



## Statement by Mr Gilbert Houngbo, Director-General, International Labour Organization, to the World Bank Development Committee

Marrakech, October 12, 2023

### Summary

- This year's global unemployment rate is projected to be virtually the same as last year's, falling slightly to around 5.3 per cent. The number of jobseekers is also set to decline by around 1.2 million to reach 191 million worldwide. Global employment growth stands to be only 1.0 per cent in 2023, less than half the level in 2022.
- Globally, the labour force participation rate of women remained low at around 47 per cent in 2023, compared with around 72 per cent for men, although the gap has somewhat closed owing to falling participation rates of men. Overall, labour force participation rates are not reverting to pre-pandemic levels, as weak economic conditions, lingering health problems and population aging weigh on people's return to the labour market.
- Young people (aged 15–24) are particularly affected by challenges in finding and keeping decent employment. Their unemployment rate is three times that of adults. More than one-in-five – 23.5 per cent – of young people are not in employment, education, or training (NEET).
- In 2023, there are 453 million people who want to work but do not have a job (corresponding to a global jobs gap rate of 11.7 per cent), more than double the unemployment count. Developing countries face far larger labour underutilization than advanced economies: the jobs gap rate stands at 21.5 per cent in low-income countries, compared to 8.2 per cent in high-income countries.
- The reforms of international financial institutions currently under discussion have the potential to make a significant difference at the country level if they are implemented expeditiously and sufficiently ambitious relative to the economic, social and environmental challenges and opportunities countries are facing. Priority should be placed on expanding and expediting assistance for debt-distressed developing countries to enable their governments to maintain critical social spending in such areas as social protection and decent work. In particular, policy-makers need to ensure that macroeconomic and employment strategies take greater account of the important role played by other aspects of decent work beyond employment per se, including with respect to global supply chains, social protection and just transitions to climate change.
- At the country level, governments need to implement proactive employment policies that balance macroeconomic and employment goals based on a sufficiently encompassing view of labour market trends and decent work deficits. Taking account of broader measures of labour market conditions, such as the ILO's new jobs gap indicator, would provide policymakers with a more comprehensive and textured picture of this critical human aspect of their economies.
- Over half of the world's population is without any form of social protection benefit. Under-investment in social protection remains one of the main reasons for the low coverage rates. Public expenditure on social protection (excluding healthcare) stood on average at about 12.9% of GDP worldwide in 2020, while the ILO estimates the financing gap for extending a Social Protection Floor to all people in developing countries to be about USD 1.2 trillion, or 3.8% of GDP.
- The [UN Global Accelerator on Jobs and Social Protection for Just Transitions](#) offers a vehicle to increase the pace of progress on these challenges through a three-pronged approach: integrated and evidence-based national strategies and policies; integrated financing combining domestic resources and international financial support; and enhanced multilateral cooperation. Governments, international organizations and development financing institutions need to provide adequate financing of Pathfinder Country strategies to ensure their success, and look to expanding the Global Accelerator to other countries in need of such assistance.

## ► Employment and social outlook

---

Global economic growth has been forecasted at around 3 percent this year with a further slow-down expected for 2024 due in part to monetary policy conditions that are expected to remain tight until rates of inflation have come down. Global unemployment is unlikely to be significantly affected by the recent economic slowdown, largely because labour force participation remains subdued following the COVID-19 pandemic. This year's global unemployment rate is projected to be virtually the same as last year's, falling slightly to around 5.3 per cent. The number of jobseekers is also set to decline by around 1.2 million to reach 191 million worldwide.

Women and young people are faring significantly worse in labour markets than their male and older counterparts. Globally, the labour force participation rate of women remained low at around 47 per cent in 2023, compared with around 72 per cent for men, although the gap has somewhat closed owing to falling participation rates of men. Overall, labour force participation rates are not reverting to pre-pandemic levels, as weak economic conditions, lingering health problems and population aging weigh on people's return to the labour market.

