

Sustainable development in the context of globalisation

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1. Introduction

Three main elements characterise the notion of sustainable development: first, a broad view of human well-being, in which environmental and social elements are important as well as economic ones; second, the view that many of the effects of today's decisions will last over time, thereby affecting the well-being of future generations; third, the view that many of today's problems have their roots in actions and policies in other fields, whose unintended consequences may not be coherent with society's broader priorities and aspirations.

While particularly relevant in the environment field, these notions also permeate analysis of a large range of social concerns. This is so in particular because of their inter-generational dimension. Social problems affecting individuals in a given phase of their life-course often influence their opportunities at a later phase, as well as those of their offspring. Most social programmes also represent a form of intergenerational transfer, whose financing may weigh heavily on the employment opportunities of current and future generations of workers. The links between social, economic and environmental processes are both important and complex, which can either support each other or imply difficult trade-offs between competing goals. This suggests two insights from the sustainable development literature that are of special relevance when applied to the social field. First, the importance of moving beyond a *curative* role for social policy, towards a greater focus on *prevention* and on the incentive structures of agents. Second, the need to move away from the typical one problem / one instrument approach in the formulation of social interventions, towards greater *ex-ante* integration of social goals into other areas of policy making.

Approaches to the social aspects of sustainable development translate into a different focus whether applied at the global or at the domestic level. At the global level, such discussion calls attention to the collective responsibility of the international community, and of OECD countries in particular, to eradicate extreme poverty and to shape globalisation to the benefit of all. This requires coherent policies in the fields of trade, investment, development co-operation and technology transfers, and the leveraging of the initiatives of a wide range of actors (governments, firms, workers, voluntary groups, citizens and consumers).

2. A global perspective

Globalisation – the growing integration of national economies through trade, technology, labour and capital flows – is a key feature of today's economic life. But globalisation is more than an economic phenomenon: it has cultural, social and environmental dimensions, which knit people more closely together. While local communities and nation states have historically shaped the identities of previous generations of OECD citizens, global concerns have become more important today. The notion of sustainable development has been one way to translate this greater attention paid by the international community to global concerns. In the social field, the World Summit on Social Development (Box 1), held in Copenhagen in 1995, provided a major impetus to the integration of social concerns into the discourse of global development. The World Summit stressed two main notions: first, the importance of equity, participation, and solidarity in building a more inclusive approach to social protection (United Nations,

2001); second, that sustainable social progress cannot be achieved without creating an enabling environment in terms of politics, economics, law and culture.¹ Two OECD activities feature prominently in this: the importance of social protection for poverty alleviation in non-member countries, and the role of labour and social standards for shaping globalisation.

2.1 Reducing absolute poverty

Reducing absolute poverty is today the over-arching goal of international co-operation.² Absolute poverty, which is mainly concentrated in developing and transition countries (Figure 1), has many dimensions beyond income, such as empowerment, vulnerability, and access to education, health, shelter, clean water and sanitation. All these dimensions affect the present and future functioning of individuals. The consequences of absolute poverty last over time, for example by impairing the development of children who are affected by malnutrition or inadequate education. Even when geographically concentrated,³ the consequences of absolute poverty can have more global repercussion through conflicts, humanitarian crises, and migration. Because of these effects, reduction of absolute poverty is as much a global as a domestic responsibility. Much progress has been achieved in improving understanding of the policies needed to reduce absolute poverty. Although each individual country has the major responsibility for eradicating poverty within its borders, through the establishment of comprehensive policies at the national level, OECD countries should also contribute to its achievement. The international community has endorsed ambitious targets for halving absolute poverty by 2015 through the development goals contained in the UN Millennium Development Declaration. Translating these commitments into concrete results now requires coherent policies in the fields of trade, investment, technology transfers, intellectual property rights, development aid and capacity building (OECD, 2002a). Because of the importance of lessening any potential trade off between reducing absolute poverty in developing countries and weighing negatively on the domestic conditions in OECD countries, a priority reform is easing the access by developing countries' exports to OECD markets.

