

Notes from working lunch discussion - Oslo Conference 2010

Table 11: Chair Helge HVEEM, University of Oslo

The table first reviewed topics related to the major issues of the morning session, noting that the important issue of gender inequality in employment was missing in the policy considerations. The table then considered the prepared questions.

Fiscal sustainability

Fiscal policy is the prerogative of national governments. However, there may be pressures from the international community, caused, among other things, by the negative effects other countries must suffer from policies conducted by a given country; there is thus a need – and in many cases a just need - for coordination of policies. The table discussed two issues in particular:

1. *Fiscal policy in developing countries:*

- Many developing countries are in need of infrastructure financing, which is often a key to solve a structural unemployment problem and achieve longer-term job-enhancing growth. This could come in opposition to fiscal consolidation and desirable capital investments.
- When there is a trade-off between short-term fiscal balance and development goals, then priority should be given to the latter. Fiscal sustainability must be evaluated in the medium to long term.
- A particular case discussed was India. Here, investments in infrastructure tend to be channelled where it is useful for access to global markets, e.g. airports and ports etc., rather than channelled into required infrastructure in general, such as pure drinking water, country-side roads, sanitation etc. Such infrastructure is important to improve the conditions of all workers, and in particular the poorest.

2. *Tax competition issues:*

- Tax competition could threaten the tax base and thus the sustainability of countries' tax policies in particular through a race to the bottom.
- This also demonstrates the need for coordination at the international level, and the need for an integrated view on revenue and spending policies.

Macroeconomic and employment policies

The table discussed two issues in particular:

1. *International minimum labour standards:*

- While the table emphasized that minimum labour standards should be respected, it was observed that standards imposed through international agreements such as WTO may lack the necessary national legitimacy. It would in many cases be preferable that such standards originate through decision-making in the country concerned.
- For instance, when standards originate from outside a country, they may only be applicable to tradable goods sectors, whereas when they originate from inside the country, they would normally apply to all sectors.
- It was also emphasized that development goals should be incorporated into trade policies.

2. *Other means of promoting better labour conditions:*

- The OECD guidelines for transnational (multinational) companies represent a “softer tool” in the promotion of improved social welfare by emphasizing corporate social responsibility. These guidelines could be more actively used to improve labour standards by the international community, in coordination with work to promote the UN’s Global Compact.
- The need for some form of international arrangement to fund measures aimed at improving labour standards in small and medium-sized firms as well as for self-employed should be discussed with developing countries in particular in mind.
- The table also pointed to the large number of bilateral trade and investment agreements, which constitute a means to implement improved labour standards that are not yet well utilised.

ILO-IMF collaboration

The table discussed several points:

The Oslo conference has demonstrated a willingness to put more emphasis on labour policy issues, as well as closer cooperation between the IMF and the ILO. It was observed as very positive that the IMF put so much emphasis on labour markets, battling unemployment and in particular youth unemployment, issues that the ILO and several UN organizations have promoted over the years. G20 could be a political vehicle to promote this cooperation.

The table noted with satisfaction the general emphasis this morning on a minimum social safety net for all countries. The table joins the rest of the conference in applauding the initiative of the leadership of the organizations to develop common policies. The IMF and ILO should continue to develop the idea of a global social safety net with a view to implementation.

Closer cooperation on policy-making and implementation will require coordination at several levels. The real challenge is for the two organisations (and other international organisations) to coordinate their *implementation* of policies on specific issues and at the country level.

ILO’s tripartite model, including not only governments but also representatives of the employers and employees, is familiar in a Norwegian context. Assuming that member countries of the ILO are represented on a tripartite basis in the organization’s decision-making, this is a model that should be used as an instrument through which improved labour standards are achieved in member countries, and in particular in developing countries.

A concrete system whereby labour market performance in member countries is regularly monitored should be developed and implemented, separately by the ILO, and/or as an integral part of IMF (and World Bank and WTO) surveys of macro-economic policy.