



International
Labour
Organization

**Statement by Mr Gilbert F. Houngbo, Director-General, International
Labour Organization, to the joint World Bank-IMF Development
Committee**

Making productivity growth work for people

Executive Summary

- Headline labour market indicators have remained broadly stable, but this stability masks underlying fragilities. Shocks such as the spillovers from the conflict in the Middle East are being absorbed not only through unemployment, but also through weaker hiring, lower real incomes, persistent informality and deteriorating job quality and working conditions.
- Productivity gains are not reliably reaching workers. Globally, the gap between productivity and workers' incomes remains substantial, especially in low-income countries. While this gap narrowed for a time, further convergence has since been limited, and in high-income countries it has widened.
- Productivity growth itself has been weakest where it is most needed. Low-income countries continue to face large and persistent productivity gaps, limiting the scope for the sustained improvements in living standards and jobs.
- Market concentration may be one factor limiting the broad sharing of productivity gains. SMEs, where a large share of employment is concentrated, often face persistent productivity gaps and disadvantages in access to finance, technology and markets, while economic activity and capital are increasingly concentrated among a relatively small number of large firms, including in the technology sector. At the same time, limited worker bargaining power, weak collective bargaining coverage and labour market imbalances can constrain wage growth, particularly for women, young people and rural workers. Artificial intelligence could reinforce some of these dynamics, and in many developing countries the adjustment pressures associated with AI may emerge before its productivity benefits are fully realized.
- These imbalances are macro-critical. The prevalence of low-pay, low-productivity jobs can constrain skills development, domestic demand and the tax base, while leaving households more vulnerable to shocks. Where the gains from growth are not broadly shared, trust in institutions and social cohesion can also come under pressure, making sustained reform more difficult. Strong labour market institutions are therefore part of the foundations of resilient and inclusive growth.
- Policy can help ensure that the gains from economic transformation reach a wider share of society. Respect for rights at work, collective bargaining and adequate minimum wages, competition and labour market policies that widen workers' options, support for SMEs to access finance and technology, and sustainably financed social protection can all help translate productivity growth into higher and more widely distributed living standards, while preserving incentives for innovation and investment.
- The international financial institutions have an important role to play. The distribution of productivity gains, evolving market structures and job quality merit greater attention in macroeconomic analysis, policy advice and, where relevant, programme design. Greater attention to rights at work and labour market institutions can also help ensure that reforms strengthen, rather than weaken, the foundations of inclusive growth. The World Bank Group's renewed focus on jobs provides a real opportunity to support jobs that raise productivity, income and skills, and continued ILO–World Bank Group collaboration on jobs measurement and on integrating job quality into development metrics is a valuable step in this direction.
- Ultimately, economic stability and social justice are closely connected. Productivity growth that translates into better incomes, jobs that allow people to learn and advance, and institutions that give workers and enterprises a voice are important foundations for resilient economies and inclusive societies.

► The Global Outlook

Since the Spring Meetings, the spillovers from the conflict in the Middle East, through higher energy, food and fertilizer prices, shipping and supply-chain disruptions, and renewed inflationary pressures, have compounded an environment already marked by high public debt, trade fragmentation and constrained policy space.

As the ILO indicated in April, the labour market consequences of such shocks tend to unfold gradually and asymmetrically. Adjustment takes place not only through unemployment, but also through weaker hiring, falling real wages, rising informality and deteriorating working conditions. Headline unemployment rates can therefore remain stable even as the capacity of workers and enterprises to withstand further shocks erodes. The burden falls disproportionately on low-income households, informal and migrant workers, young people and MSMEs. Some 2.1 billion workers, around 58 per cent of the global workforce, remain in informal employment, and the gradual reduction in informality that has historically accompanied economic growth has stalled.¹

► Productivity and Its Distribution

Productivity growth is the foundation of rising living standards, but its benefits depend on where productivity gains occur and on how they are distributed between capital and labour, among enterprises, and among workers.

Global labour productivity has risen over the past two decades, but progress has been highly uneven. Productivity growth has been strongest in middle-income economies, driven to a significant extent by China and India, while many low-income countries continue to face large and persistent productivity gaps. Closing this gap requires sustained investment in infrastructure, skills and productive capacity, and the fiscal space and development finance to support it.

The stakes are high, because productivity growth remains a powerful driver of better livelihoods. But whether productivity gains translate into higher workers' incomes depends on how those gains are shared. Large inequalities in labour income persist in many economies, and the transmission of productivity gains into pay has weakened in some countries. Without appropriate policies, these patterns could become more entrenched as economies develop.²

► Market Concentration, SMEs and Artificial Intelligence

The weak transmission of productivity gains to workers reflects in part the distribution of employment across firms. A growing body of evidence, from high-income countries and increasingly from developing economies in Latin America and Asia, shows that where workers have limited employment options, labour market concentration and weaker bargaining conditions can constrain wage growth. New ILO analysis covering more than 40 countries also points to a relationship between employment concentration and wage inequality, with particularly important implications for developing economies. Women, young workers and rural workers tend to be more exposed, so these imbalances can compound existing

¹ International Labour Organization (ILO), Employment and social trends 2026: World of work series (Geneva, 2026), https://researchrepository.ilo.org/view/delivery/41ILO_INST/13147301370002676?bypassKey=492dd5a5-3f7a-45de-9fa7-2d91f07c5f19.

