



Decent work and transforming global growth for sustainable development

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Development Committee

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Summary

- It is vital that current trends of decelerating growth, weak employment and widening inequality are quickly reversed by concerted action to make growth greener and more inclusive and establish a trajectory that will enable the goals of the 2030 Agenda for sustainable development to be realized.
- Responding urgently and vigorously to the scale of the global jobs challenge is key to successful implementation of the 2030 Agenda. Current and forecast growth rates are insufficient to meet this challenge. Not only will outright unemployment continue to move upwards, many of the jobs being created will not speed poverty reduction, help narrow inequalities or boost aggregate demand.
- Weak output growth has a particularly damaging impact on the employment prospects of young women and men. In low income countries, the major challenge is to generate more and better job opportunities in the formal economy for young women and men while lifting educational attainment and occupational skill levels.
- Rising inequality is a major concern because it can have a corrosive effect on social and political and is leading to slower as well as less sustained economic growth. Pro-equity policies, especially those that target the middle class and poor, can also be pro-growth.
- Setting course for 2030 requires measures that both rekindle growth and also build the institutions and policy frameworks that are key to transforming and sustaining global development towards the SDGs. More integrated policies that promote decent work as a vital means as well as end for inclusive and sustainable development are a priority.
- Faster and more inclusive growth will in turn create investment opportunities and reactivate the channels that should link the financial sector to the real economy. In this respect, it is particularly important to improve the environment for sustainable micro, small and medium-sized enterprises to start up, survive and grow.
- Six areas of labour market policy action that together with enhanced fiscal measures and productive development policies can support inclusive growth and jobs are strengthening labour market institutions; reducing wage inequality; improving employment outcomes for vulnerable groups in the labour market; improving job quality by fostering the transition of workers from the informal to the formal economy, and tackling labour market segmentation; ensuring equality of opportunities to participate in quality education, training and lifelong learning; and promoting universal social protection.
- The ILO looks forward to much closer country level collaboration between the World Bank Group, the IMF and the UN in support of the cohesive nationally owned sustainable development strategies called for by the 2030 Agenda. The ILO is well-placed as a result of its tripartite governance structure and its standards system to play a leading role in partnerships that build sustainable labour market and social policy institutions as well as offer constructive evidence-based policy advice on the increasingly urgent actions needed to tackle the global decent work challenge.

Transforming jobs prospects central to inclusive economic growth and sustainable development

1. The 2030 Agenda for Sustainable Development adopted on 25th September by world leaders at the UN Summit commits countries and the system of multilateral organizations to ambitious transformative goals. The Paris COP21 must make a critical step towards reaching a new agreement to accelerate towards a climate neutral world which should include recognition of the significance of employment transformations and the need for a just transition for all. It is vital that current trends of decelerating growth, weak employment and widening inequality are quickly reversed by concerted action to make growth greener and more inclusive and establish a trajectory that will enable the sustainable development goals to be realized.
2. Responding urgently and vigorously to the scale of the global jobs challenge is key to successful implementation of the 2030 Agenda. Global unemployment reached 201million in 2014, still over 30 million higher than before the start of the global crisis in 2008 despite a pick-up in employment in some countries. Another 30 million workers have dropped out of the search for work. 780 million women and men are working but not able to earn enough to lift themselves above the \$2 a day poverty line. The global labour force is set to grow by 570 million by 2030. Reducing gender gaps in employment participation rates needs the creation of a further 200 million jobs.
3. Current and forecast growth rates are insufficient to meet this challenge. Not only will outright unemployment continue to move upwards, many of the jobs being created will not speed poverty reduction, help narrow inequalities or boost aggregate demand. In developing countries many of the jobs generated are in the informal economy where pay is low and social security coverage largely absent.¹
4. In 2014, 45 per cent of developing country workers were in vulnerable employment compared to 52 per cent in 2000. Vulnerable employment is a proxy for informality and measures the share of own-account workers and contributing family workers in total employment – groups that predominate in the informal economy. The decline of vulnerable employment (in both absolute and percentage terms) that has continued in the post-crisis period is a sign of favourable labour market dynamics. Yet, the large shares of workers that remain in vulnerable employment are indicative of a stubbornly large informal economy.
5. Weak output growth has a particularly damaging impact on the employment prospects of young women and men. The global youth unemployment rate stood at 13.0 per cent for the period 2012 to 2014 and is expected to increase slightly to 13.1 per cent in 2015. The rate has not yet recovered its pre-crisis rate of 11.7 per cent in 2007. The number of unemployed youth is estimated at 73.3 million in 2014 compared to 76.6 million at the peak of the crisis in 2009.²
6. Youth unemployment was highest in the Middle East and North Africa, at 28.2 per cent and 30.5 per cent, respectively. In 2013, 169 million young women and men were working but living on less than US\$2 per day. In most low-income countries, two thirds of young workers were in vulnerable employment as either own-account workers or contributing (unpaid) family workers. In low income countries, the major challenge is to generate more and better job

