International Labour Organization

ILO EMPLOYMENT Podcast

Global challenges – Global solutions

Transcript for:

Can we bridge jobs and economic policies while ensuring rights are protected and no one is left behind?

With ILO's Employment Policy Director, Sangheon Lee, and Gilad Isaacs, Executive Director at the Institute for Economic Justice in South Africa

Welcome to the ILO podcast series, Global Challenges - Global Solutions. I'm your host, Tom Netter. And today we're going to discuss how to bridge the jobs gap with macroeconomic policies while ensuring rights are protected and no one is left behind.

The world of work is facing unprecedented challenges. On the one hand, the ILO has recently identified a growing jobs gap of more than 400 million people who are either unemployed, part of a potential labor force that's not working, or are no longer seeking work. On the other hand, during the past half decade, the world of work has faced equally unprecedented challenges in the form of a global pandemic, social, political, and economic crises, the explosive growth of artificial intelligence, and an increase in destructive climate events, among others.

A grim picture of crisis situations reshaping the world of work? Indeed. But the old meme is also true. Risks and challenges may often lead to significant opportunities, and whether these lead to positive change will depend in part on employment-sensitive policies at all levels, something that will be at the top of the agenda at a UN-organized high-level political forum on advancing the 2030 Agenda for Sustainable Development in July at the UN headquarters.

So how do we address these policy and macroeconomic challenges? How do we ensure that employment policies help bridge jobs and economic growth and reflect the need to address broader economic realities while also ensuring that rights are protected, and no one is left behind?

To help us understand this process, we're talking to the ILO's Employment Policy Director, Sangheon Lee, and Gilad Isaacs, Executive Director at the Institute for Economic Justice in South Africa, which is committed to advancing economic justice, systemic change, and rights realization and well-being.

Tom: Sangheon, Gilad, welcome to the podcast. Let's start with the basics. Sangheon, can you tell us about the causes of the growing jobs gap and its impact on people and what it means in terms of the ILO's quest for full and productive employment and decent work?

Sangheon: Thank you, Tom. You mentioned the concept of the jobs gap, which may need some clarification. When we assess the overhead of the labour market, we often refer to unemployment rate, which currently stands at around 5 per cent. However, the unemployment is not always a reliable indicator of the true employment situation, especially in developing countries. Firstly, as you know, many people simply cannot afford to be unemployed. They are forced to take any available activities just to survive. This is why the informal jobs, such as the street vendor, are so common and often serve as the sort of a last resort for survival. Unfortunately, progress in reducing informality has been limited in recent years, and today about 60 per cent of workers are still engaged in informal employment.

Secondly, official unemployment statistics often exclude those who are effectively unemployed. For example, millions of workers have become so discouraged that they have stopped looking for a job altogether. In addition, many people who want to work but still are unable to do so due to caregiving responsibilities or other constraints. So, when we include all these groups, the total number which is approximately 400 million workers, as you mentioned, Tom. So, this accounts for about 8 per cent of the male workforce and around 13 per cent of the female workforce. These figures reflect a significant deficit in the world of work. They not only result in massive income losses, of course, but also have serious consequences for workers' well-being, their families, and social-political stability, and ultimately, economic development itself.

So, this situation poses a major challenge to Sustainable Development Goal number 8, which aims to achieve inclusive economic growth and decent work, or as simply put, job-rich growth. Unfortunately, the progress so far has been disappointing. This is why the

United Nations is conducting a serious review this year at the High-Level Political Forum, focusing on how to accelerate progress towards this goal, especially in a very increasingly difficult geopolitical context today.

Tom: Thanks, Sangheon. Now, I'd like to ask Gilad. Against the backdrop of the latest development and trends in terms of jobs, the economy, and politics, what do you see is the macroeconomic picture as it pertains to economic growth and development?

Gilad: Thanks very much for having me, Tom. I think for a long time there was the assumption that an expanding and growing economy would inevitably lead to increased employment. More recent research at the intersection of employment and growth shows that this picture is, in fact, more complex, including Sangheon and his co-authors' excellent work.

And what we see is that in particular in developing countries and in particular in low-income countries that growing economies don't necessarily lead to expanding employment. The upshot of this is that one can't rely on policies which center exclusively on attempting to achieve growth. What it means is that targeting growth is insufficient and that we need to reorientate macro policy frameworks to explicitly center employment creation.

And not just any jobs, but to ensure that we are centering the creation of decent, inclusive, and sustainable employment at the heart of the macro policy framework and in all aspects of policymaking. This would force us to do at least two things. The first is to take seriously the consequences of the macro realities on employment, and the second is to reorientate policies to explicitly target employment creation.

On the first of these, if we take seriously the implications of macro realities on employment, then our employment policies take a wider lens than just a focus on sectoral and labour market issues. So, for instance, we would need to consider the significant impact which large debt burdens have, in particular, for Global South countries and how these have shifted expenditure out of essential social and economic investments and therefore employment creation. We would realize that we need to solve for these major macro challenges in order to spur employment growth.

