



**Statement by Mr. Juan Somavia,  
Director-General of the International Labour Office,  
to the September 2006 Meetings of the  
International Monetary and Finance Committee  
and the  
Development Committee  
(Singapore, 17-18 September 2006)**

The September 2006 Meetings of the International Monetary Fund (IMF) and the World Bank are faced with the complex task of trying to anticipate and address risks to continued global growth. There are, as the IMF has recently noted, more clouds on the horizon than there were six months ago. Furthermore, the multilateral system is itself under strain with worries about the stalemate in the trade negotiations and a growing political sentiment that institutions, mechanisms of governance and policies require reform.

My view is that there is one major underlying concern driving the re-examination of how the global political economy operates – the concern over jobs. And it is a concern even here in Asia, the world’s most economically dynamic region.

*Good News and Bad in the Global Economy*

The IMF now forecasts that the present, fourth consecutive year of global economic growth of over four per cent will be followed by a fifth in 2007. Indeed, we are witnessing the strongest growth in sub-Saharan Africa in 30 years. Interest rates still remain relatively low – and where they have inched upward, as in Europe, it has been partially in response to improved prospects for growth. And corporate profits are robust. World trade is forecast to continue growing at around 7 per cent in 2006 despite the worries stemming from the breakdown of the multilateral trade negotiations. The world economy, in short, does not appear to be in such bad shape.

Yet there are concerns. The appreciable inflationary risk of high oil prices aside, a likely explanation for the worry is that over “global imbalances”.

Just what are these imbalances? The short answer is that they are more – quite a bit more – than is commonly acknowledged. The best known refer to the persistent and large imbalances in the global economy. As the IMF Managing Director, Mr. de Rato, recently observed, “the risk of a disorderly adjustment of global economic imbalances has not gone away, and could be exacerbated by the other risks. So policy-makers are facing an increasingly challenging environment, and should be proactive in addressing the risks.”<sup>i</sup> And the risks loom large: an abrupt depreciation of the US dollar or rapid expansion of protectionist policies, for example, could cause havoc to the global trading system, and dampen those robust growth rates – costing job loss worldwide. Speaking at the May 2006 Board of Governors’ Meeting of the Asian Development Bank, China’s Vice-Minister of Finance, Li Yong, noted in an apt description of the current phase of globalization, that “we are all in the same boat, and if it sinks, no one will escape”.<sup>ii</sup>

## *The “Global Jobs Imbalance”*

The concern is well placed, then. But from my vantage point, it is too narrowly placed: one other major imbalance has all too often been neglected in discussions of the global economy – it is the imbalance between economic growth and the opportunity for decent work. We are in the midst of a global jobs crisis. Indeed, particularly in a period of rosy news about economic growth, we must guard ourselves against the risk of taking a “why worry?” attitude toward that which is most fundamental to most people – the chance at a decent livelihood for working men and women and their families.

Evidence of the jobs crisis abounds. For example, despite record-high corporate profits, job-generating investment has been relatively meagre. The employment content of growth in the formal economy has declined in most places; that is to say that the same level of growth today generates fewer jobs than it did in the past. Thus, one finds anomalous situations, even here in Asia, in which an economy can manage to grow at over 6 per cent – and the unemployment rate can rise! In 2005, Asia had more than 48 per cent, or 41.6 million, of the world’s young people without work.

To put the matter differently while saying the same thing, one could ask how much growth is needed just to maintain things as they are – for example, a constant employment rate. The stark conclusion to draw is that, for almost all the world’s regions, growth needs to be greater than it is forecasted to be, just to sustain the status quo.

In large portions of the world, the bulk of new “jobs” is being created in the over-crowded informal economy, whether urban or rural, where working men and women eke out their livelihoods at low productivity and, consequently, low earnings. Indeed, the absolute number of working people who earn US\$2 a day or less for themselves and their families stands today at the same level as it did ten years ago. Today, that is about 50 per cent of the global labour force.

Here, in dynamic Asia, informal employment as a share of non-agricultural employment still ranges from 83 per cent in India, 78 per cent in Indonesia, 72 per cent in the Philippines, to 51 per cent in Thailand.

