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Jobs, growth and social justice

International Labour Organization

Background paper for the high-level tripartite panel discussion: "Job-rich growth and quality jobs"

This panel deals with two main pillars of sustainable economic growth: job-rich growth and quality jobs. It seeks to discuss concrete policy options from the different perspectives that Labour Ministers, Finance Ministers, the Social Partners and the European Commission can bring to bear.

Unemployment, labour market segmentation and the quality of jobs

Unemployment is on the rise in the majority of European countries and returning to the employment situation that prevailed before the global financial crisis is becoming an increasingly distant objective. In November 2012 unemployment in the EU was 2 million higher than one year previously. The situation of youth is particularly dramatic as almost one in four young people are jobless at present and in some Southern European countries this figure has even climbed to more than one in two.

The increase in unemployment is accompanied by a growing number of atypical forms of employment such as involuntary part-time, temporary and agency work as well as work in the low-wage sector with little prospect of climbing the career ladder. Already prior to the crisis, the incidence of atypical forms of employment - often less secure, less remunerated and less covered by social protection and collective bargaining vis-à-vis regular employment arrangements - was on the rise. Atypical forms of employment affect disproportionately youth, low-skilled persons, women with family responsibilities and migrants. Many workers accept such employment involuntarily because they cannot find regular employment. While sometimes atypical employment may serve as a stepping stone to regular employment, it has also been used by firms as a 'buffer' to adjust their employment levels to temporary demand shocks. The crisis has contributed to increasing labour market segmentation in European labour markets.

The crisis has further expanded informal employment, which is to some extent undeclared work aimed at reducing labour costs and escaping taxes. In less developed countries, informal employment may be part of a survival strategy of many households because of a lack of good formal/regular jobs.

These developments are accompanied by growing imbalances in wages that are in many countries lagging behind productivity growth. This discrepancy is mirrored by the longer term decline in the wage share in gross domestic product. The crisis has also reinforced long-term trends of low pay and poverty in the region. In 2011, 18.6 million people were experiencing "in-work" poverty in the EU-27 while in South-East and Eastern Europe and Central Asia, 8 million workers live below US$2 per day. Spending on occupational safety and health (OSH) measures has also been under pressure in many countries.

Decentralization of collective bargaining has accelerated during the crisis. And recent labour law reforms have weakened the role of social partners in negotiations on wages and working conditions as well as in the broader policy-making process. These patterns may aggravate observed trends in atypical employment and slow growth in real wages vis-à-vis productivity gains.

Policy options

The aforementioned developments highlight a need for job-friendly macroeconomic policies that also address the structural transformation and technological up-grading of the economy. In particular, there is a need for an environment for companies, particularly small and medium-sized enterprises (SMEs), that is conducive to investments in the real economy and thus helps boost job creation. This would in turn improve domestic demand and economic growth and contribute to expand public revenues for fiscal consolidation and further investments in effective active labour market policies.

With regard to maximizing fiscal revenues, the challenge of how to achieve the improvement of overall tax collection and the adoption of progressive taxation policies without negatively impacting on economic growth and competitiveness needs to be considered.

There is also a need to assist those in atypical forms of employment through better access to social protection, and more generally, to opt for increasing investment in relevant skills of workers to maintain and improve their employability. This implies supporting employment retention or company redeployment of otherwise redundant workers and expanding access of jobseekers to effective labour market policies facilitating their job placement. Finally, the role of collective bargaining, social dialogue and social partners in designing and implementing job-friendly macroeconomic policies, balanced wage policies, effective active labour market and social protection policies to reduce labour market segmentation and improve the quality of jobs for all vulnerable groups of workers needs to be considered. This also relates to the question of how to involve social partners in the processes of promoting the creation of formal and decent jobs, combating undeclared work and supporting the formalization of informal firms and informal work, and formulation and implementation of OSH legislation and policies.

Panellists may wish to discuss the following questions:

- What measures do you suggest to boost more and better jobs? What are the key factors for boosting job-rich, productive investment and macro-economic policies? What is the role of Social Partners in designing such policies?
- How should labour market segmentation and atypical forms of employment be addressed and the quality and security of employment improved? How could governments expand effective education, training and other active labour market policies for workers in low quality jobs as well as for jobless and discouraged persons to promote their labour market retention, skills upgrading and inclusion? How could undeclared work and informal employment be tackled? How should work related stress and psychological diseases be addressed?
- What are the most effective forms of social dialogue and collective bargaining in times of crisis? Can social dialogue strengthen the connection between wages and productivity?
- What do Labour Ministers expect from Finance Ministers in terms of creating an environment that is conducive to jobs? What options do Finance Ministers have in order to find or generate fiscal space for investments in the real economy? What is the role of tax policies in this regard?
- Where would you see the most important role for the ILO in enhancing employment performance in the region?