1. Other UN events that contributed to the further elaboration of the concept of sustainable development include the World Conference on Human Rights (Vienna, 1993); the International Conference on Population and Development (Cairo, 1994); the Fourth World Conference on Women (Beijing, 1995); the UN Conference on Human Settlements (Istanbul, 1996); and the World Food Summit (Rome, 2002). The Special Session of the UN General Assembly in 1997 emphasised that "economic development, social development and environmental protection are interdependent and mutually reinforcing components of sustainable development".

2. The World Bank, for example, has made the fight against poverty a central element of its mission statement. Poverty, at the global level, is generally defined in 'absolute' terms (*i.e.* with reference to international poverty lines): the population living on less than 1 (or 2) dollar (at purchasing power parity exchange rates) per day.

3. Absolute poverty is often concentrated in remote areas, whose characteristics make the delivery of central programmes more difficult. To account for this regional dimension, the Mexican strategy for fighting absolute poverty distinguishes between the needs of the rural and urban poor, co-ordinates the interventions of all agencies involved in the delivery of social programmes, and makes income transfers to poor families conditional on their use of health, educational and nutritional services (OECD, 2003c).

Box 1. The World Summit on Social Development

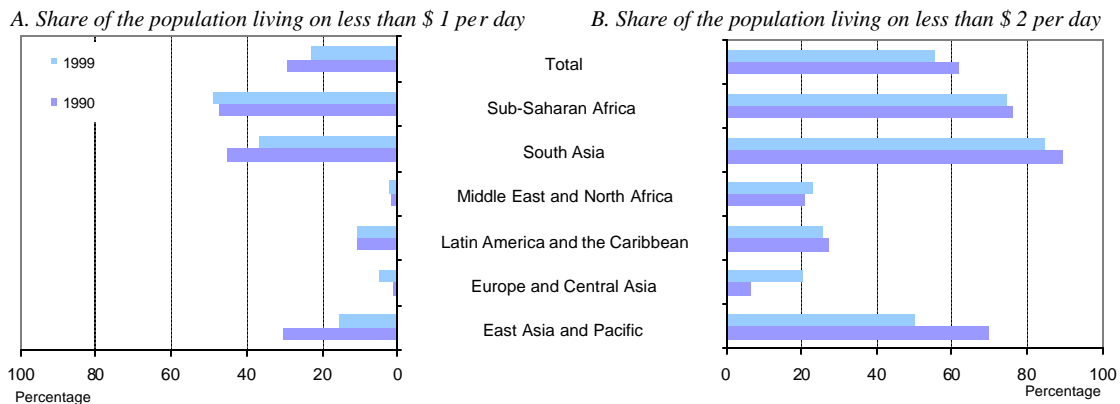
The World Summit on Social Development stressed the importance of international co-operation in the development of economic and social policies. It recognised that economic and social policies should not be considered in isolation from each other, and that both social policies and the special needs of the developing world should be given full consideration when designing and implementing economic policies. At the Summit, governments agreed to ten commitments in the context of the ‘Copenhagen Declaration on Social Development’:

- ? Create an economic, political, social, cultural and legal environment that enables social development.
- ? Eradicate absolute poverty by a target date set by each country.
- ? Support full employment as a basic policy goal.
- ? Promote social integration based on the enhancement and protection of all human rights.
- ? Achieve equality and equity between women and men.
- ? Attain universal and equitable access to education and primary health care.
- ? Accelerate the development of Africa and of the least developed countries.
- ? Ensure that structural adjustment programmes include social development goals.
- ? Increase resources allocated to social development.
- ? Strengthen co-operation for social development through the United Nations.

Progress in implementing these ten commitments was reviewed at a special session of the UN General Assembly held in Geneva in June 2000. The consensus document adopted at the meeting (*Further Initiatives for Social Development*) renewed the goals of signatory countries to ‘people-centred sustainable development’ and noted that “social development requires not only economic activity, but also reduction in the inequality in the distribution of wealth and more equitable distribution of the benefits of economic growth within and among nations..”.