Another shred of evidence of the problems we face is the decline in labour’s share in national income, more so in developing countries than in developed ones. While this could be a reflection of many things, one plausible explanation relates to globalization: rising import shares place downward pressure on wages – and, indeed, can result in outright job loss in domestic firms unprepared for global competition. Too many are unprepared for the necessary adjustment.

And, of course, it is not the quantity of jobs alone – or their quality as measured solely by income – where evidence can be sought on what is happening in the world of work. We at the ILO have embarked on a broad reflection on changing patterns in the world of work. Consider, for example, the problem of rising inequality. The phenomenon appears in part to be related to widespread skills shortages. Thus, paradoxically, amidst abundant surplus labour in the global economy, employers find it difficult to locate the skills they need for their firms.

## *Decent Work as a Global Goal*

Institutional reform of the IMF and the World Bank, as well as the relationship between the two organizations, features prominently in the Singapore Meetings. More broadly, however, the reform of the multilateral system as a whole is a hot item on the global agenda. The multilateral

system bears a common responsibility for addressing the global social imbalance, but we have been far from fulfilling that mission – and this, despite the fact that the objectives of “raising productivity, the standard of living and conditions of labour” and “the promotion and maintenance of high levels of employment and real income” figure in the articles of agreement of many of our organizations, not just the ILO, but the IMF and the World Bank as well. It is time to fulfil this mandate and to do so in a much more coherent way than in the past. The multilateral system – which should be working together – is clearly underperforming in advancing policies to generate more investment and decent work opportunities.

Primary responsibility for creating the conditions in which decent and productive jobs can flourish remains with national authorities. But the multilateral system can do better and more than it has done.

The world’s Heads of State and Government have given their explicit support to the objective of fair globalization, full and productive employment, and decent work in the Outcome Document from the UN World Summit in 2005. They made decent work for all a truly global goal.

And further progress has been made in generating the means to deliver on this commitment:

- The Asian Development Bank has taken up the challenge of decent and productive employment by devoting significant effort to understanding and endeavouring to remedy the problems of un- and underemployment in Asia. It is particularly noteworthy that it is doing this both as a development bank, and in a region that is perhaps better known for its success as an engine of growth. Growth alone is not enough is one message to retain.
- It is equally encouraging that the World Bank is seriously engaged in the analysis of the factors that underlie the creation of what it calls “good jobs”. The World Bank’s focus on equity is one recognition of the fact that globalization has been accompanied by inequalities. Its promotion of “shared growth”, growth with better distribution – is most welcome.
- The decision by the World Bank’s private-sector-lending arm, the International Finance Corporation, to include the implementation of core labour standards as criteria in its lending to the private sector is an important step. It suggests that just any job is not good enough.
- Finally, a milestone in the recognition of the need to make decent work a global goal were the conclusions of this July’s Ministerial Meeting of the UN Economic and Social Council (ECOSOC), devoted to the theme of “creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development.”

The Ministerial Declaration concluding the High-Level Segment included a number of points for consideration by Ministers meeting in Singapore. These include:

*“We invite all the relevant international organizations, at the request of national Governments and relevant stakeholders, to contribute, through their programmes, policies, and activities, to the goals of full and productive employment and decent work for all in accordance with national development strategies...”*

*“We also request the functional and regional commissions to consider how their activities contribute, or could contribute, to the goals of full employment and decent work for all...”*

*“We commit ourselves to the implementation of the present declaration and invite all relevant actors, including the Bretton Woods institutions and other multilateral banks, to join our efforts in this regard.”*

These are invitations with which I would like to associate myself in full. Righting the global social imbalance, stemming the global jobs crisis, can only be achieved if we, all of our organizations, commit ourselves to making decent and productive employment a more central objective to what we do, and to what is discussed here in Singapore.

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<sup>i</sup> Speech by Mr. Rodrigo de Rato, Managing Director of the International Monetary Fund, at the Brookings Institution, Washington D.C., 5 September 2006.

<sup>ii</sup> Annual Meeting of the Board of Governors of the Asian Development Bank, Hyderabad, May 2006.