

## ***The role of labour standards and their impact on economic growth***

**Ms Ronnie Goldberg**  
**Executive Vice President and Senior Policy Officer**  
**United States Council for International Business**

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I have been asked to discuss the relationship between labour standards and economic growth. I will first speak more generally about labour standards and then turn particularly to those that embody the Fundamental Principles and Rights at Work.

The ILO is of course an important reference point, but Labour Standards have many sources beyond International Labour Standards. Regional Standards, such as European legislation, and national legislation may reflect or reference International Labour Standards, but they also reflect the particularities of their jurisdictions.

Indeed, despite globalisation, national legislation and the national environment remain key to national and social development. We saw this when countries took different approaches to address the economic and social impacts of the financial and economic crisis based on their national circumstances. In short, there is no one-size-fits-all approach when it comes to shaping national legislative environment. Governments need the room for tailor-made approaches.

Nor do laws and regulations (international or national) automatically create economic growth. They enable it by enabling companies to create jobs. What International Labour Standards *can* hopefully do (and this is important) is guide Governments in establishing a business environment that both protects workers and is conducive to economic growth and sustainable job creation. In order to accomplish this – i.e. in order to both realize rights and support economic growth -- International Labour Standards must reflect the changing world of work and take the needs of employers and workers equally into account.

Properly designed social and labour market policies have been a positive force both for economic efficiency and productivity, as well as social justice. Individual responsibility, competition, equal opportunities and social balance are not in conflict but are mutually dependent. Together they form the basis for releasing the productive strengths of an economy for the common good and giving the widest range of players the chance to achieve their full potential.

Competition has a particular capacity to stimulate innovation and creativity and is therefore a driver of prosperity. Against this background, the International Labour Organisation's 96th International Labour Conference in summer 2007 adopted a resolution on the promotion of sustainable enterprises highlighting the need, in addition to labour standards, for well regulated property rights, creation of an enterprise culture and construction of an enabling legislative framework. The aim is to put in place a holistic approach that creates freedom for individuals to follow their impulse to develop and secure their own economic well-being, regulates fair competition and ensures a social balance.

Through social dialogue, Employers and Workers can play an important role in the shaping of economic and social policies that create efficient and customised structuring of working conditions. Social partners are best placed to negotiate specific pay and other working conditions. As a rule, autonomous social dialogue ensures that companies are not overwhelmed by excessive demands on the one hand, and that workers share in economic success on the other. Such agreements are also better implemented than rules imposed by central authorities, since the players involved feel directly committed to what they themselves have agreed.

Let me turn now to the Fundamental Principles and Rights at Work, as defined in the 1998 ILO Declaration. The Declaration, which expresses the principles behind the eight core ILO conventions, has a special significance – not only because it embodies basic human rights that are central to shaping a fair globalization and that every ILO member state is committed to respect, but also because they can help to create a level playing field, which is the basis of fair competition. The Declaration is receiving increasingly attention far beyond the ILO, including for example in the G20, the UN Guiding Principles on Business and Human Rights, in bilateral and regional trade agreements and is used by companies in their codes of conduct and expectations for their suppliers.

The responsibility to implement and enforce these principles and rights lies primarily with the state, and it is of vital importance to companies that states fulfill their duty in this regard. Legal uncertainty, deficient administrations and arbitrary political decisions hamper business activity, impede planning and increase risk – all conditions that hamper both foreign and domestic investment.

So how do we ensure that the fundamental principles are respected and the corresponding rights at work are realized? Employers stress that the sole focus cannot be on ratification of the core conventions, which often seems to be presented as an end in itself. Unfortunately, the act of ratification is often at best an indicator of good intentions -- and sometimes not a very good indicator at that, as we know from the regular supervisory process. The focus should be on how to ensure implementation and give proper effect to the Fundamental Principles and Rights in all countries, those that ratified core conventions as well as those that have not.

The ILO implementation report 2010-2011 rightly stresses in this regard the idea that the combination of technical cooperation and capacity building with legal implementation is crucial for the successful application and implementation of labor standards.

The focus of ILO Technical Cooperation with regard to Fundamental Principles and Rights at Work must be on the informal economy, where hundreds of millions of workers around the world are not effectively covered by laws that reflect the Fundamental Principles, or indeed other standards and protections. There the ILO can make a real difference on the ground and the Employers` group has therefore proposed to making this a key priority for the ILO going forward.