Source: <http://www.un.org/esa/socdev/>

Figure 1. Trends in absolute poverty at the global level, by region

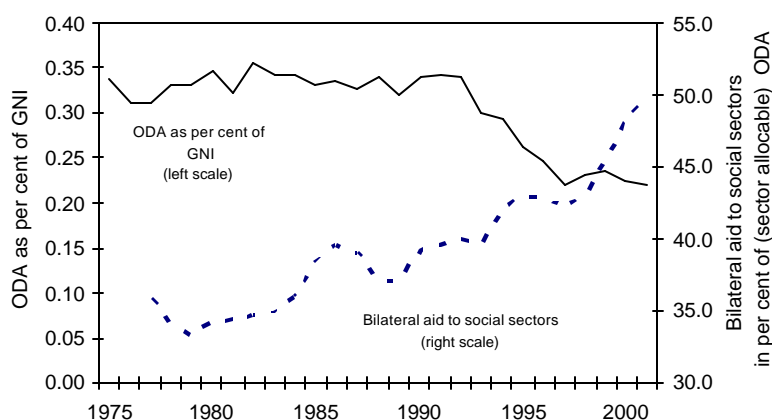


Source: World Bank (2002), *Global Economic Prospects 2003*.

Recognition of poverty reduction as the shared priority of the international community needs also to translate into the establishment of effective social programmes for supporting the poor (e.g. programmes delivering supplementary feeding, night shelter, literacy and basic health interventions) in individual countries. Because of its role in the fight against poverty, creating effective social protection systems in

developing, emerging and transition countries is a necessary condition for sustainable development.⁴ While elements of these social protection systems exist in many parts of the developing world, many of these programmes are limited to a minority of workers in the formal sector, while they exclude those most in need: the poor, those employed in non-formal activities, rural communities. Because of their effects in fostering inequalities, rather than reducing them, a priority for reform is to replace these programmes with more affordable systems serving a broader range of beneficiaries. To help achieving this goal, donor countries have been devoting an increasing share of their bilateral development assistance to education, health, and other social programmes (Figure 2). OECD countries are also playing an important role in assisting developing and transition countries to set up well-designed and affordable social protection systems through a variety of initiatives, such as the recent creation of the ILO's "Global Social Trust".⁵

Figure 2. Total official development aid and bilateral aid to the social sectors



Note. Total aid by DAC countries is expressed as a percentage of gross national income. Bilateral aid to social sectors includes aid for education, health, population and reproductive health, water supply and sanitation, government and civil society and other social services, in per cent of total bilateral aid (three year moving average).

Source: OECD-DAC statistics.

While priorities in the field of social protection differ between developing, emerging and transition countries, the experiences of both Russia⁶ and East Asia⁷ provide ample evidence of how an inadequate

4. The importance of social protection for poverty eradication has been reflected in the adoption, in February 2001, of the first detailed declaration on social protection by the UN Secretary General (UN, 2001). This report defines social protection as "... a collective intervention of society to protect citizens from risks and vulnerabilities, sustain their well-being and enhance their capability in managing risks".

5. The "Global Social Trust" was created by the ILO in 2002 to assist poverty alleviation through internationally-financed programmes in the fields of basic income security, education and health services.

6. In the Russian experience in the 1990s, social programmes — largely inherited from the Soviet era — proved incapable of dealing with the social consequences of the economic transition, as the universalistic promises of the system could not be fulfilled in the new context of harder financial constraints. This led to a build-up in arrears, which mainly affected the regions and groups most in need of support. Although the failings of the social protection system were partially offset by informal forms of support (mainly self-help and transfers from relatives and friends), some of the consequences of the deterioration in living standards were traumatic (*e.g.* a sharp lowering in life expectancy and other health indicators) while others (*e.g.* the expansion of the underground economy) made economic recovery more difficult to achieve (OECD, 2001 *a*).