² ILO, World of Work 2027 (Geneva, forthcoming).

inequalities. Strong labour market institutions, including collective bargaining and adequately set minimum wages, can help mitigate these effects.³

The structure of enterprises matters as well. MSMEs account for a large share of employment worldwide, but often face persistent gaps in productivity and access to finance and technology. At the same time, economic activity and capital are becoming more concentrated among a relatively small number of large firms, including in the technology sector. This can make it harder for smaller firms and workers to share fully in productivity gains.⁴

Artificial intelligence could reinforce some of these dynamics. Around one quarter of global employment is in occupations exposed to generative AI, with higher exposure among women in high-income countries. The evidence so far suggests that AI is more likely to transform tasks and jobs than eliminate them on a large scale, but its benefits and adjustment costs may be unevenly distributed. The concentration of AI development among a small number of firms and countries could further widen existing gaps unless its productivity gains are broadly shared.⁵

In many developing countries, the adjustment pressures associated with AI may emerge before its productivity benefits are fully realized. Joint ILO–World Bank research shows that, in lower-income countries, many workers whose jobs could benefit from AI lack regular access to computers and reliable internet connectivity, while workers in the occupations most exposed to automation tend already to be connected. This means that disruptive effects may emerge faster than productivity gains, potentially widening inequalities within and between countries. Smaller enterprises may face similar constraints where access to finance, digital infrastructure and skills is limited. AI therefore holds real promise for productivity, but its gains need to be broadly shared across workers and enterprises, particularly MSMEs.⁶

► From Sharing Gains to Job Quality and Social Cohesion

Low-pay, low-productivity jobs may absorb surplus labour, but they can constrain skills development, domestic demand and the tax base, while leaving households more vulnerable to shocks. Workers are more likely to invest in new skills when these are rewarded through better pay, security and prospects, and first jobs shape young people's expectations and trust in the future. These concerns are becoming more important as technological change and AI reshape entry-level jobs and career pathways. Investing in job quality, skills, social protection and productive SMEs is therefore part of the macroeconomic case for growth.⁷

The consequences extend beyond economics. Where the gains from growth are not broadly shared, trust in institutions and social cohesion can come under pressure, making sustained reform more difficult. Effective institutions, the rule of law, respect for rights at work, representative employers' and workers' organizations and social dialogue are key to ensuring that workers and enterprises of all sizes can participate effectively in economic life and share in its gains.

International labour standards and rights at work are central to this relationship. ILO evidence indicates that declines in freedom of association and collective bargaining rights are associated with falling labour

³ Clemente Pignatti and Sévane Ananian, *Labour Market Concentration and Wage Inequality: A Cross-Country Descriptive Analysis* (ILO, 2026), <https://doi.org/10.54394/00033457>.

⁴ ILO, *World of Work 2027* (forthcoming).

⁵ ILO, *A moment of choice: Harnessing artificial intelligence for decent work*, Report of the Director-General, International Labour Conference, 114th Session, ILC.114/I(B) (Geneva, 2026).

⁶ ILO, *A moment of choice* (2026).

⁷ ILO, *A moment of choice* (2026).

income shares.⁸ Social protection plays a similar role: by reducing vulnerability and inequality and by investing in people, it builds their capacity to work, earn and take part in economic and social life.

► The Path Forward: Policies and Institutions for Shared Productivity Gains

These developments make labour market institutions and policies for fair and competitive markets more important than ever. Respect for international labour standards and rights at work, together with collective bargaining and adequate minimum wages, set through evidence-based processes and social dialogue, can strengthen the transmission of productivity gains into workers' incomes. Competition policies, measures that expand workers' employment options, and support that enables SMEs to access finance, skills and technology can help ensure that productivity gains are both generated and shared more broadly.

An enabling environment for sustainable enterprises is equally important. Closing the productivity gap of SMEs requires better access to finance, skills, management practices and technology, including fair access to digital platforms and AI tools. Skills development and lifelong learning are essential to help workers and enterprises adapt, but supply-side measures alone will not suffice: they must be matched by policies that support investment, productivity and the creation of decent jobs at scale, particularly in developing countries. A stronger and more productive SME sector can also broaden the tax base and support investment in social protection.

Macroeconomic and fiscal frameworks should preserve investment in social protection, skills and active labour market policies, even where shocks and high debt constrain budgets. Fair and progressive taxation and formalization can broaden the revenue base, while international tax cooperation will be critical to financing social protection as digitalization and AI put contributions and tax revenues under strain.⁹

The IMF has an important role to play. The distribution of productivity gains, evolving market structures and job quality are macro-critical: they shape growth potential, fiscal sustainability, the effectiveness of policy transmission and the social acceptability of reform. Giving these dimensions greater attention in macroeconomic analysis, policy advice and, where relevant, programme design, drawing on the expertise of the ILO and the social partners, would help ensure that stabilization and reform strengthen, rather than weaken, the foundations of inclusive growth.

The renewed focus on job quality across development finance, including at the World Bank Group, is a real opportunity. Indeed, development finance should aim at supporting jobs that raise productivity, improve incomes and prospects, build skills and strengthen workers' voice, and supporting the small and medium-sized firms where most people work. Continued collaboration between the ILO and the World Bank Group on improving jobs measurement and integrating job quality into development metrics is a valuable step toward more balanced and policy-relevant approaches to labour market performance.

The ILO was founded on the conviction that lasting peace must be built on social justice. This depends on how the gains from productivity and technological change are shared today. Productivity growth that translates into better incomes, jobs that allow people to learn and advance, and institutions that give workers and enterprises a voice are not secondary to economic growth and stability. They are among the important foundations of resilient economies and inclusive societies.

⁸ ILO, World of Work 2027 (forthcoming).

⁹ ILO, A moment of choice (2026).