in 2010, through which, 85,053 grads have found jobs, 4,219 job fairs have been organized and 305,700 jobs have been offered, 36,405 grads received entrepreneurial training, 5,478 granted with micro-credit totaling RMB 69.269 million yuan and 27,016 subsidized with job-seeking allowance totaling RMB 14 million yuan.
In 2011 ACFTU has extended its Sending Warmth Programme to a wider-range of ordinary workers who need help from trade unions. By now, trade unions at various levels have set up 3,457 city-level Aid Centres for vulnerable workers and 28,000 Aid Centres at county, community or enterprise level. So far all cities and counties have set up their own Aid Centres. Trade unions have put in place a long-term assistance mechanism, which is partly supported by government and social resources, to help the vulnerable groups, mediate labour dispute, provide legal service, and protect migrant workers.

**Box 3.44**

**Warmth Project to offer practical benefits to Workers**

During the period between the end of October 2010 and the Spring Festival in February 2011, the ACFTU sent 16 working groups to visit 100 struggling enterprises and 200 cash-strapped families in 30 provinces (regions and municipalities).

In 2011, trade unions across the country will take practical measures, including psychological support, to help vulnerable workers to tackle difficulties in their daily life, healthcare, employment, and education. To make better use of the assistance funds, some local unions have developed project-based assistance tailored to different vulnerable groups. Beijing trade unions covered the surgery expense of 100 vulnerable workers who have cataract; Zhengjiang trade unions provided medical assistance to 500 vulnerable workers who suffers kidney failures; Hebei trade unions have covered 130,000 vulnerable workers in the province with the non-work injury insurance.

In addition, trade unions also provided job and training opportunities to address the problem at source. In Longyi District of Chengdu, Sichuan, trade unions, together with 10 partner organizations, mobilized 50 companies to participate in a job fair organized by the union, where handouts and publications such as the “Trade Union Law” and the “Labour Contract Law” have been given out to job applicants. The fair provided over 500 job openings and more than 150 people signed employment agreements on the spot.

For the 2011 Sending Warmth Programme, the ACFTU has earmarked RMB 81.5 million yuan, an increase of 6.5 million yuan compared with 2010. Trade unions across the country have raised RMB 3.625 billion yuan through government support, fund operation, and social donation.
In the last 20 years, the Sending Warmth Programme has extended the area of assistance from livelihood to employment, legal service, healthcare, and children’s education. This programme has played an important and supplementary role to the social security system and contributed to the social and economic transformation, the reform, and the development of a harmonious society. It has won the hearts of the workers, the support of the government, and the recognition of the whole society.

**Box 3.45**

“Golden Autumn Programme” for poor children

In 2010, trade unions across the country continued the “Golden Autumn” Programme and allocated RMB 890 million yuan for education assistance fund, an increase of 11.25% year on year, among which RMB 828 million yuan was grants for 656,100 children of vulnerable workers (including RMB 206 million yuan to 183,300 children of migrant workers).


—Tighten supervision and inspection to guarantee social security workers

For years, trade unions have actively promoted the implementation of social security policies, the reform of social security system, the extension of social insurance coverage, the elevation of social security standards, the improvement of social security transfer, and the supervision on social security funds.

By the end of September 2009, trade unions of 23 provinces, 186 cities/prefectures and 1182 counties have participated in social security supervision bodies set up by the government of the same levels, and assisted local people’s congress in the inspection on social security schemes. Unions have cooperated with relevant authorities in the prevention, evaluation and rehabilitation of occupational injury, helped injured workers and their families in the procedures of insurance benefit redemption. As a member of the Inter-departmental Coordinating Group on the Reform of the National Health System, the ACFTU has taken active part in relevant work and made many proposals to protect workers’ interests. Many of these proposals have been incorporated into the national policies on the health system reform and thus contributed to addressing some long-standing problems such as providing medical insurance for the employees and retirees of restructured, struggling or insolvent enterprises, alleviating the medial expense pressure on workers, integrating urban and
rural social security schemes at higher levels, and securing cross-province transfer of social insurances.

