



Inclusive growth and development founded on decent work for all

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Summary

- Eight years on the world economy has not fully recovered from the global financial crisis and there is a high risk that it will remain stuck in a slow growth trap unless urgent coordinated action is taken to boost growth and make it more inclusive.
- Over 70 million women and men not in work today would have had a job if pre-crisis growth had resumed. Downward revisions in growth prospects will widen jobs gap to over 80 million by 2020.
- Global real wage growth dropped sharply during the crisis, recovered in 2010 but has since decelerated. If China, where wage growth was faster than elsewhere, is not included, wage growth has fallen below the one per cent per annum recorded in the crisis years.
- Increasing decent work opportunities and improving wages are key to breaking out of the slow growth trap and rekindling a virtuous circle of increased investment, rising productivity, sustainable enterprise and wage and consumption growth.
- At a time when respect for fundamental human values and diverse societies and support for open economies is being undermined by social tensions rooted in high levels of inequality, poverty, unemployment and underemployment, reversing these trends is urgent and can make a major contribution to breaking out of the slow growth trap.
- Worldwide 71 million young women and men are looking for work but cannot find a job and 38 per cent of working youth in emerging and developing countries are living in poverty.
- Between 1995 and 2015, the global female labour force participation rate decreased from 52.4 to 49.6 per cent. Globally women earn 77 per cent of the pay of men.
- Gender gaps are linked to undervaluation of women's work and the skills required in female-dominated sectors or occupations, discrimination, and the need for women to take career breaks to attend to additional care responsibilities, for instance after the birth of a child.
- Investing in gender equality at work and in enabling women and men to balance work and family responsibilities is a top priority in structural reform of the labour market and increasing the productive potential of the world's workforce.
- In support of a reinvigoration of fiscal policies, ILO recommends greater focus on strengthening labour market institutions to maximize the generation of decent work opportunities and make growth inclusive. Rekindling growth requires an increase in consumer spending and in turn sustainable wage and social protection policies. This support to lower income working households, who consume most of their income, as well as narrowing inequality will have the largest multiplier effect on growth.

Urgent action to generate decent work needed for inclusive growth and development

1. Eight years on the world economy has not fully recovered from the global financial crisis and there is a high risk that it will remain stuck in a slow growth trap unless urgent coordinated action is taken to boost growth and make it more inclusive.
2. Against the backdrop of slowing growth, the outlook for labour markets remains troubled and likely to worsen. There are over 70 million women and men not in work today who would have had a job if pre-crisis growth had resumed. With the latest downward revisions in growth prospects the jobs gap could rise to over 80 million by 2020.
3. According to ILO estimates global unemployment was estimated at more than 27 million higher in 2015 than the pre-crisis level of 2007 and is forecast to rise in 2016 and 2017. In addition, labour force participation rates remain below pre-crisis levels in many countries, partly due to increased and longer participation in education but also because many workers have given up a fruitless search for jobs.¹
4. In 2015, an estimated 327 million employed people were living in extreme poverty and 967 million in moderate and near poverty. Important progress has been made in reducing the share in employment of extreme working poverty (those falling below the US\$1.90-a-day threshold, 2011 PPP), from 33.2 per cent to 12.0 per cent, globally, over the period 2000 to 2015. The incidence of moderate working poverty (less than US\$3.10-a-day) also decreased from 57.3 per cent to 27.9 per cent over the same period. However, despite continued improvements in reducing the shares of working poverty in total employment, efforts to reduce the absolute numbers of working poor have stalled.