7. Countries in East Asia achieved large reductions in the proportion of the population with incomes below \$ 1 per day over the twenty years preceding the crisis, but in many of them the share of the population below \$ 2 per day remained very large. Because of this, the social effects of the crisis were pervasive, as they affected this large pool of individuals. Today, six years after the crisis, the goal of building comprehensive and effective social protection systems remains a priority for the region (OECD, 2002 *b*).

social protection system can amplify the consequences of economic shocks on poverty and material deprivation. In both cases, informal support provided by families and communities has been crucial to protect individuals. However, these mechanisms of protection cannot easily cope with shocks that affect a great number of households simultaneously (OECD, 2002*b*). In the absence of effective social protection systems, the strategies used by individuals and families to adapt to adverse circumstances (*e.g.* taking children away from school, reducing the consumption of essential food and medicines, selling productive assets, increasing the use of barter) can hinder economic recovery and translate a temporary setback in social conditions into a permanent one. Beyond the need to confront the immediate social effects of economic crises, the experience of these countries points to the importance of forward-looking policies to create programmes that anticipate future needs, and that do not simply react to a crisis after it occurs.⁸ One of the major challenges facing developing and transition countries is that of building systems of social protection that can effectively contribute to poverty eradication and social development, while at the same time being compatible with the need for macro-economic stability and economic dynamism.

2.2 Shaping globalisation to the benefit of all

Beyond extreme poverty, OECD countries share a broader responsibility for ensuring that globalisation works to the benefit of all. One dimension of this broader responsibility is to avoid environmental or social harm when firms move to countries with lower standards (or with lower capacity to implement them), and to extend world wide best business practices and work conditions. Although there is little evidence supporting the view that foreign direct investment encourages a race to the bottom in social (as well as environmental) standards, some countries may limit the speed with which they raise standards because of fears of weakening their competitive position and of a flight of mobile capital. At the same time, as wages and employment conditions in foreign enterprises and in the export sector are generally higher than in other domestic firms or sectors, policies that curb the economic opportunities provided by globalisation may adversely affect social conditions in developing countries.

In all cases, however, scope exists for leveraging the behaviour of firms and consumers in rich countries to improve social (and environmental) conditions abroad. Many consumers in rich countries care about the social and work conditions associated with the goods they purchase, and are willing to pay a premium for goods produced under better conditions (Freeman, 1998). Harnessing such willingness to pay is important for improving social conditions worldwide, and an increasing number of firms and citizen groups in OECD countries are active in promoting the diffusion of socially-responsible business in the name of sustainable development. The policy challenge posed by this drive towards strengthening international social standards is that of minimising the trade-off between their diffusion world wide, on one side, and pricing developing countries out of the global market, on the other. This trade-off is easier to deal with when initiatives promoting responsible business are coupled with measures that improve the alternatives available to the affected group, for example by combining standards banning child labour with measures to provide

8. Similar lessons have been drawn from an analysis of ten developing countries that achieved, over the past few decades, improvements in education and health indicators exceeding those of other developing countries (Mehrotra, 2000). Success in these countries reflected a combination of high public spending on social services (which were maintained in periods of economic crisis); priority to interventions in those fields with the highest social rates of return (primary education, immunisation); good practices ensuring efficiency in resource use; and the important role attributed to women as agents of change. However, while these features have proved effective in eliminating the worst signs of indigence, income-poverty has proved more persistent, and the pace of economic growth achieved by these ten 'best performing' countries has been relatively slow.

children and their families with more and better schooling, and to compensate families for income losses when their children do not work.⁹

A variety of initiatives, both promoted by governments and undertaken voluntarily by business, are confronting this trade-off by focusing on those standards that can be met in the least costly way. The UN system – through the principles laid down in the UN charter, in the Universal Declaration on Human Rights of 1948, and in a range of UN acts – plays a major role in the promotion of human rights and basic liberties. The international community has also made progress in agreeing on a set of core labour standards, and in promoting their implementation through the ILO Declaration on Fundamental Principles and Rights at Work in 1998.¹⁰ Following the World Summit on Social Development, initiatives also started in the UN settings to establish a comprehensive code of global best practices in social policy covering basic health and education, water and sanitation, social protection and core labour standards. This process, however, has stalled in recent years (Deacon, 1999).