Despite subdued economic growth and labour force participation rates, global employment growth is expected to increase by around 1.0 per cent in 2023, after experiencing a temporary surge during the recovery in 2021 and 2022. Young people (aged 15–24) are particularly affected by challenges in finding and keeping decent employment. Their unemployment rate is three times that of adults. More than one-in-five – 23.5 per cent – of young people are not in employment, education, or training (NEET).

Looking beyond headline employment statistics, sluggish economic conditions are forcing more workers to accept lower quality, poorly paid jobs which lack employment security and social protection, accentuating inequalities that were already exacerbated by the COVID-19 crisis. Although global unemployment estimates are low by historical standards, sufficient access to jobs remains a critical problem. In 2023, there are 453 million people who want to work but do not have a job (corresponding to a jobs gap rate of 11.7 per cent), more than double the unemployment count. Developing countries face far larger labour underutilization than advanced economies: the jobs gap rate stands at 21.5 per cent in low-income countries, compared to 8.2 per cent in high-income countries. This perpetuates inequality, as many developing countries face deficits in employment quality, under-employment, and informality, but also an acute scarcity of jobs. This is particularly worrying given that it is precisely in low-income countries where the prime working-age population is growing fastest. Finally, the indicator shows that it is much harder for women to find a job than for men, with jobs gaps rates of 14.5 and 9.8 per cent respectively.

In low- and middle-income countries, the ILO does not project rapid improvements in working conditions before 2025. The slowdown in productivity growth is also a significant concern, given its essential role in addressing the interlinked crises we face in purchasing power, ecological sustainability, and human well-being. Alarming, low-income countries have witnessed a steady rise in the jobs gap rate from 19.1 per cent in 2005 to 21.5 per cent in 2023, exacerbating social conditions further in these economies. The situation is particularly dire for those in this group grappling with debt distress. The ILO estimates that the jobs gap rate in these countries will reach a staggering 25.7 per cent in 2023, significantly higher than in developing countries not experiencing or at high risk of debt distress. The financial and fiscal constraints imposed by debt sustainability challenges hamper policy responses, aggravating the labour market challenges faced by the most vulnerable members of society.

### **Addressing lack of decent work and other social justice deficits – the crucial role of external finance and international financial institutions**

International solidarity and greater national efforts are needed to promote social justice by counteracting this growing employment divide within and among countries, addressing the ongoing impact of multiple crises as well as longer-term trends, such as technological and climate change. For developing countries,

much more needs to be done to address rising debt levels and constrained fiscal space, which will require further debt restructuring and debt relief, along with an overall reform of the global financial architecture.

The fiscal position of low-income countries requires particular attention as the tightening of monetary policies in advanced economies is severely impacting their external balances and increasing their debt vulnerabilities. This, combined with surges in food and energy prices, considerably narrows the scope for governments' spending in sustainable investments and in social protection. A July 2023 UN report<sup>1</sup> found that today, 3.3 billion people live in countries that spend more on debt service than on education or health. To prevent debt burdens further impeding sustainable development, the role of investments in human and productive capacities must be better factored into debt sustainability assessments and in debt resolution mechanisms. This would not only support countries in their transition but also help (re)create the conditions for macroeconomic stability and economic transformation over time.

To this end, priority should be placed on expanding and expediting assistance for debt-distressed developing countries to enable their governments to maintain critical social spending in such areas as social protection and decent work. In this regard, recent progress in the rechanneling of Special Drawing Rights to countries most in need of international financial support is very welcome, in particular the attainment of the \$100 billion target for such on-lending through the IMF's Resilience and Sustainability Trust and Poverty Reduction and Growth Trust. The priority now must be to operationalize these commitments into concrete country programmes and disbursements as soon as practicable. Similarly, the Common Framework on Debt Treatments has continued to make progress, albeit slowly. It would be important for creditors and international financial institutions to build rapidly on the arrangements agreed on Zambia and Ghana and the constructive discussions in the Global Sovereign Debt Roundtable to accelerate the pace and scale of debt relief and restructuring for countries experiencing or at high risk of debt distress.