On the second, we would need all policies to explicitly target employment growth. Let's take, for instance, monetary policy. So, we can't simply adopt an inflation-targeting regime or an exchange rate peg in isolation of its impact on employment. Instead, we would need to have employment-targeting monetary policy regimes. And the same holds true for all other areas of policy.

Tom: Gilad, okay, thank you for that very compelling answer. Over to Sangheon, in an era of structural and transformative change, keeping employment at the center of economic policy is important to achieving both short and long-term goals. In this vein, economic and more specifically employment policies become an important avenue to address future of work issues. Sangheon, can you expand on this?

Sangheon: Sure, Gilad already provided a really excellent framework from the macro side. So indeed, I mean, we are living through a very intense period of the structural transformation on many fronts, from technology, demographics, and to climate changes. These forces certainly bring the risk, but they also present tremendous opportunities. For example, the transition to digital and green economies has great potential to create millions of decent jobs. However, these are only potentials. They do not virtualize automatically. Realizing this opportunity requires, therefore, strong and coordinated policy actions.

After all, all these transitions are about moving people and enterprises towards new opportunities. And such a shift takes both time and resources. For example, workers need to acquire new skills and enterprises need to identify and develop new business opportunities. None of this happens by itself. It requires active, integrated, and coherent policy support. Take skills, for instance. This is an area everyone talks about, but we often see that the investment in digital and green infrastructure leads to skill shortages. This means we end up creating far fewer jobs than we could. So, in a sense, this is a failure by design because these investments often do not include strong, well-integrated skill development measures.

A related question is how do we encourage workers to upgrade their skills? It's not just a matter of the willingness or the motivation. It also takes time and money to engage in proactive learning. This is where social protection and financial support becomes essential. Moreover, better skills should lead to better pay. Otherwise, workers will have a little incentive to invest in a learning. This points to the essential role of wage policies.

So, if we look at it this way, two points becomes very clear. First, as Gilad said very clearly, if you want this transformation to be inclusive and job rich, we must ensure decent work is mainstreamed across all policies, whether economic, industrial, trade, or education policies. Second, job quality, I said job quality, cannot be treated as a secondary issue. If you continue to rely on, for example, low paid, low skilled jobs, true structural transformation and economic upgrading will simply not be possible. Well-designed transformation policies can create decent jobs, but at the same time, decent jobs themselves are essential in facilitating this transformation. So, this is exactly why the ILO has been advocating for inclusive job-rich structural transformation.

Tom: Thanks again for that, Sangheon. Now, Gilad, in terms of how macro-fiscal issues and constraints impinge on jobs and economic growth, can you expand on how those need to be reformed to unlock jobs and growth? And I'd like to ask both you and Sangheon to address some of the specific challenges for policymaking when it comes to women, youth, workers and others who are often more vulnerable to workplace and job disruptions than men. Let's begin with Gilad and then Sangheon.

Gilad: Thanks. So, I've given one illustration of the macro fiscal link with employment when speaking about debt levels, but let me try to be more systematic. And I would argue that a major constraint faced by the developing countries is access to adequate fiscal resources. And without adequate resources, one can't invest in economic infrastructure, education, skills, social protection, and so on. And you also can't invest in the capabilities needed to guide the economy in the way that Sangheon was unpacking earlier.

So, what accounts for these inadequate resources? Well, a few things. Of course, low growth is a contributing factor because without an expanding economy, you can't have an expanding revenue base. But I'm going to set that aside because I see that more as symptomatic than at the heart of it. And the other key factors are increased debt, weak domestic tax system and endemic illicit financial flows and tax evasion.

On debt, we know for instance that in Africa, countries spend more on interest payments than on servicing healthcare. We know that we have seen a reversal in net financial flows with money flowing out of the developing countries. This is compounded by illicit financial flows. If one was able to limit illicit financial flows, one could halve the over $200 billion dollar financing gap which Africa has in order to reach its SDG targets.

Similarly, weak domestic tax-like systems or low tax rates, which are in part the deliberate consequence of large multinationals strong-arming developing countries, limit resources. This is compounded by the proposed solution, which is put forward, which is that government should try and de-risk investment in social and economic essentials to attract back that investment capital. And so, governments are expected to shoulder these risks whilst private capital can profit off these much-needed public services.

So, this tackling of this resource drain is essential, and it's currently being pursued in two parts. The first is in multilateral fora. The most promising movement which we see at the moment is at the UN on international taxation, but of course the financing for development and other fora are essential. And the second is for developing countries themselves to coordinate into clubs, if that is a debtors' club or a cartel of resource exporters and so on, and to try and reshape the terms of their financial integration. And I think that pathway is also essential.

