



The decent work foundation for shared prosperity

Statement by Mr Guy Ryder, Director-General

International Labour Organization

Development Committee

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Summary

- The goals of sustainable development and shared prosperity risk being set back by the slide of the global economy into a low growth trap.
- Weak employment growth, stagnant wages and widening inequality are slowing poverty reduction, depressing consumption and deterring investment in many countries.
- The slowdown must be countered by coordinated policies for an equitable and job-rich recovery onto a path of sustainable development.
- Infrastructure investment is urgently needed to help stimulate recovery, speed transition to low carbon production and consumption and recoup many years of underinvestment in both advanced and developing economies.
- A global youth employment crisis requires urgent efforts to increase opportunities for young women and men to find and keep decent jobs.
- Narrowing gender gaps in employment can help increased female labour force participation but depend on faster growth in job opportunities.
- Labour market policies in both developing and developed economies need to focus on the demand as well as supply side of the relationship between jobs and growth.
- Progress towards comprehensive social protection systems is an important foundation for poverty reduction and prevention as well as helping to stabilize increasingly volatile economies.
- Halting and reversing the spread of the Ebola epidemic is essential both to prevent further deaths from the disease but also to stop the economic and social disruption that is multiplying the distress it is causing.
- Agreement on a new framework for sustainable development should be founded on a reorientation of macroeconomic policies towards the goals of full employment, decent work, reduced inequality and the elimination of extreme poverty.

Global slowdown further weakens prospects for jobs and poverty reduction

1. Growth in the global economy is slowing in 2014 and forecasts of slightly better performance in 2015 are beset with uncertainty.¹ There is a growing risk of a slide into a low growth trap. This worrying outlook is compounded by weak employment growth, stagnant wages and widening inequality, which in turn are slowing poverty reduction, depressing consumption and deterring investment in many countries. Not surprisingly, the global jobs gap has continued to widen since the financial crisis in 2008. ILO estimated that this gap reached 62 million jobs in 2013. With the 2014 growth outturn running below the forecast, this jobs gap will widen further.
2. In 2013, 375 million workers (or 11.9 per cent of total developing world employment) are estimated to have been living on less than US\$1.25 per day and 839 million workers (or 26.7 per cent of total developing world employment) have to cope on US\$2 a day or less. This is a substantial reduction in comparison with the early 2000s, however, progress in reducing working poverty has slowed with the crisis and uneven recovery. In 2013, the number of workers in extreme poverty declined by only 2.7 per cent globally, one of the lowest rates of reduction over the past decade, with the exception of the immediate crisis year.
3. Looking ahead, the global workforce is growing at around 42.6 million per year, mainly in the developing world. Only 40 million are finding work and only half of these are finding wage employment. With slow growth the numbers of unemployed and those only able to get informal work will continue to rise. In the period up to 2030, the world will need to generate around 600 million decent jobs to keep up with the growth of the labour force, eliminate extreme poverty, reduce unemployment, increase female participation and lift the living standards of the bottom 40 per cent.
4. In the face of this huge challenge, the ILO welcomes the World Bank Group's agenda for *Shared Prosperity* and its twin goals of ending extreme poverty and fostering income growth of the bottom 40 per cent of the population in every country. They correspond closely to the ILO's goals of decent work for all and the promotion of social justice. It is a solid basis for increased collaboration between our two organizations. We are both strong supporters of the emerging post 2015 UN sustainable development framework and are looking forward to making important contributions to its implementation.
5. Halting and reversing the spread of the Ebola epidemic is essential both to prevent further deaths from the disease but also to stop the economic and social disruption that is multiplying the distress it is causing. Healthcare workers infected with the Ebola virus in Western Africa underscore the risks posed by all workers who come into contact with the disease. The ILO and WHO have issued joint briefing note for

¹ "Reversing the slide into a low growth trap", Statement by Mr Guy Ryder ILO Director-General to the International Monetary and Financial Committee, Oct 11th 2014

employers and workers on Ebola, providing guidance on preventing the virus in the workplace.²