Efforts to strengthen the capacity of multilateral development banks are also vitally important. Related discussions underway within and among MDBs in this respect, including with respect to the World Bank's Evolution Roadmap, deserve the highest priority by senior policymakers. While the current trajectory of progress is significant and very welcome, there is clearly room for a significantly higher degree of ambition. The UN Secretary-General's SDG Stimulus proposal contains proposals that merit serious consideration in this regard, as do those included in the report of the G20 Independent Expert Group on Strengthening Multilateral Development Banks.

The reforms of international financial institutions currently under discussion have the potential to make a significant difference at the country level if they are implemented expeditiously and sufficiently ambitious relative to the economic, social and environmental challenges and opportunities countries are facing. In particular, proactive employment policies are needed that carefully balance macroeconomic and employment goals based on a sufficiently encompassing view of labour market trends and decent work deficits. To this end, efforts to take into consideration broader measures of labour underutilization than unemployment alone, such as the ILO's new jobs gap indicator presented above, would provide policymakers with a more comprehensive and textured picture of this critical human aspect of their economies and in so doing provide them with better information about the optimal use of additional external financial resources for purposes of the inclusive, sustainable and resilient development of their countries. Macroeconomic and employment strategies must also take greater account of the important role played by other aspects of decent work beyond employment per se, including with respect to global supply chains, social protection and just transitions to climate change.

### **Resilient supply chains through decent work**

Global Supply Chains (GSCs) are constantly evolving and adjusting to disruptions. The confluence of the COVID-19 pandemic, geopolitical conflict, technological change, demographic shifts, trade tensions, and

<sup>1</sup> A world of debt – Un Global Crisis Response Group - [osgmisc 2023d4 en \(1\).pdf](#)

efforts to decarbonize supply chains are paving the way to a reconfiguration of supply chains. Global investment flows, including foreign direct investment flows, are being affected by geoeconomic fragmentation.<sup>2</sup>

GSCs can be an engine of growth, provided that certain conditions are met. Indeed, increased participation in global supply chains has been associated with multiple benefits, including higher employment, labour productivity gains and declines in working poverty.<sup>3</sup> Nonetheless, at least in some regions, its association with other measures of job quality, including greater wage employment and high-skills employment was more tenuous, with gains limited to specific sectors. While deeper GSC integration has supported many women and young people in developing countries to find jobs, they have often been relegated to lower wage or lower status employment, within and across sectors. Important distributional implications of advanced and developing country participation in GSCs has also been flagged, by way of increased wage inequality. Importantly, serious concerns have also been raised in regard to working conditions and respect for fundamental principles and rights at work in GSCs, as global competition based on quality, cost, volumes and delivery times place downward pressures on working conditions. These concerns have come to the fore during the pandemic, when GSC vulnerabilities have been exposed, especially in lower-middle income countries.<sup>4</sup>

Several strategies are underway to make global supply chains more inclusive, sustainable and resilient, including diversification, digitalization and through responsible business practices. In terms of diversification, this approach provides opportunities for new enterprises and workers across multiple tiers in both formal and informal economies to integrate into GSCs. But it will also require significant building up of capacities and skills in low and middle income countries, whose enterprises remain overwhelmingly small and informal. Much enhanced efforts are needed to improve working conditions in order to ensure decent work across all global supply chains.

In terms of digitalization, this too provides an important means to build resilience by enhancing production efficiency while also providing tier to tier visibility of supply chains and risk monitoring. However, while significant job displacements as a result of new technologies have so far not taken place, such potential exists, particularly in the very industries that have served as important entry points for developing countries into global markets such as apparel, footwear and electronics assembly.

Responsible business conduct is increasingly embraced as a strategy to achieve sustainable supply chains, triggering a virtuous circle of respect for fundamental principles and rights at work, environmental sustainability and business gains. At the ILO, we have strong evidence suggesting that an investment in compliance with labour standards is not ultimately a cost to companies, as it is offset by benefits in terms of labour productivity and profits. Responsible business conduct can be a channel to ensure this win-win scenario in global supply chains.