Promotion of standards for human and labour rights is pursued through a variety of instruments. The ILO has procedures in place for reviewing progress by national governments in implementing core labour standards. A range of international, regional and national organisations have also incorporated these core standards into their operations (*e.g.* through trade preferences accorded to countries undertaking to promote them, OECD 2000a). The *OECD Guidelines for Multinational Enterprises* are recommendations addressed by 37 (OECD and non-OECD) governments to multinational enterprises operating in and from their countries. They provide voluntary approaches and standards for responsible business conduct in areas such as employment and industrial relations, product safety, environment, labour management, supply chain responsibilities, disclosure of major risks and competition.¹¹ The 2000 review of the guidelines covered the economic, social and environmental dimensions of sustainable development,¹² and aimed to ensure that multinational enterprises operate in harmony with government goals in all countries.¹³ Finally, the private sector is also active through instruments such as voluntary codes of conducts, labelling schemes of consumer goods, and socially-responsible investment screening to strengthen implementation and adherence to these labour standards, often with a focus on eliminating the worst forms of child labour. Beyond these initiatives, international pressures on governments in low-standard economies and domestic efforts to improve workers' right in those economies are both likely to be required to have sizeable effects on labour conditions in these countries (Freeman, 1998).

9. OECD work on “Child Labour and Economic Development” sheds light on the links between child labour, poverty and development. This work builds upon data for a variety of OECD and non-OECD countries, as well as on case studies of the measures (legislation, grants to families that send children to school, social labelling initiatives and international programmes) used by countries to eliminate child labour.

10. These core labour standards include: *i*) freedom of association and the effective recognition of the right of collective bargaining; *ii*) the elimination of all forms of forced or compulsory labour; *iii*) the effective abolition of child labour; and *iv*) the elimination of discrimination in respect to employment and occupation. The ILO declaration notes that these fundamental principles and rights have been “expressed and developed in the form of specific obligations” laid down in the ILO’s (eight) fundamental conventions.

11. Other OECD instruments that play an important role in strengthening institutional capacity for sustainable development include the *OECD Principles for Corporate Governance* and the *OECD Anti-Bribery Convention*.

12. These recommendations cover the nine areas of general policies, disclosure, employment and industrial relations, environment, bribery, consumer interest, science and technology, competition, and taxation.

13. OECD (2002c) draws attention to the complex issues that arise when considering how multinational enterprises can encourage their suppliers to observe the standards of corporate responsibility embodied in the OECD Guidelines.

3. An OECD perspective

While the global perspective often dominates discussions about sustainable development, it is also important to look at the domestic issues faced by individual OECD countries. At this level, a primary focus for discussions about the social aspects of sustainable development is the role of social protection systems in creating more inclusive societies. While the intergenerational aspects of sustainable development are often expressed in terms of the need to preserve different types of capital (man-made, natural, human and social), the sustainability of institutions, and in particular of those attending to the social needs of individuals, is also important to achieve sustainable development. The social protection system is an essential component of these institutions. Its sustainability requires preserving its capacity to respond to the needs of citizens, today and in the future, by adapting to the radical changes in the conditions under which it was first established.

Trends that are affecting the long-term sustainability of the social protection system may be grouped under four headings. First, *demographic changes*, such as longer life expectancy, lower fertility and greater migration pressures, which have created new demands on social protection systems and added to the costs of financing existing programmes. Second, changes in the *role played by families*, towards greater diversity of family settings and weaker ties to other family members, which have weakened social links for many individuals, increasing their isolation and creating demands for alternative forms of support. Third, changes in the *working environment* and in the nature of work and of joblessness, which have increased pressures on social protection for reconciling firms' search for greater flexibility and workers' needs for security against old and new risks. Fourth, changes in the *distribution of economic resources*, with greater inequality in the distribution of market income and large shifts in disadvantage among demographic groups, which have highlighted the inadequacy of policies aimed at offsetting such shifts *after* they have occurred, through taxes and transfers, and increased the importance of preventive interventions focused on those at greater risks of exclusion. All these changes have altered the nature of the risks confronting individuals, leading to the emergence of new needs and of new constraints affecting the capacity of different actors to respond to them. When institutions fail to adapt to these changes, they end up supporting the wrong people, with the wrong instruments, at the wrong time in their lives.