More and better jobs critical to sustainable and inclusive development

6. Stronger economic growth is a necessary but not sufficient requirement for job creation. Re-igniting economic growth also depends on recovery of demand, and this in turn requires stronger job creation and wage growth. Robust economic growth and quality job creation are intertwined goals that can only be achieved through coherent and mutually-reinforcing strategies that use macroeconomic and financial levers to foster stronger growth and employment and social policies to maintain aggregate demand by supporting employment and earnings.³
7. The policy mix which each country will need to ensure that inclusive growth and development is reinforced by the creation of more and better jobs will differ but there are many common elements which can form the basis for increased international cooperation and coordination.
8. As emphasized in the World Bank Group report for the Committee, “in developing countries, labour earnings—including earnings from microenterprises and small farms—are the main source of income of the bottom 40 per cent.”⁴ The roots of entrenched poverty and inequality lie in the labour market. The poorest working families live and work in rural areas as agricultural labourers and subsistence farmers. Their communities are undergoing rapid change with many, usually young women and men, leaving for cities and the hope of better earnings prospects. They join the rapidly growing urban areas of the developing world but usually are only able to find informal work which may pay little more than they were able to earn in the village. Nevertheless, many send sizeable amounts of their earnings back home to support their families.
9. An important part of reigniting growth and strengthening job creation is a major global drive on infrastructure investment. The ILO fully supports the conclusion of Chapter 3 of the IMF’s latest World Economic Outlook that “that increased public infrastructure investment raises output in both the short and long term, particularly during periods of economic slack and when investment efficiency is high.” Boosting infrastructure investment should also focus on the reduction of carbon emissions. We look forward to the fruits of the World Bank Group’s initiative to catalyse a global drive on infrastructure.
10. Employment in the formal economy, underpinned by a social protection system that provides relief from loss of earnings, is the sustainable way out of poverty and insecurity for most working women and men. Yet for around half the developing world’s workers this is a dream. The reality is a daily struggle for survival.

² Ebola Virus Disease: Occupational Safety and Health Joint WHO/ILO Briefing Note for Workers and Employers (5 September 2014).

³ ILO, OECD and World Bank, “G20 labour markets: outlook, key challenges and policy responses”, a joint report prepared for the G20 Labour and Employment Ministerial Meeting, Melbourne, 10-11 September 2014.

⁴ Promoting Shared Prosperity in an Unequal World: The Role of the World Bank Group” (DC2014-0008)

Transforming the prospects of the bottom 40 per cent of the world's population by 2030 depends critically on enabling women and men of working age to move into productive employment within a sound framework of labour market regulation and social protection.

11. The ILO's international labour standards provide a comprehensive set of principles that are available to countries as they develop or reform their systems to meet each country's specific needs. They cover all the key issues of labour market regulation and social protection. The 1998 Declaration on Fundamental Principles and Rights at Work⁵ has the objective of supporting broad-based sustainable development by promoting the link between social progress and economic growth. The guarantee of fundamental principles and rights at work is of particular significance in that it enables 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." The ILO and the World Bank Group's member states have committed to promote global respect for these fundamental rights at work.
12. Key elements of a framework based on fundamental rights at work are an employment contract, minimum wages, the promotion of a safe working environment and a social protection floor. Research by the ILO, the World Bank Group and others shows that the transition into the formal economy for both employers and workers can, indeed must, be accompanied by rising productivity. Informal businesses moving into the formal economy gain increased security of property and contract thus encouraging investment and productivity growth. As the 2013 "Jobs" World Development Report argued "the rule of law includes protection of property rights and also the progressive realization of rights at work, to avoid a situation where growth coexists with unacceptable forms of employment."⁶

Role of social protection and minimum wages in shared prosperity

13. Supporting the incomes of the bottom 40 per cent requires a combination of reduced wage inequality, creation of paid employment jobs, and social protection floors that extend social protection systems and basic social services to poor and vulnerable groups.⁷ Examples of significant programmes which provide both employment and an income floor to vulnerable groups in emerging economies include the national rural employment guarantee scheme in India (NREGA) and the public employment programme in South Africa.