Stagnation of real wages raises inequality and brakes recovery

5. Global real wage growth dropped sharply during the crisis (2008 and 2009), recovered somewhat in 2010 but decelerated again since 2012. If China, where wage growth has been considerably faster than elsewhere, is not included, global real wage growth has fallen back below the one per cent per annum recorded in the worst of the crisis years. After four years of near stagnation in wages in advanced G20 economies, growth picked up somewhat in 2015 but in emerging G20 economies wage improvements fell back. Productivity growth continues to exceed that of real wages in many advanced economies. This long run trend has led to a decline in the labour share of income in many countries and contributed to widening income inequality.²
6. Income inequality rose significantly in most countries, developing and developed, between 1995 and 2012, with developments in the labour market being a major factor. The decline in labour income shares in most countries is likely to be a part of the explanation of this trend along with a growing gap between top pre-tax and benefits income and the wages of most working people.
7. The economic, social and political, consequences of the trends of rising inequality and persistent debilitating poverty are a cause of considerable concern in many countries. At a time when respect for fundamental human values and diverse societies and support for open economies is being undermined by social tensions rooted in high levels of inequality, poverty, unemployment and underemployment, reversing these trends is urgent and can make a major contribution to breaking out of the slow growth trap.

Wasting the potential of a generation of young women and men

8. Worldwide 71 million young women and men are looking for work but cannot find a job. The global youth unemployment rate is expected to reach 13.1 per cent in 2016 after some marginal improvement between 2013 and 2015. In addition, it is estimated that 156 million employed

¹ World Employment and Social Outlook: Trends 2016, International Labour Office, Geneva.

² Global Wage Report 2016/17, International Labour Office, Geneva, forthcoming.

youth, or 38 per cent of working youth in emerging and developing countries are living in extreme or moderate poverty.³

9. The potential of the generation that must work to achieve the 2030 Agenda's sustainable development goal is being wasted.
10. Global labour force participation rates of youth are on a long-term downward trend, from 53.6 per cent in 2000 to 45.8 per cent in 2016, mainly as a result of increasing educational opportunities. The global gross enrolment rate for 15-19 year olds in upper secondary education is now close to 75 per cent. The skills and knowledge of young women and men are expanding as is their expectation of better jobs in the future. However, the lack of viable employment opportunities is a major factor in the low rates of participation in the labour market for the 20-29 age range. As youth unemployment rates remain persistently high and transitions from education into work become increasingly difficult, a growing share of youth are neither employed, nor in education or training (NEET), a status which carries risks of skills deterioration, underemployment and discouragement. Survey evidence for 28 countries around the globe shows that roughly 25 per cent of the youth population aged between 15 and 29 years old are categorized as NEET.
11. Facing the prospect of unemployment, working poverty and/or vulnerable forms of employment, young people are looking abroad for better education and employment opportunities. In 2015, almost 51 million international migrants were between 15 and 29 years old, more than half of whom resided in developed economies. 20 per cent of the global youth population, and a third or more of young people in this age range in Africa, the Arab States, Eastern Europe and Latin America and the Caribbean were willing to move permanently to another country.

Gender equality in the world of work is an economic necessity

12. Inequality between women and men persists in global labour markets, in respect of opportunities, treatment and outcomes. Over the last two decades, women's significant progress in educational achievements has not translated into a comparable improvement in their position at work.⁴ As Managing Director Lagarde and IMF research has stressed "Women make up a little over half the world's population, but their contribution to measured economic activity, growth, and well-being is far below its potential, with serious macroeconomic consequences."⁵
13. Between 1995 and 2015, the global female labour force participation rate decreased from 52.4 to 49.6 per cent. The corresponding figures for men are 79.9 and 76.1 per cent, respectively. Worldwide, the chances for women to participate in the labour market remain almost 27 percentage points lower than those for men.
14. In many regions in the world, in comparison to men, women are more likely to become and remain unemployed, have fewer chances to participate in the labour force and – when they do – often have to accept lower quality jobs. Progress in surmounting these obstacles has been slow and is limited to a few regions across the world.
15. In many developing countries where gaps in labour force participation and employment have narrowed and where women are shifting away from unpaid work typically on family farms and moving to the services sector, the quality of women's jobs remains a matter of concern. Nearly 40 per cent of women in wage employment are not covered by social protection, with much higher rates of exclusion in South Asia and sub-Saharan Africa where women can mostly only find work in the informal economy.
16. Globally women earn 77 per cent of the pay of men. Even when considering hourly wage rates (given the fact that women are working shorter hours than men), women continue to face a

³ World Employment and Social Outlook 2016: Trends for youth, International Labour Office – Geneva.