## Resilient workers and communities through universal social protection

Expansion of social protection needs to go hand-in-hand with economic and employment policies. The UN Secretary-General's 2023 Sustainable Development Goals Report shows that approximately 50% of the 140 Targets (under the 17 SDGs) were moderately or severely off track. That is also clearly the case for SDG 1 (No Poverty) and its target 1.3 (Extension of Social Protection Systems and Floors).

Despite some increases in coverage and expenditure of Social Protection, their growth has not been sufficient, leaving more than half of the world's population without any form of social protection benefit. The situation is worse in low-income countries, where, for example, in 2020 only 23% of the elderly were

<sup>2</sup> IMF. 2023. [World Economic Outlook: A Rocky Recovery](#), April 2023.

<sup>3</sup> Viegelahn, C., Huynh, P., Kim, K. B. 2023. *Jobs and global supply chains in South-East Asia*, ILO Working Paper 91 (Geneva, ILO). <https://doi.org/10.54394/PLIM4684>

<sup>4</sup> ILO. 2021. [COVID-19, vaccinations and consumer demand: How jobs are affected through global supply chains](#). Geneva: International Labour Office.

covered by pensions (global average: 77%), less than 10% of children under age 15 were covered by statutory social protection programmes (global average: 26%) and less than 7.8% of vulnerable persons received cash benefits (global average: 28.9%).

The global response in the area of social protection to the COVID-19 pandemic was unprecedented and created the expectation that some of the measures adopted could become permanent and close some of the gaps mentioned above. More than 1,900 measures were implemented by 211 countries and territories between Jan. 2020 and Sept. 2023, according to the ILO Social Protection Monitor. However, most of those measures were of a temporary nature, for example, cash benefits to workers and their families, benefits to the poor, or subsidies that were withdrawn at the end of the pandemic under the wave of austerity that has hit many countries. A lasting change for social protection systems as a result of the action taken during the pandemic is the administrative improvements and the strong push for the digitalization of services around the world. This legacy can translate into more responsive social protection systems, provided the digital divide is overcome.

Similarly, in response to the cost-of-living crisis, according to the ILO Social Protection Monitor, 105 countries and territories have adopted 356 measures since Sept. 2021, most of them by reducing the cost of, or subsidizing necessities/utilities and increasing benefit levels. Yet, 182 of the 343 known cash benefit schemes in the world, representing more than half of all schemes for which we have data, do not have any clear indexation rule for the benefits, leaving beneficiaries vulnerable to the rising rates of inflation.

Under-investment in social protection continues to be one of the main reasons for the low coverage rates. Public expenditure on social protection (excluding healthcare) was on average 12.9% of GDP worldwide (around 2020). This average, however, hides enormous inequalities. While high-income countries spent annually 16.4% of GDP on social protection, upper-middle-income countries spent half of this value (8.0%), lower-middle-income countries only spent one-seventh (2.5%) and low-income countries one-sixteenth (1.1% of GDP).

The ILO estimates the financing gap for extending a Social Protection Floor to all in the developing countries to be USD 1.2 trillion or 3.8% of GDP (around 2020). This is the average additional investment required to achieve universal coverage of basic benefits to all children, mothers of newborns, those who are severely disabled, and all persons in old age, as well as universal essential health care. The annual financing gap as a proportion of GDP is much higher for lower-middle-income and low-income countries, reaching 5.1% of GDP (USD 363 billion) and 15.9% of GDP (USD 78 billion) respectively. Seen in absolute terms, these values certainly are below the cost of the ongoing military conflicts in the world.

The ILO is now working on up-dating estimates of the financing gap for social protection, taking into account the increase in extension of social protection where it has happened, the growing importance of unemployment benefits (which is the branch with the lowest effective coverage rates for most developing countries) and using updated figures on poverty lines and inflation, which we will finalize for publication early next year. These new estimates will be available at the country level and they can usefully contribute to national dialogues on the expansion of fiscal space for social protection.

There are multiple options to create and extend fiscal space for social protection. The key sources of financing, however, need to be domestic regular sources such as progressive taxes and social contributions, given that the commitments of social protection systems and floors are long-term ones. It is critical that countries develop programmes to formalize employment, enterprises and economic transactions, as well as the institutions required to collect taxes and social contributions. Budget reprioritization, higher spending efficiency, combating illicit financial flows, macroeconomic policies that favour decent job creation, and innovative sources of financing, are some of the important options that can strengthen the finances of social protection systems and floors.

