



Statement by His Excellency Archbishop Silvano Tomasi, Permanent Observer of the Holy See to the United Nations and Other International Organizations in Geneva at the 104th Session of the International Labour Conference
Geneva, 4 June 2015

Current Economic Situation

Mr. President,

Economic inequalities persist and are increasing on every continent: a situation that creates more unemployment and widens the social inequities that are among the most powerful causes of instability in many societies, including in some where peace is threatened or has already been undermined¹. The turbulence of our times – economic, social and political – makes the achievement of social justice very much an agenda for today. Thus, in 2014, 1% of the global population held 48% of the world's wealth, leaving the remaining half to the 99% of the people². The challenge of bringing unemployment and underemployment back to 2008 pre-crisis levels now appears as daunting a task as ever. ILO's World Economic Outlook confirms these trends: the world risks of plunging from a jobless recovery into a period characterized by rising unemployment. To meet the expectation of new labour market entrants, an additional 280 million jobs need to be created by 2019 to close the unemployment gap. It appears unlikely, however, that the world economy will be able to either deliver or sustain such job creation. Youth, especially young women, are disproportionately affected. Almost 74 million young people (aged 15–24) were looking for work in 2014. The youth unemployment rate is on average three times higher than that of their adult counterparts. Increased youth unemployment is common to all regions. It is occurring despite the trend of improvements in educational achievement and thus it increases skill mismatches and fuels social discontent. This becomes a push factor for dramatic migration flows and for an increase in volunteers who join extremist violent groups. The Holy See, as a solution to this situation, proposes the need for increased solidarity and cooperation among all the Members of the international community and the multiplication of efforts to improve economic and social conditions in the countries of origin of migrants.

Rising unemployment is a major factor, which drives the mounting inequalities and should be addressed through carefully designed labor markets and tax policies. Employment should not be considered simply as a means for obtaining profit, but

¹ The International Labour Organization unanimously adopted the ILO Declaration on Social Justice for a Fair Globalization on 10 June 2008.

² Oxfam Report available at: <https://www.oxfam.org/en/pressroom/pressreleases/2015-01-19/richest-1-will-own-more-all-rest-2016>.

above all a goal that affects man and his dignity. If there is no work, this dignity is wounded! In fact, anyone who is unemployed, or even underemployed, suffers personal frustration, and risks becoming a victim of marginalization or even social exclusion.³

Labor Protection in a changing world

Therefore, labor protection measures, such as a minimum wage, the amount of hours and maternity protection standards, should be strengthened, even though they may have cost implications for an enterprise in the short term. However, in the long term, such measures can encourage enterprises to invest in technological and organizational improvements in order to offset increased costs, which can, in turn, spur productivity growth. A safe and motivating working environment, a mutually beneficial flexible work organization, and giving workers a fair share of the accrued benefits, are elements known to improve the competitiveness and productivity of enterprises⁴. As acknowledged also by the World Bank, there is a current need for better regulation of labor markets in the interest of prosperity and equity⁵.

Over the past three decades, significant transformations in the global economy have gone hand-in-hand with institutional changes in the world of work, which has been reshaped by globalization. Today, much of international trade involves buyers and suppliers operating within an ever-expanding global supply chain. All this has implications for workers' welfare⁶. The promotion of increased employment as a means of eradicating poverty should not be viewed as an issue that could be compromised: "Labor [...] is not a mere commodity. On the contrary, the worker's human dignity in it must be recognized. It therefore cannot be bought and sold like a commodity"⁷. Technological advancements, such as the expansion of the Internet, have facilitated long-range communication, thus reinforcing established centers and further marginalizing peripheries. This phenomenon has accelerated changes in the production process and in work. Despite increasing efficiency in production and widening the availability of services for customers, the demand for workers to continue for prolonged periods has grown in many sectors and occupations.

It is well known that economic progress should not be measured solely by the Gross Domestic Product (GDP). To the contrary, the well-being of a nation should be measured by a series of indicators linked to social protection systems, including access to quality services, education, decent work, adequate, safe and nutritious food,

³ Cfr., Pope Francis, Address of Pope Francis to the Managers and Workers of the Terni Steel Mill and the Faithful of the Diocese of Terni-Narni-Amelia, Italy, (20/03/2014).

⁴ ILO: Conclusions concerning the promotion of sustainable enterprises, International Labour Conference, 96th Session, Geneva, 2007.

⁵ World Bank: World Development Report 2013: Jobs (Washington, DC, 2012).

⁶ At its 319th Session (2013), the Governing Body selected the item "Decent work in global supply chains" with a view to a general discussion at the 105th Session (2016) of the International Labour Conference.

⁷ Pope Pius XI, Encyclical Letter *Quadragesimo Anno* n. 83.

adequate housing, personal safety, and basic income security, as well as the enjoyment of a safe, clean, healthy and sustainable environment. The 2008 ILO Declaration on Social Justice for a Fair Globalization reaffirmed the importance of these constitutional objectives of the ILO⁸. Labor protection is grounded in the ILO's founding values: labor is not a commodity, improving conditions of work is central to social justice and to a country's prosperity, universal and lasting peace.

The Holy See Delegation believes that poverty eradication requires a specific and concerted commitment by governments, employers and workers' organizations, the private sector and civil society. This commitment is grounded in human dignity, human rights and solidarity. It should result in concrete measures for protecting workers and their families from risks, such as unemployment, injury and illness. Since the development of employment creating initiatives is intimately linked with the promotion of entrepreneurship, policies aimed at promoting the development of Small and Medium Enterprises (SMEs) are crucial for economic recovery.