⁴ Women at Work: Trends 2016 International Labour Office – Geneva.

⁵ Women, Work, and the Economy: Macroeconomic Gains From Gender Equity, 2013 IMF

persistent gender wage gap, amounting to 10 per cent or more in countries for which data are available. These gaps cannot be explained solely by differences in education or age, but are also linked to the undervaluation of the work that women undertake and of the skills required in female-dominated sectors or occupations, discrimination, and the need for women to take career breaks to attend to additional care responsibilities, for instance after the birth of a child.

17. The unequal distribution of unpaid care and household work between women and men and between families and society is an important determinant of gender inequalities at work. While virtually all countries provide some forms of maternity protection for employed women, close to 60 per cent of women workers worldwide (nearly 750 million women) do not benefit from a statutory right to maternity leave and only an estimated 330 million women workers (28.2 per cent) receive either contributory or non-contributory cash benefits in the event of childbirth.
18. Governments should increase their social investment in basic infrastructure and measures to balance work and family commitments, ensure that care work is evaluated in a gender-responsive way, promote decent and adequately paid jobs in the care economy, with a focus on public provision, and make good-quality and affordable childcare and other social care services a universal right. They should also guarantee maternity protection to all women, in line with international labour standards, with no exclusion, increase the provision of well-paid leave benefits for fathers, and promote their take-up rates.
19. Investing in gender equality at work and in enabling women and men to balance work and family responsibilities is a top priority in structural reform of the labour market and increasing the productive potential of the world's workforce.

Investing in strengthened social protection systems cuts poverty and sustains growth

20. Social protection is a human right that all members of society should enjoy, including children, mothers, persons with disabilities, workers, older persons, migrants, indigenous peoples and minorities. Research shows that well-designed and implemented social protection systems are affordable, efficient, effective and equitable and the foundation for sustained social and economic development – for individuals, communities, nations and societies. They prevent and reduce poverty, promote social inclusion and dignity of vulnerable populations. By raising incomes they increase consumption, savings and investment at the household level, contributing to increased demand and economic growth. Such systems also facilitate access to nutrition and education, thus resulting in better health outcomes, higher school enrolment rates, reduced school drop-out rates, a decline in child labour which in turn increases productivity and employability.
21. Universal social protection protects individuals and families against losses due to shocks, whether they be pandemics, natural disasters, or economic downturns. Especially during a time of rapid economic change and turbulence, universal social protection helps reduce inequalities and build political stability and social cohesion. Helping to build or extend social protection is thus a particularly important part of the support the international community should provide to fragile states.
22. Universal social protection includes adequate cash transfers for all who need it – families with children; people of working age in case of maternity, disability, work injury or for those without jobs; and all older persons. This protection can be provided through social insurance, pensions, tax-funded social benefits, social assistance services, public works programs and other schemes guaranteeing basic income security. As pledged in SDG Goal 1.3, more countries are expected to adopt these systems as part of their national development strategies. The ILO's Social Protection Floors Recommendation 2012 (No 202) gives guidance on introducing or maintaining social security floors and on implementing social protection floors as part of strategies to extend higher levels of social security to as many people as possible.

