

DISCUSSION ON THE DIRECTOR GENERAL'S REPORT: TOWARDS A RENEWED SOCIAL CONTRACT, 112 ILC SESSION, BY JACQUELINE MUGO, EBS, EXECUTIVE DIRECTOR & CEO FEDERATION OF KENYA EMPLOYERS (FKE)

- **The Chairperson & Vice Chairs of the ILC 112th Session of the ILC**

The Director General's report observes, in the preface that: trust in national and international governance is waning. This occurs when the governance priorities are out of sync with the people's priorities. For example, in Africa, the people's priority is wealth creation and job creation. The people yearn for decent jobs to help them put food on the table, send their children to school and meet other basic needs.

The report rightly observes that many nations and people feel that the system is rigged against them. It calls upon us to ensure that the priority of the ILO remains aligned with the people and their specific circumstances.

Chairperson, let me highlight a few points from the DG's report:

1. *New Social Contract*: The call for a new social contract is in our view impractical without addressing effective labour market governance, trust in Government, or focusing on implementation and measurable impacts. Also, introducing a new standard is not the solution to promoting social justice, addressing inequalities, and fostering sustainable development. The limited application of *already ratified* standards demonstrates the challenges of the normative approach. We need practical solutions and implementation strategies. Employers call for a constructive and forward-looking approach, addressing needed social and macroeconomic policies that would benefit the whole society,

rather than consuming resources on deep theoretical reflections on a “new social contract.” This is a concept with various definitions and is not applicable globally given the various levels of development and diverse cultural, social, and economic realities.

2. Chairperson, **creating a conducive environment for sustainable enterprises should be a priority for the ILO and all of us.** Enterprises are the backbone of any economy; without sustainable enterprises, there can be no decent jobs. The report calls for a new economic framework but *does not adequately* emphasise the need for a business-friendly environment. Policies that support entrepreneurship, reduce excessive bureaucratic hurdles, and encourage investment are essential for sustainable economic growth. A conducive environment for businesses, especially small and medium-sized enterprises, will lead to job creation, innovation, and financial resilience. The DGs report refers to a conducive environment for business *but does not elaborate* on it as it should have done.
3. *Productivity:* The employers’ group has for a long time called on the ILO to recognize that productivity improvement is crucial to the realization of the aspirations in the DG’s report. For example, we cannot talk about the implementation of living wages without first looking at productivity. Increasing productivity should be our collective concern. The report falls short in proposing concrete measures and policy reforms to enhance productivity across sectors. A well-articulated productivity agenda will not only boost economic growth, but also create decent jobs and improve living standards for all. The report states that “we must reach an agreement that protects employment quality and seeks to improve the balance between productivity gains and leisure.” A strong productivity agenda goes beyond sharing “productivity gains;” it is about

reskilling, investing, improving regulations, reducing informality, and strengthening institutions, among other measures.

4. *Informality*: The transition from informal to formal economies remains a significant challenge, particularly in developing countries. The report underscores this issue **but lacks detailed strategies to address it effectively**. Simplifying regulatory frameworks, ensuring financial inclusion, and providing incentives for formalisation are critical steps that need to be prioritised. These measures, in line with recommendation 204 of the ILO, will help integrate informal workers into the formal economy, offering them greater security and access to social benefits. Reducing informality must be a priority to create productive employment and decent work in developing economies, which is the most effective path to reducing poverty and creating opportunities. It is also essential to improve conditions for companies to drive economic growth and employment creation in the formal sector.

Lastly, chairperson,

The Director General called us to consider two questions: ***how we should go about renewing the social contract? and how we can amplify the voices of the real economy?*** In my view, the answer to these questions is the same: invest in strengthening membership-based organizations of employers and workers and strengthen institutions and platforms of social dialogue at all levels. It is my hope that the Office will ringfence resources for revitalizing tripartism and the employers' and workers' organizations that underpin it as envisioned in the Director General's report.

Thank you.

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