¹ World employment and social outlook: Trends 2015, International Labour Office, Geneva, 2015.

² Global employment trends for youth 2015: Scaling up investments in decent jobs for youth, International Labour Office, Geneva, 2015.

opportunities in the formal economy for young women and men while at the same lifting educational attainment and occupational skills.

7. Alongside weak prospects for decent work, inequality has risen across the globe, in some cases to historic highs as an ever-growing body of research documents.³ On average, the crisis brought down the global growth rate of average real wages to about 1 to 2 per cent. That modest growth was attributable almost entirely to emerging economies, particularly China, while wage growth in advanced economies has been fluctuating around zero since 2008. In addition, in many countries productivity has outpaced wage growth for a prolonged period, leading to a marked shift in the balance between labour and capital shares in national income.
8. Many emerging economies have managed to bring millions of people out of absolute poverty over the past two decades, but at the same time several have seen sharp increases in income inequality. Rising inequality is a major concern because it can have a corrosive effect on social and political cohesion and is leading to slower as well as less sustained economic growth. This negative impact on growth occurs through various channels, including lowering consumption, under investment by firms in the face of slack demand, less government revenue and less investment by low-income households in education and skills. Thus, well-designed and implemented pro-equity policies, especially those that target the middle class and poor, can also be pro-growth.

Ambitious 2030 goals call for urgent action to avoid early setbacks

9. Unless the risk of persistent slow growth can be avoided by ambitious global strategies for inclusive, strong, balanced and sustainable growth, the scale of the 2030 challenges will become ever more daunting. Setting course for 2030 requires measures that both rekindle growth and also build the institutions and policy frameworks that are key to transforming and sustaining global development towards the SDGs. More integrated policies that promote decent work as a vital means as well as end for inclusive and sustainable development are a priority.
10. Increasing incomes from work can be a major source of household's well-being and financing for the development of the productive capacity that in turn generates more decent jobs. Rising incomes allow households to invest in their skills and education, enlarge the savings that fund investment, broaden the potential tax base (to fund amongst other things poverty-reducing social protection floors) and generate the consumer demand that activates the private sector, especially micro and small enterprises.

³ Global wage report 2014/15: Wages and income inequality, ILO, 2014; In it Together: Why less inequality benefits all OECD, 2015; Inequality and unsustainable growth: Two sides of the same coin? IMF Staff Discussion Note 11/08. Berg and Ostry, 2011; Causes and consequences of income inequality: A global perspective, Dabla-Norris, E.; Kochhar, K.; Ricka, F.; Suphaphiphat, N.; Tsounta, E., IMF Staff Discussion Note 15/13. 2015; "Inequality is Bad for Growth of the Poor (But Not for That of the Rich)", Milanovic, B.; van der Weide, R., World Bank Policy Research Working Paper No. 6963, 2014.

Lifting productive capacity of micro, small and medium sized enterprises

11. Development policies to lift productive capacity by raising productivity through diversification, technological upgrading, innovation, entrepreneurship and investment in skills are an essential foundation for full and productive employment and decent work for all. Micro, small and medium sized enterprises (MSMEs) generate the largest proportion of jobs around the world. It is therefore essential to improve the environment for enterprises to start-up, survive, grow and be sustainable. Promoting MSMEs supports domestic resource mobilization as well as spurring investment demand, generating productive capacity and decent work while building social cohesion.
12. Increasing formalization of economic activities is an essential foundation for the development of sustainable enterprises.⁴ They need financing for their productive activities, which in turn generate jobs and the economic growth and structural transformation that raise living standards. Financial inclusion and more accessible financing conditions for MSMEs loosens constraints to growth by supporting the expansion of working capital and investment, increasing resilience to adverse economic shocks and the development of skills and capabilities. Access to finance is the biggest constraint faced by especially micro and small enterprises in both developed and developing economies.⁵