Tom: Sangheon, over to you.

Sangheon: Thank you. Gilad had already laid out all the key points very clearly and also in a concrete terms. So, I'm going to be very brief. The starting point for me is very simple and also very crucial, which is the fiscal and monetary policies must explicitly target job creation. I would strongly argue that the employment should be treated as the primary economic objective alongside inflation control and also GDP growth. This approach is essentially important for the vulnerable groups who are often the hardest hit by the premature or overly strict policies that overlook the importance of decent jobs.

Recent policy experience makes this clear. For example, young people, especially young women, have often borne the brunt of the austerity measures and facing sharp increases in unemployment, for example. And we have seen similar patterns affecting informal workers as well. To address this, we need a targeted program for these groups and embedded, of course, within a broader pro-employment macroeconomic policy framework. These programmes should focus on tackling the specific constraints and challenges faced by each group. And naturally, they must also support small and medium-sized enterprises because these businesses are where many of the most vulnerable workers, including youth and informal workers, typically find employment.

Tom: Now Gilad, can you highlight some approaches to policymaking, including macroeconomic policies, that prioritize people and focus on how to support sustainable, high-quality employment and advance objectives linked to rights and development? And in this context, do rights generally take a back seat in economic policymaking?

Gilad: Thanks very much. There's a diverse policy toolkit here, but it starts with what you mentioned at the end and what Sangheon spoke about, which is policy targets and policy coordination. Macroeconomic policy must overtly target objectives like employment, structural transformation, and rights realization. And absolutely, these things within the current frameworks do take a backseat. What is currently focused on is so-called macroeconomic stability, which is low debt, low inflation, low taxes, and so on. And with that stable environment, the market is expected to magically conjure up the employment opportunity.

So, the objectives that we've spoken about, employment, structural transformation and rights realization need to be placed at the heart of macro sectoral labour market, social and other policy areas as the first step. From there, one then sees a plethora of tools available. So, for instance, fiscal policy should support investment in high employment multiplier sectors. Expenditure switching policies like exchange rate management should manage the exchange rates or import-export tariffs in a manner which shifts demand to job-rich sectors.

Inflation combating policies shouldn't choke in investment in the economy and should rather try to expand the supply side to dampen inflationary pressures and so on. So, what we're looking for is a macro policy toolkit that simultaneously aims to expand the supply side of the economy and to spur demand in the economy in a way that advances structural transformation.

Tom: Thank you, Gilad. Final question, continuing with Gilad. What collaborative actions and initiatives are needed to work with partners to see those approaches implemented?

Gilad: What we've spoken about here is nothing short of transforming our approach to macro policy management. And that's no easy task given how entrenched the approach of securing sound macro fundamentals is. To achieve this, a whole range of social forces need to align. I fear that national treasuries worldwide might have to be brought to this point against their will, so to speak. But a constellation of more progressive actors, labour unions, economy ministries, international groups like the ILO, presidencies and so on are important to create the momentum needed. So, I think it's amongst these actors first where momentum needs to be generated and after that it can then be integrated at the heart of macro policy making.

Tom: Sangheon, over to you.

Sangheon: I think I completely agree with what Gilad has said. I'm probably going to a bit of reinforce his messages. Let me start with some clear messages here. In my view, no policy is employment-neutral. So, we often face a choice between policies that create decent job and those that do not. And when I talk about policies here, I mean all types of policies across all levels and also the importance of working on them in a coordinated and comprehensive way.

This is why actually we are always calling for a comprehensive employment policy framework. Of course, this is easier said than done, but a range of the conditions need to be in place to make it work effectively. So, one crucial element in that respect is dialogue and collaboration among all stakeholders, employers, workers, and all relevant government ministries. Closing the jobs gap is not the sole responsibility of the Ministry of Labour. It is the responsibility of the entire government. And both workers and employers must be actively involved in designing and implementing these frameworks.

For developing countries in particular, many of those countries actually rely on the international financial support. So, it is very, very important to build a strong partnership with international finance institutions to make sure that their financial and policy support is inclusive and promotes job-rich growth.

And just as importantly, we must work closely with the key national actors, especially think tanks like the Institute for Economic Justice. And in fact, what we have done today with the Gillard is a great example of how such collaboration can country contribute to this effort.

Tom: Sangheon, Gilad, thanks for those compelling answers. That's all we have time for today, but I want to thank both of you for sharing your valuable insights on this important, and highly complex issue.

There's no question that the world of work is being buffeted by strong winds of change. But as we said previously, risks and challenges may often lead to opportunities. So, let's hope these questions will be on the agenda of a number of high-level events this year aimed at accelerating progress towards implementing the 2030 Agenda for Sustainable Development.

I'm Tom Netter, and you've been listening to the ILO Employment Podcast Series, Global Challenges - Global Solutions. For more on this, go to www.ilo.org/employment.