Managing sovereign debt is another important option to expand fiscal space for social protection. Borrowing or restructuring debt are important options to expand fiscal space for socio-economic investments with positive impacts on women, children and other population groups. Debt service-related

development distress is apparent in many countries. For instance, in Latin America and the Caribbean the rise of interest payments between 2012 and 2021 curtailed spending on key public services and contributed to a decline in public investment. Recent estimates show that in Latin America and the Caribbean interest payment on public debt represents 54 per cent of the total expenditure on social protection, 64 per cent of the expenditure on health and 63 per cent of the expenditure on education. If a portion of government debt could be renegotiated with lower interest rates this could free a sizable share of financial resources to devote to these three key areas.

While domestic resource mobilization must remain the cornerstone of national social protection systems, in the case of low-income countries, the financing gap is such that international solidarity is absolutely necessary. However, ODA remains at levels below the internationally agreed goal of 0.7% of gross national income of the high-income countries (2021: 0.3%). According to data collected by the OECD/DAC, only five countries met this goal. Despite some increase in the share of ODA dedicated to employment and social protection as a result of the pandemic, ODA allocations to social protection still register very low amounts. To unlock social protection financing opportunities, in June 2021, ILO constituents proposed the creation of new international financing mechanism – the Global Fund for Social Protection. The Fund would give priority to low-income countries to gradually build their national Social Protection Floors, complementing and supporting domestic resource mobilization efforts.

Collaboration between ILO, the IFIs and other UN entities is of utmost importance to expand the fiscal space for social protection. Since 2019, the ILO and the IMF have been collaborating both at the global and the country level on the sustainable extension of fiscal space for social protection. In close consultation with the respective country teams, the ILO and the IMF identified four pilot countries where joint work was carried out. The thematic areas of collaboration were context specific; they include pension reform (Iraq), social protection spending target (Mozambique), classification of social protection expenditure (Togo) and fiscal space for social protection (Uzbekistan). Collaboration deepened the dialogue with the constituents and authorities and provided more coherent policy advice to governments. A new phase of the ILO-IMF Engagement on Financing Social Protection is planned for 2023-2025, joint work will be carried out in up to 8 countries.

## **Resilient societies and ecosystems through just transitions to climate change**

Climate change and environmental degradation pose significant challenges to economic growth and employment today, and risks will be greater in the medium-to long-term. The climate crisis will present further challenges to advance social justice, by increasing risks for more vulnerable countries and populations, raising inequality and poverty.

Climate action, if properly managed, can lead to more and better jobs. Both adaptation and mitigation offer opportunities to create new jobs and businesses, while securing existing ones. The latest Renewable Energy and Jobs Annual Review released by the International Renewable Energy Agency and ILO this September 2023 finds that renewable energy employment worldwide has continued to expand - to an estimated 13.7 million direct and indirect jobs in 2022. We can expect the creation of many millions of additional jobs in the coming years and decades, provided that education and skill-building programmes are appropriately expanded, workforce development programmes are put in place, and labour market measures are refined in line with evolving needs.

A growing demand for mineral resources needed for the energy transition is expected to require an estimated USD\$1.7 trillion in global mining investment. Developing countries, including the least developed countries, hold reserves in many of the critical minerals such as cobalt, lithium, nickel. These countries will have a 20/30-year window to tap into these investment flows, add value and generate income and jobs. We must deploy all possible efforts to ensure that critical minerals contribute to sustainable development and poverty reduction in a meaningful way.

The private sector and corporations have a central role to play. There is positive and emerging paradigm for sustainability with two important drivers: values of entrepreneurs and aspirations of workers to work in

a healthy work environment. The reality is that many companies around the world are taking action to decarbonize in high income and lower and upper middle-income countries. However, micro, small and medium-sized companies face limited access to finance and skills, lack of information and knowledge on innovation, and inconsistent regulation enforcement. Only 23 per cent of the collective bargaining agreements analysed by the ILO addressed environmental aspects. This means that we can foster stronger social dialogue within companies to raise ambition based on strong social consensus.