Extending social protection

13. Investing in the extension of social protection coverage is a significant factor in tackling persistent poverty, economic insecurity, growing levels of inequality and insufficient investment in human capabilities. It can also bolster aggregate demand. There has been significant progress in extending coverage of social protection systems and improving their level in a number of emerging economies.⁶
14. Universal access to social protection systems, including by establishing and maintaining nationally determined social protection floors, is not only an important means of assisting those living in or vulnerable to falling into poverty but also a factor that helps to stabilize the economy and maintain and promote employability. The World Bank Group and the ILO recently launched a “Shared Mission for Universal Social Protection” in support of SDG 1.3 on implementing “nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and vulnerable”.⁷

Labour market policies for recovery and sustainable development

15. Several areas of labour market policy action that together with enhanced fiscal measures and productive development policies can support inclusive growth and jobs:
 - Strengthening labour market institutions, such as collective bargaining

⁴ Transition from the Informal to the Formal Economy Recommendation, ILO, 2015 (No. 204).

⁵ See ILO “Small and medium-sized enterprises and decent and productive employment creation” a report for the International Labour Conference, 104th Session, 2015, Geneva, and IFC (2013) “Jobs study, assessing private sector contributions to job creation and poverty reduction”, Washington DC.

⁶ World Social Protection Report 2014/15, ILO, 2014.

⁷ Shared Mission For Universal Social Protection: Concept Note <http://www.worldbank.org/en/news/press-release/2015/06/30/joint-statement-world-bank-group-president-ilo-director-general-guy-ryder>.

- Reducing wage inequality, through for example minimum wages
 - Improving employment outcomes for vulnerable groups in the labour market
 - Improving job quality by fostering the transition of workers from the informal to the formal economy, and tackling labour market segmentation.
 - Ensuring equality of opportunities to participate in quality education, training and lifelong learning
 - Promoting universal social protection
16. Fiscal measures such as adjustments to tax and social protection systems to lift the incomes of lower income households have a high multiplier effect because such groups spend most of any increase in disposable income. Investment in infrastructure is also a proven method of accelerating recovery. Such investments in the medium to long term growth potential of economies can also be designed to maximize the short term employment impact.

Integrated policies for sustainability

17. The 2030 Agenda affirms that “cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of our efforts.” The multilateral financing institutions will have an important role in supporting such national frameworks. It is vital that increased efforts are made to ensure coherence between the international policy advisory and normative systems established by governments and the financing frameworks offered by the Multilateral Development Banks and the IMF.
18. The goal of decent work for all is underpinned by the international labour standards system of the ILO. The ILO Declaration on Fundamental Principles and Rights at Work (1998) sets out the foundations for the human and labour rights that enable people “to claim freely and on the basis of equality of opportunity, their fair share of the wealth which they have helped to generate, and to achieve fully their human potential”.⁸ It is important that the advice provided by the Multilateral Development Banks and the IMF in areas such as labour market reform or on project funding does not differ from that provided by the ILO as the competent international authority on international labour standards. Decent work is both a means and an end of sustainable development. Respect for fundamental principles and rights at work and labour rights in general is part of the integrated approach that can foster the simultaneous achievement of the social, economic and environmental pillars of sustainable development.
19. The ILO has in recent years increased its joint work with the World Bank Group and the IMF. The ILO is an active member of the UN Development Group and the system of UN Country Teams. We look forward to much closer country level collaboration between the World Bank Group, the IMF and the UN in support of the cohesive nationally owned sustainable development strategies called for by the 2030 Agenda, including on capacity-building of labour market information systems. The ILO is well-placed as a result of its tripartite governance structure and its standards system to play a leading role in partnerships that build sustainable labour market and social policy institutions as well as offer constructive evidence-based policy advice on the increasingly urgent actions needed to tackle the global decent work challenge.

⁸ ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, ILO 1998.