⁵ The Declaration affirms "that that all Members, even if they have not ratified the Conventions in question, have an obligation arising from the very fact of membership in the Organization to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions, namely:

(a) freedom of association and the effective recognition of the right to collective bargaining;
(b) the elimination of all forms of forced or compulsory labour;
(c) the effective abolition of child labour; and
(d) the elimination of discrimination in respect of employment and occupation."

⁶ 2013 World Development Report "Jobs", World Bank Group.

⁷ Global Wage Report 2014/5, ILO, forthcoming.

14. Social protection systems play a critical role in reducing poverty and inequality, as well as supporting inclusive growth, by boosting human capital and productivity, supporting domestic demand and facilitating structural transformation of national economies.⁸ Only 57% of the world's population is in working age (20-65 years), this means that employment and wage policies need to be accompanied by universal health and social protection systems, for all, including the incipient middle classes in developing countries. Many middle-income and some low income countries have been expanding their social protection systems and universalizing coverage within a fiscally sustainable framework. Domestic revenue mobilization is a key plank of sustainable financing of development needs.
15. Minimum wages also play an important role in reducing inequality and in supporting the wages of low-paid workers, many of whom are women. Recent research shows that this can be achieved without significant adverse effects on employment levels. Together with strengthened collective bargaining, minimum wages have contributed to reducing inequality in several Latin American countries as well as in a number of other emerging economies. This effect has extended to the informal economy where such minima are often applied even where legal enforcement is weak. Nevertheless, for minimum wages to be fully effective, they need to cover workers from groups that are vulnerable, disadvantaged or subject to discrimination. Given the overrepresentation of women, migrants and other vulnerable groups in low-paying jobs, minimum wage setting and collective bargaining coverage can make a significant contribution to social justice and shared prosperity.

Employment and social policies for recovery, inclusive growth and decent work

16. A prolonged period of low growth would be a disastrous start to the renewed global drive for sustainable development that is currently being discussed in the UN as well as in the IMF and the World Bank Group. The global policies to reverse the slide into a low growth trap must lead on to a reorientation of the framework for macroeconomic policy coordination to focus on full employment, decent work, reduced inequality and the elimination of extreme poverty.
17. The employment and social policy agenda for such a framework includes:
- Promoting well-designed minimum wage setting and collective bargaining mechanisms.
 - Strengthening and extending social protection systems.
 - Anticipating and responding to changing skill needs by providing good labour market information systems to guide career and training decisions.
 - Ensuring the acquisition of good foundation skills as the base for learning new skills throughout working life.

⁸ World Social Protection Report 2014/15, ILO.

- Adapting labour market regulation to facilitate mobility within and between workplaces through amongst other things effective support to unemployed and other vulnerable groups via strengthened job search services and social protection systems.
- Tackling gender discrimination with the aim of lifting female participation in employment.
- Prioritizing programmes for youth employment and training.
- Promoting the participation of underrepresented groups in the formal labour market.
- Facilitating innovation and entrepreneurship, with a special emphasis on small and medium-sized enterprises.

A new social contract for inclusive and sustainable development

19. The World Bank Group document for the Development Committee suggests that establishing consensus for a drive on poverty reduction and inequality led by increased earnings by the bottom 40 per cent requires a new social contract. Building consensus for policies that combine social justice and productive enterprise is at the heart of the ILO's means of action. Social dialogue between the ILO's government, employer and worker constituents, nationally and internationally is a tried and tested mechanism for promoting social justice, fair and peaceful workplace relations and decent work. The process of social dialogue embodies the basic democratic principle that people affected by decisions should have a voice in constantly renewing the social contract that is so vital to sustainable development.
20. There is considerable scope for deepening collaboration between ILO and World Bank Group on wide range of issues. The emerging work plan includes issues such as labour market regulation, social protection, employment, skill development, private sector initiatives, and statistics. A convergent policy agenda will enable the two organizations, together with other multilateral partners to offer coherent policy advice to member states.