**Box 3.46**

**Chinese law spells out the right of unions to supervise social security fund**

The “Social Insurance Law” adopted on 28 October, 2010 stipulates that trade unions have the legal right to protecting workers’ rights and interests, taking part in national research programmes on major social insurance issues, and exercising supervision over matters concerning workers’ social insurance rights and interests. The Law underlines that local governments must set up social insurance supervision committees composed by representatives of employers, trade unions and employees to analyze the balance, management, and investment of social insurance funds, put forward suggestions, and exercise social supervision.


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**Focus on social dialogue to promote decent work**

Social dialogue is a procedural right and a means to protect labour rights and promote decent work. It is also an important channel to promote stable and well-coordinated labour relations. In China, the social dialogue mechanism includes at least three elements: collective bargaining, workers’ participation and tripartite consultation arrangement. Workers are the subject of sustainable development and the Chinese trade unions should play an important role in promoting sustainable development, improving social security and achieving decent work.

**Box 3.47**

**Chinese trade unions press for collective wage bargaining in all enterprises**

In 2010, the Chinese trade unions pushed forward the collective wage bargaining in enterprises according to law, formulated a three-year work plan on collective wage bargaining and a three-year programme on training negotiation instructors. Four sessions of training programmes on labour relations coordination and collective wage bargaining have been organized in this year. The ACFTU has focused on collective wage bargaining in the Fortune 500 companies in China as the entry point to promote mechanisms of wage co-determination, normal wage increase, and payment guarantee in all types of workplaces in China. By the end of September 2010, 1.408 million collective contracts had been signed, covering 2.439 million enterprises and 185 million workers.
Chapter 4 Proposals for Trade Union Action

4.1 Promoting Sustainable, High-Quality and Balanced Development of the World’s Economy

As the world economy recovers, robust growth has been witnessed in some emerging economies. Still, we cannot turn a blind eye to a lingering sovereignty debt crisis, soaring prices of large commodities, volatile exchange rates for major currencies, growing pressure of asset bubbles and inflation in emerging markets, and rising trade protectionism. What makes it more challenging is that the world is also suffering an energy shortage, environmental deterioration, a food crisis, high unemployment rates, and burgeoning poverty. These challenges have further convinced us that sustained, high-quality and balanced development must be pursued in the post-crisis era.

“Sustainable development should be “green” and achieve a balance between socio-economic development and the protection of resources and environment. Given the resource and environmental constraints, we must accelerate the transformation of the economic development pattern, encourage technological innovation, preserve resources and protect the environment. All these efforts should be made in pursuance of comprehensive, coordinated and sustainable growth and the ultimate shift from “black development” to “green development”.

High-quality development should be “happy development” which can improve people’s livelihoods and enhance social harmony. High-quality development must put people first, protect and improve the livelihoods of people as the starting point and ultimate goal of economic development, and allow all people to share in its fruits; high-quality development should forgo the doctrine of “efficiency first” and promote “social justice” as the overriding priority of economic development; high-quality development must put job creation at the core of socio-economic development and provide equal job opportunities to all working people, especially the youth; high-quality development must adjust income distribution, narrow wealth gaps, and reduce poverty; high-quality development should gradually elevate the level of social benefits and harness social protection as primary leverage for the optimization of social wealth distribution; high-quality development should give every citizen an equal opportunity to education and training, which is vital for people’s life and development.

Balanced development should be achieved both within a country and between countries. Within a country, balanced development should be maintained between investment and consumption, import and export, the first, second and tertiary industries, and different regions. It is equally important to have balanced development between countries. The imbalance in the world’s economic development has been showcased by the widening gap between the North and the South and the continuing...
concentration of wealth in the hands of a small number of people and countries. Today, as the strength of the developing countries, especially the emerging ones, is growing and the world is becoming more multi-polar, the solution to this imbalanced world development will hinge on the synergy forged through the G20 and various other multilateral forums. Within these international multilateral forums, countries will engage in dialogue and cooperation, expand common interests and grounds for cooperation, coordinate macroeconomic policies, and promote a more equitable, fair, and mutually beneficial world economic order.

