The European and central Asian region is a key player in economic globalization. The region is also a world leader in economic, monetary and political integration, not only in the EU, but also in the Commonwealth of Independent States (CIS).

Economic liberalization and interdependence opens up many new opportunities for investment and growth. It also carries new risks and greater uncertainties. Many of these risks have economic and social implications, in terms of enterprise viability, job and income security, conditions of work, migration and social protection.

Surveys of public opinion carried out by the EU single out employment and the economy as the two most important issues for EU citizens, followed by crime, health care and immigration. Thus, the main task for governments is to reverse the high unemployment rates which continue to plague Europe, both Eastern and Western, and Central Asia.

This calls for strong governance to sustain balanced economic and social development, a major issue to be discussed at the forthcoming European Regional Meeting of the ILO in Budapest on 14 to 18 February.

Economic integration is affecting labour markets with increasing intensity. A growing proportion of the labour force is engaged in activities exposed, through trade, markets and investments, to decisions taken in other countries. These developments clearly challenge national labour market policies and collective bargaining systems.

Macroeconomic and labour market policies complement one another when viewed as a coherent whole. What is needed is a coherent and balanced set of policies straddling monetary and fiscal instruments, and labour markets and social protection.

Achieving full employment in conditions of decent work, without jeopardizing price stability or social equity poses a genuine challenge of governance, given the manifold interactions between different policy domains.

Here are just two examples:

- Pension reform requires an extension of working life dependent on better working conditions for older workers
- Higher employment rates for women are a function of the availability of child-care facilities and lower discrimination in occupation.

Facts

- Europe is the most attractive global zone for direct investment, receiving 52 per cent of world foreign direct investment (FDI) inflows in 2003. Within Europe, Western Europe is ranked by decision-makers as the world’s most attractive area, followed by Eastern Europe.
- In Central Europe, only five countries achieved a GDP per capita in 2002 which was higher than in 1989. In spite of rapid growth in recent years, average incomes in CIS countries, including the Russian Federation, and in several countries in southeastern Europe, remain below their 1989 levels.
- In 2003, the long-term unemployment rate was 3.5 per cent for men and 4.8 per cent for women in the 25 Member States of the EU.
- In Central and Eastern Europe, relative poverty averages 12.3 per cent, ranging from a high of 19.9 per cent in the former Yugoslav Republic of Macedonia and 16.9 per cent in Poland, to a low of 7.9 per cent in Hungary and 5 per cent in the Czech Republic.
- In the CIS countries, extreme poverty remains very significant in Armenia, Azerbaijan, Kyrgyzstan, Tajikistan and Moldova Republic, averaging close to 48 per cent of the population.
- In the formerly 15 EU countries, the share of persons with income, below 60 per cent of the respective average income was 15 per cent in 1999.
The role of the ILO

Economic and social development is no longer dependent on decisions taken purely within the nation state. Global markets have grown rapidly without the parallel development of economic and social institutions necessary for their smooth and equitable functioning.

The World Commission on the Social Dimension of Globalization, which was set up by the ILO in 2002, made two specific proposals in this regard. The first is regular national reviews of the social implications of economic, financial and trade policies, which the ILO could facilitate. This could take the form of peer reviews to share experience and lessons.

The World Commission also proposed a policy coherence initiative on growth, investment and employment. Such dialogue could be initiated on a regional level, and consider ways and means in all countries to facilitate adaptation to integrated markets and higher quality employment, with adequate social protection and rights at work.

The ILO brings to this debate two long-standing contributions; namely, international labour standards and social dialogue. International labour standards offer a body of basic rights and protection, as well as policy guidance. The supervisory mechanisms promote their application through dialogue and cooperation.

The virtues of tripartite dialogue are based on democratic representation, multiple levels of participation and sound technical analysis. Complex reforms require complex forms of social dialogue which could include, where relevant, other civil society actors. But time spent on analysis and dialogue is well invested when the results of negotiations can be more smoothly implemented.

For more information:
www.ilo.org/public/english/fairglobalization

The European Social Model

The European Social Model (ESM) provides a valuable basis for a new governance mechanism to balance economic and social development. It combines a set of values, institutions and principles of EU Member States with emerging regulations, rules and practices at the EU level. In particular, the open method of coordination allows EU Member States to pursue common policy objectives in the fields of employment, the labour market and parts of social policy, through continuous peer monitoring and discussion of progress, which keeps member states moving on the necessary reforms.

According to ILO Director-General Juan Somavia, “the social future of the world is in Europe; if Europe is able to maintain its social model, it will be a sign of hope for the rest of the world”.

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