SMEs are the privileged environment where the creativity, industriousness and self-promotion of workers can be tested and developed. However, they are often characterized by suboptimal labor standards where employment quality is lower and are associated with the creation of informal jobs. It is therefore important that the promotion of SMEs occurs within a regulatory framework that favors the spread of sustainable labor standards.

Transition from the informal to formal economy

Mr. President,

The informal economy is a major challenge for workers' rights, in particular for their social protection and decent working conditions. As highlighted by the Director General in his Report "globally, half of the labour force is working and producing in the informal economy. Although the informal economy is largest in the developing countries, informality continues, and is even growing, in the industrialized countries"⁹.

The 'informal economy' includes all economic activities not adequately covered by formal arrangements as well as informal work which can be carried out across all sectors of the economy both in public and private spaces. Most people enter the informal economy not by choice, but as a consequence of lack of opportunities in the formal economy, or because the institutional development does not allow the emergence of a sufficiently developed formal sector.

⁸ The International Labour Organization unanimously adopted the ILO Declaration on Social Justice for a Fair Globalization on 10 June 2008.

⁹ Guy Ryder, "The future of work centenary initiative." International Labour Conference, 104th Session, 2015, doc. ILC.104/DG/I

While the informal economic activity represents a promising sign of economic growth and development, it raises some ethical and legal questions. Some workers and economic units in the informal economy can have a large entrepreneurial potential if transition to the formal economy is facilitated. The significant increase in job opportunities in the context of informal activities is caused by low skills and lack of specialization of a large number of local workers and by a disorderly growth in formal economic sectors. In some countries, excessive regulation may also exert pressure on small entrepreneurs to remain or to move to the informal sector. Large numbers of people are thus forced to work under seriously distressing conditions and in situations that lack the rules necessary to safeguard their rights. Levels of productivity, income and living standards are extremely low and often inadequate for guaranteeing the minimum level of subsistence to workers and their families.

The Holy See Delegation considers it of the utmost importance that the ILO Member states take appropriate measures to promote a gradual transition from the informal to the formal economy. National circumstances and laws should be taken into account. The transition of workers and economic units from the informal to the formal economy should respect workers' fundamental rights and ensure opportunities for income security, livelihoods and entrepreneurship. At the same time it should promote the creation, preservation and sustainability of decent jobs in the formal economy while preventing informalization of formal economy jobs.

In particular, these measures should take into account the following factors: (a) the diversity of causes, characteristics and circumstances of workers and economic units in the informal economy, their different needs of protection and the need to address such diversity with a case-by-case approach; (b) the necessity of effective measures to promote transition from the informal to the formal economy and to prevent and sanction deliberate evasion from the formal economy which aims at avoiding taxation, social and labour laws and regulations; (c) the need to eradicate child labour, often associated with higher level of informality and still sadly widespread in some regions. The ILO's *2015 Report on Child Labour* indicates that the number of minors at work has been reduced from 246 million in 2000 to 168 million, a figure that still requires additional efforts, especially if we consider that 22 thousand boys and girls every year lose their lives in work accidents¹⁰.

The transition from informal to formal economy will take time. In order to be effective, the cost of transition should be shared among all stakeholders who participate in the production process. Associations of informal workers and producers should be favoured as they are a crucial instrument of representation and shared participation.

Trade and the informal economy

¹⁰ Available at <http://www.ilo.org/ipec/Campaignandadvocacy/wdacl/2015/lang--en/index.htm>

A powerful instrument to foster this transition is openness to international integration which, under appropriate policies, could favour the local adoption of internationally accepted standards. Labour provisions are increasingly included in bilateral and regional trade agreements.

As of June 2013, fifty-eight trade agreements included labor provisions and about 40 per cent include conditions. This implies that compliance with labor standards entails economic consequences in terms of an economic sanction or benefit. The remaining 60 per cent of trade agreements include labor provisions exclusively promotional in nature. While these provisions do not directly link compliance to economic consequences, they provide a framework for dialogue, cooperation, and/or monitoring. This approach is found mainly in the European Union. There is however the risk that labor provisions contained in preferential trade agreements may divert trade towards less demanding partners, with an unintended belittling of ILO standards. The Holy See underscores the necessity that the ILO Standards should not be weakened but serve as a basis for all current and future bilateral and plurilateral agreements.

Conclusion

Mr. President,

The transition from informal to formal employment is a delicate process that should recognize the rights of everyone, particularly of the most vulnerable, people who are left out and marginalized. The challenge is to reduce inequality, to support the transition to greater protection in the formal economy and to maintain the priority of labor rights for everyone in trade agreements.

The considerations that moved the founders of the ILO to make social justice the ultimate goal of this organization, the everyday business of which is the world of work, established a nexus and responsibility that remain unchanged nearly 100 years later. Consequently, when governments, employers and workers come together at the ILO to seek consensus, they should always be guided by the requirements of social justice. Coherence requires that the future work of the centenary initiative should also relate to the future of social justice.

Allow me to conclude with the words of Pope Francis: “We can no longer trust in the unseen forces and the invisible hand of the market. Growth in justice requires... programs, mechanisms and processes specifically geared to a better distribution of income, the creation of sources of employment and an integral promotion of the poor...”¹¹. Only in this way can economic growth be truly inclusive.

¹¹ Pope Francis, Apostolic Exhortation *Evangelii Gaudium*, para. 204.