It is equally important to look at the needs and vulnerabilities confronting individuals at different stages in their life-course. These social needs, and the extent to which they are met, have implications for sustainable development both because of the persistence of their effects, and because they are the result of forces outside the immediate remit of social policies. Policy reforms are needed to address these needs in ways that are both economically effective and socially desirable. Some of the insights, for each of these stages in the individuals' life-course, are given below:

- Experiences during *childhood* affect opportunities and human capital investment in adult life. Needs of children are shaped by both changes in family settings, away from the nuclear type, and labour markets, as jobs become increasingly concentrated among different types of families. Supporting child development, and reconciling this goal with greater economic opportunities for mothers, requires a combination of income transfers, measures to increase the income self-reliance of families with children, and provision of quality and affordable early education and care, so as to help families to combine work and care and to prepare children for learning in schools.
- The *education system* plays a crucial role for the accumulation of human and social capital, for economic growth and for the distribution of its benefits in society. Because of the greater importance of knowledge in today's societies, failure in school and poor quality qualifications have large consequences for the well-being of students later in life. Sustaining the pace of human capital accumulation, in a context of lower inflows into the school system, calls for

greater focus on the quality of education and on promoting equity in educational opportunities so as to offset forms of disadvantage among families with different resources.

- A long and ineffective *transition from school to work* affects not only the labour market outcomes of youths but also their experience of independent living, partnership formation and decisions to have children. Improving this transition, and addressing the disadvantage faced by youths who did not continue on to further education and training after compulsory schooling, requires greater diversification of the education system to accommodate diversity in learning needs, labour market institutions that do not penalise labour market entrants relative to workers already settled in secure jobs, and programmes targeted to at-risk youths.
- Changing *working conditions* have increased the importance of supporting the adaptability of all workers throughout their life. Life-long learning is still far from being a reality in most countries, and the training that firms provide tends to reinforce skill differences resulting from unequal participation in schooling. Improving the adaptability of workers, and responding to the greater diversity of workers' needs, requires measures to expand provision of adult training and to make access to it more equal, to shift labour market programmes away from income maintenance towards active measures, and to make work pay.
- Persistent *poverty and exclusion* are critical concerns not only at the global level but also in individual OECD countries. Because of the concentration of poverty and exclusion, attention needs to shift from supporting individuals from the immediate hardship they face towards increasing the degree of self-reliance of families and individuals facing risks of persistent poverty. This calls for measures to support acquisition of skills and entry (or re-entry) into employment, and reforms of programme's features that might encourage benefit dependency.
- Because of population ageing, most OECD countries must confront the challenge of ensuring the *sustainability of their retirement income systems*. Measures that simply increase current contributions or cut future benefits raise prospects of growing conflicts between a larger generation of older benefit recipients and a smaller generation of younger contributors. Diversification of economic resources in old age and a reduction in the imbalance between the time spent working and that in retirement are the guiding principles for reforms aimed at securing the financial sustainability of retirement income systems. However, these reforms should avoid compromising income adequacy in old age for the most vulnerable groups.
- Population ageing also increases the number of individuals facing risks of *illness and disability in old age*, at the same time as lower rates of institutionalisation and higher labour force participation of women are reducing the availability of care in institutions and families. Developing an adequate infrastructure to meet needs for care in old age, while minimising pressures on public budgets, requires partnership between public authorities, families and communities, provision of a continuum of services adapted to needs, and greater integration between health, housing and retirement income policies. Measures to combine care-giving and flexible employment are also needed to minimise the burden falling on care-givers (mainly older women) and avoid reducing their opportunities for paid employment.

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