4.2 Building Harmonious Labour Relations

Labour relations are the most widespread and basic of social relations. They are also one of the primary relations in the market economy. Harmony in labour relations is the precondition for social harmony and the prerequisite for improving social protection levels and realizing decent work.

Only when labour relations are harmonious can we achieve sustainable and balanced economic and social development and prepare the economic foundation and institutional guarantee for a high-quality workforce and strong social protection.

Only when labour relations are harmonious will we see sound business development, secure jobs and higher incomes for workers, a more skilled workforce and better social protection schemes.

Only when labour relations are harmonious and workers enjoy higher economic and social status will workers be motivated and equipped with the necessary conditions to learn and achieve personal development, which is essential to enhancing job quality and realizing decent work.

Trade unions should ramp up their efforts to build harmonious labour relations.

At the national level, we must champion the concept of harmonious labour relations that put people first, and advocate a socio-economic development paradigm by the people and for the people as the primary conditions for inclusive growth. The tripartite mechanism must be bolstered to enhance social dialogue and social protection at source. This will help to bring about the following “four combinations”: combine economic growth with creation of high-quality jobs, combine social wealth accumulation with a social protection floor, combine raising productivity with a universal education system, and combine raising the living standards of all people with putting more emphasis on helping disadvantaged groups.

At the enterprise level, we must advocate a win-win relationship and encourage management and workers to seek common interests, share responsibility for enterprise development, and explore the future together. Trade unions should follow the
principle of “promoting enterprise development and protecting workers’ rights and interests” and press ahead with collective bargaining in a bid to achieve the following three goals.

The first is to push for the shift of the enterprise development model into a more humanitarian one. As enterprises crank up structural upgrading and technological innovation, equal emphasis must be put on guaranteeing decent work and a dignified life for workers, fulfilling corporate social responsibility, and ensuring the synchronized development of both workers and enterprise. The second is to establish a fair income distribution mechanism to allow the two parties of labour relations to create the wealth together and share the profit equally. This is the best route to resolve labour conflicts and foster harmonious labour relations. The third is to encourage workers to learn and innovate and contribute to the development of the enterprise with which they have a shared future and interests.

4.3 Enhancing Coordination among the Trade Unions of Emerging Economies

As economic globalization gains momentum, shared interests outweigh the competition among the emerging economies. The financial crisis has intensified the political and economic interests shared by the emerging economies. For this reason, the emerging economies and the trade unions in these countries have every reason to further strengthen coordination and cooperation.

The quick rebound of the emerging economies has played a pivotal role in getting the world economy out of the economic slump. Nevertheless, the emerging countries are still at the low end of the global value chain and remain at a disadvantageous position in the world economic configuration. Their voice in the global political and economic governance is still weak. These factors have bonded the emerging countries together and forged the foundations for their cooperation. The trade unions of these countries, sharing common interests, also need to come together to coordinate their positions and beef up cooperation.

As a result of the international financial crisis, the emerging countries as a whole have risen to a more important status in the global governance. They have gradually become important stakeholders in addressing global issues. As the G8 evolves into the G20, the emerging economies have found the platform to engage in dialogue with the developed economies of Europe and North America. The trade unions of emerging countries should also utilize the dialogue platform of the G20 and the BRICs to defend workers’ interests and voice the following concerns of working people:

——Promote balanced global economic development. To advance the balanced and coordinated development of the world, trade unions must promote a reformed global structure for more rational division of production, more balanced financial and trade development, more scientific resource distribution, and more equitable interest-sharing across the world.
——Advocate inclusive growth. Trade unions must stress the importance of promoting economic growth, sticking to the principle of social justice, and ensuring that the fruits of globalization and economic growth are shared by all countries, regions and people.

——Realize people-centred decent work. Trade unions must accentuate the need to build a high-quality workforce, speed up the development of sustainable social protection schemes, and make development truly of the people, by the people and for the people.