### ***Financing a just transition***

The transition to net zero requires significant financial resources, both from public and private, domestic and international sources. Current estimates suggest that 10 per cent of global GDP growth need to be mobilized for at least the next decade under the most optimistic scenarios, the equivalent of 1 trillion USD. The action required is not only to mobilize additional funding. It is necessary to align financing flows, in particular from the multilateral development banks, with climate and sustainability goals. For the moment, climate finance is characterized by a large home bias and concentration in rich countries. The Intergovernmental Panel on Climate Change (IPCC) estimates that 80 per cent of financial resources generated by climate policies remain within national borders, not benefiting other countries. It is imperative to enhance access to financing for all countries, in particular developing countries, to enable ambition.

### ***Comprehensive policies and coherent action at scale***

A decisive response to climate change at speed and scale demands coherent approaches and comprehensive policy frameworks, including in the private sector. Climate goals must be complemented with objectives to build a skilled workforce, an enabling environment for enterprises to innovate and develop new business models, and sustainable consumption of production.

In June 2023, the International Labour Conference discussed just transition and adopted conclusions that offer a renewed framework for policy and action on just transition. The outcomes of the Conference are a useful contribution to shaping a new work programme on just transition under the UN climate negotiations and to guide national action.

Practical tools, programmes and projects are essential to drive change. The ILO has developed a range of tools and instruments for governments and business to move forward and faster on climate change taking into consideration employment creation and progress on social justice. Greening TVET and skills development is a practical guidance to mainstream skills for the green transition in a systemic and holistic manner. The ILO guide *How to work in the green economy?* provides job seekers and those who support them with useful information on career pathways. Its Just Transition Finance Tool for banking and investing activities provides practical guidance to financial institutions to integrate just transition in their strategies and operations.

The World Bank's Environmental and Social Framework, which is aimed at strengthening protection for people and the environment through investment projects funded by the Bank, provides a useful instrument for advancing green and inclusive development. Cooperation between the ILO, the World Bank and other MDBs to strengthen national systems and institutions and support borrowers' capacities in the field of labour, workers' rights and working conditions would contribute to enhancing the coherence of multilateral organisations' actions at the country level.

In addition, the multilateral institutions must further enhance cooperation to leverage the technical capacity of specialized agencies with the programmatic interventions and financing of development banks and other international finance institutions to scale up support to countries.

## **Global Accelerator on Jobs and Social Protection for Just Transitions**

Supporting countries to achieve sustainable financing to effectively implement decent jobs and universal social protection policies is key to overcome crises, promote an inclusive economic development trajectory, and to change current challenges and necessary transformations of the economy into

opportunities. The [UN Global Accelerator on Jobs and Social Protection for Just Transitions](#) offers a vehicle to achieve these goals through a three-pronged approach: Integrated and evidence-based national strategies and policies for employment and social protection to enable just transitions; Integrated financing combining domestic resources and international financial support; and, Enhanced multilateral cooperation.

The aim of the Global Accelerator is to direct investments to help create at least 400 million decent jobs, primarily in the green, digital and care economies, and to extend social protection coverage to the over 4 billion people currently excluded. Germany, Belgium and Spain have announced substantial contributions to support the initiative, and further such assistance is required. Multilateral, bilateral and National Public Development Banks and the IMF can support the Global Accelerator by contributing to the national roadmaps in pathfinder countries that aim to define national priority entry points and sustainable financing strategies; they can align their operations to priority social and infrastructure investments identified in these roadmaps; they can set more ambitious social impact targets to incentivize more projects that will contribute to the objectives of the Global Accelerator; and they can join the ILO in documenting evidence on the economic and social returns of investments in decent jobs and universal social protection. Governments, international organizations and development financing institutions need to provide adequate financing of Pathfinder Country strategies to ensure their success, and look to expanding the Global Accelerator to other countries in need of such assistance.