Generating decent work opportunities central to inclusive growth and development strategies

23. The largest component of GDP in most countries is consumption by households, which in turn is largely driven by incomes from work, including remittances from family members, and especially for lower income groups, social transfers. Investment by the private sector in sustainable enterprises is strongly influenced by prospects for consumer demand. Increasing decent work opportunities and improving wages are thus a key to breaking out of the slow growth trap and rekindling a virtuous circle of increased investment, rising productivity, sustainable enterprise development and wage and consumption growth. Furthermore, a focus on decent work opportunities, increased minimum wages and strengthened social protection will help lower income households, narrow income inequalities and boost recovery.
24. Country circumstances and priorities differ. Furthermore there is no single “best practice” for the design of the labour market institutions that form the foundation for inclusive growth based on generating decent work opportunities. Nevertheless, countries and international organizations can draw on a checklist of policies that evidence shows have the potential to accelerate and make growth and development more inclusive. Action now can avert the trap of slow growth that looms over the global economy and build the foundations for the sustainable development trajectory envisaged in the 2030 Agenda.
25. As argued in the latest IMF World Economic Outlook, macroeconomic policies need to be comprehensive, consistent and coordinated.⁶ Many countries have some fiscal space and should use it, especially in view of the prevailing low costs of borrowing and the backlog of infrastructure investments needed. The more that fiscal stimulus can be coordinated across countries the bigger the impact on growth and in due course deficit reduction.
26. In support of a reinvigoration of fiscal policies, the ILO recommends a much greater focus on strengthening labour market institutions to maximize the generation of decent work opportunities and make growth inclusive as well as strong, sustainable and balanced. Rekindling growth requires an increase in consumer spending which in turn must be based on sustainable wage and social protection policies. Support to lower income working households, who consume most of their income, as well as narrowing inequality will have the largest multiplier effect on growth. The checklist of incomes policies includes:
 - Strengthening labour market institutions, such as collective bargaining
 - Reducing wage inequality, through for example minimum wages
 - Improving employment outcomes for vulnerable groups in the labour market, with particular attention to youth unemployment
 - Taking decisive measures to increase women’s participation and ensure equal pay and working conditions for women and men
 - 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
27. The world of work is changing rapidly and to sustain growth and development higher levels of productivity through diversification, technological upgrading, innovation, entrepreneurship and investment in skills are essential. The skills development checklist includes:

⁶ World Economic Outlook October 2016: Subdued demand symptoms and remedies (Chapter 2) IMF

- Strengthened access to quality education, building strong foundation skills and providing young people with the knowledge and skills needed to facilitate a smooth transition from school to work
- Active promotion of quality work-based learning based on strong engagement of social partners in skills policies
- Provision of support and incentives to job seekers at risk of long-term unemployment to participate in training to update their skills or acquire new skills and to keep workers' skills up to date with industry needs so as to facilitate mobility from declining sectors and firms to expanding ones
- Fostering employers' investment, including through public-private financing, in quality training, with a focus on SMEs, low-skilled workers, workers in the informal sector and those in precarious jobs
- Encouraging firms to move up the value-added chain and increase their demand for skilled workers, activate unused skills of people, anticipate, assess and respond to changing skill needs
- Increased recognition of and portability of skills

Promoting sustainable enterprises.

28. Most surveys have identified the leading obstacles to sustainable enterprise development as lack of access to finance, poor infrastructure, political instability, legal and administrative regulations, and availability of skilled workers. The obstacles tend to be more acute the poorer the country and the smaller the enterprises. This unfavourable environment is also a root cause of informality among micro and small enterprises, which in turn stifles their growth and productivity. Addressing these challenges calls for an integrated approach to promoting an enabling environment, supporting potential and existing entrepreneurs, and assisting enterprises to adopt responsible and sustainable workplace practices in order to become and remain competitive.⁷
29. Micro, small and medium sized enterprises 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. As research shows, a major cause of weak productivity growth is the gap between “frontier”, usually large, companies and a long tail of smaller enterprises.⁸ An important dimension of inclusive growth is counteracting the disadvantages faced by small and medium-sized enterprises in among other things access to finance.

⁷ Sustainable enterprises creating more and better jobs, ILO 2014 Geneva

⁸ The Future of Productivity, OECD 2015