4.4 Strengthening South-South Cooperation among the Trade Unions of Developing Countries

As globalization drives growth, it has also caused a widening wealth gap and social injustice. The western developed countries, with their strength in capital, technology, education and managerial expertise, have become the main beneficiary of economic globalization, whereas the developing countries have remained in a disadvantaged position. In the post-crisis era, countries, especially the developing ones, are still confronted with many difficult tasks. Trade unions, especially those of the developing world, will continue to face the daunting challenges of securing and expanding jobs and fighting for a social protection floor. They must strengthen cooperation and form synergies to harness the complementary advantages of each. They must make joint efforts to protect and realize the interests of working people in the recovery and future growth of the world economy and stress the following issues:

——Trade unions should attend to their common interests in the political and economic areas and in the trade union movement. Trade unions of developing countries must strengthen exchange and cooperation to jointly face challenges against the backdrop of economic globalization and the post-crisis era, defend the interests of the working people of developing countries, and promote the harmonious development of the world trade union movement.

——Trade unions should make their collective voice heard in the global governance. A new global governance system must be built to reflect the changing economic strength of developing countries. With the output of developing countries rising from one third of the world total in 1990 to more than half now, they should have a stronger voice in global economic development and a more important role in global governance.

——Trade unions should act together to transform the pattern of world economic development. Trade unions must grasp the opportunities brought by globalization to tackle the challenges it has caused, concretely solve the social problems that have emerged in the process of economic development, and build the
solid social foundations for a more open and convenient trade and investment environment and long-term economic development.

—— **Trade unions should jointly explore solutions to the specific issues in the area of labour rights and interests.** Trade unions should, for example, enhance exchange and cooperation and promote policy dialogue and experience-sharing on employment, education and training, and social protection, step up economic and technical cooperation, expand the area and elevate the level of cooperation on human resource development, and narrow the development gap between countries to attain the goal of universal prosperity.

### 4.5 Promoting a New Order of the International Trade Union Movement Featuring Justice, Equity, Democracy and Harmony

The globalized economy has led to inextricable links and interdependency between developed and developing countries and intertwined interests of workers of different countries. The international financial crisis has made us more keenly aware that national and international trade unions across the world must make joint efforts and engage in dialogue and consultation to address the new issues and new challenges that economic globalization has brought about for working people. The logic of globalization requires trade unions to work for a global labour strategy as the response to the global strategy that capital has been following for a long time.¹

Notwithstanding the different histories, cultures, social systems and development levels of countries and the diversified development paths of trade unions across the world, one goal is shared by all, which is to protect the rights and interests of working people. Trade unions of different countries should further consolidate their communication and dialogue on an equal footing, put aside their differences and seek common ground. Together, we should jointly promote an international trade union relationship based on mutual respect, cooperation, democracy and harmony, concretely safeguard the rights and interests of working people across the world, and contribute to the full recovery of the world economy and the realization of a harmonious world of eternal peace and universal prosperity.

—— **Trade unions of different countries should commit themselves** to promoting “peace, development, cooperation, and workers’ rights and interests” and making joint efforts to advance the harmonious development of the world trade union movement.

—— **Trade unions should pledge to change the paradigm of economic development**, demand high-quality growth, stress the importance of building social wealth to allow more people to share in the fruits of globalization, and protect

¹Guy Ryder, “Estrategias para un nuevo internacionalismo sindical”, Gaceta Sindical, Nueva Época no. 11, Dec. 2008. The original quote was in Spanish as follows: “La lógica de la globalización es que los sindicatos necesitan responder a las estrategias globales que el capital ha seguido durante mucho tiempo con sus propias estrategias laborales globales.”
vulnerable groups. Economic development must be balanced and sustainable, and equal attention must be given to social progress. More effort should be made to help the developing countries to achieve full development, which will help to narrow the North-South divide and reshape economic globalization for the benefit of working people.

---Exchange and cooperation platforms such as the International Labour Conference and the International Forum on Economic Globalization and Trade Unions should be fully harnessed to debate and exchange experiences on the issues common to the world labour movement and explore tangible solutions to protect the rights and interests of working people and improve their working and living conditions.

---Trade unions of different countries should dedicate themselves to capacity-building with special emphasis on helping the trade unions of developing countries through cooperation programmes in the area of training, technical assistance, information sharing and exchange.