



International  
Labour  
Organization

# **Decent Work: A Catalyst for the Transformative Agenda**



# 1. Introduction

The theme for the ECOSOC Integration Segment for 2015 is “achieving sustainable development through employment creation and decent work for all”. The international community will discuss how a focus on the creation of decent work can be the catalyst that promotes the economic, social and environmental aspects of sustainable development.

Tackling these three dimensions of sustainable development simultaneously is essential. For some time it has been recognised that our global community no longer has the luxury to focus on economic growth today while attending to any environmental repercussions later. It is also accepted that in recent decades progress has been made in reducing global poverty and creating a sizable middle class. Yet the process of economic transition, and the raising of living standards in developing and emerging economies, remains very much a work in progress. Economic progress in these countries must be maintained while adopting ambitious policies to mitigate climate change and build more resilient communities, enterprises and workforces. Moreover, the legacy of the last few decades has also demonstrated we cannot assume that the benefits of economic growth will trickle down to all segments of society. Income inequalities continue to expand in the majority of countries and reversing these trends will require a stronger commitment to a living minimum wage, social protection and collective bargaining. Discrimination, exploitation and injustice remain at unacceptable levels in our societies and workplaces. We require a future build on human rights, the rule of law and international labour standards.

This background paper examines the reforms required to transform the global development trajectory to a more sustainable path. In particular this paper focuses on how developments in the world of world can help lead this transformative agenda and how employment and decent work will be impacted by a more sustainable development pattern. We begin by examining broad trends and challenges in each of the three components of sustainable development. This is followed by a discussion of the way forward, and in particular, the way in which focusing on the promotion of decent work can facilitate the achievement of our economic, environmental and social objectives.

## 2. The economic aspects of sustainable development

### 2.1 Recent developments pose new challenges

It is now seven years since the global financial crisis broke and the world economy remains precarious. In fact forecasts of global economic growth have recently been downgraded and there are realistic fears that we face a further prolonged period of mediocre global economic growth. If correct this will lead to a further deterioration in labour markets. In November 2014 G20 leaders reached the conclusion that:

“Raising global growth to deliver better living standards and quality jobs for people across the world is our highest priority.....The global economy is being held back by a shortfall in demand, while addressing supply constraints is key to lifting potential growth. Risks persist, including in financial markets and from geopolitical tensions.”<sup>1</sup>

The ILO has been warning about a slow growth trap for several years and, since mid- 2014, the danger that many advanced economies are moving towards a state of secular stagnation has strengthened. Recently, the IMF again revised down their forecast for global economic growth for both 2014 and 2015 and the IMF Managing Director warned of a “new mediocre”.<sup>2</sup>

While recent trends confirm that the United States economy and labour market are rebounding, Europe remains a major cause of concern. There has been no robust recovery in the Euro zone with real demand in mid-2014 still 5 % below where it was in the first quarter of 2008. A further deterioration is expected. The ECB has slashed its economic forecasts for growth in the Euro zone in 2015 to just 1.1 %, down from 1.7% just six months ago. The ECB cut their forecasts for 2015 GDP growth in France and Germany by roughly half. Growth is also slowing in several other large advanced economies, including Japan and the United Kingdom.

Among developing and emerging economies the economic outlook is more diverse. The United Nations has forecast that developing countries as a group will maintain reasonably robust economic growth rates of around 5 % in both 2015 and 2016. The least developed countries (LDCs) are expected to do somewhat better and achieve growth rates closer to 6 % this year and next.<sup>3</sup> However, there are some critical down-side-risks associated with these forecasts, including a sharper than expected slowdown in the major emerging economies.

This risk factor heightened in late 2014. Economic growth is now slowing significantly in China from the double digit rates achieved between 1980 and 2009. The slowdown can be traced to overcapacity in key industries, rising debt levels and a sharp slump in the property market. The economic deceleration is more pronounced in several other emerging and developing economies that have relied heavily on the export of commodities. For example, in both Brazil and Russia real output is expected to be virtually stagnant in 2014. Growth in many of the smaller emerging economies is also decelerating rapidly. For example, South Africa has recently reduced their estimate of growth in 2014 by nearly half and in Chile estimates of growth are down from almost 5 % a year ago to just 1.5 % in the third quarter of 2014.

1 G20 Leaders Communique, 15-16 November 2014.

2 IMF, World Economic Outlook, October 2014.

3 United Nations, “World economic situations and prospects 2015”, December 2014.

In these and other emerging economies, rapidly declining global prices for oil, iron ore, copper, cotton, coal and various agriculture products are having a major impact on export earnings and private investment. For example, global oil prices fell by over 40 % in the second half of 2014 and iron ore prices declined by well over 50 % during 2014. Future trends in commodity prices are difficult to predict but several respected economic institutions are forecasting further declines in global commodity prices in the short to medium term. In theory declining commodity prices should eventually help boost consumption and growth in countries that need to import these products. This includes some very large and influential economies like India, China, Turkey and Japan. Declining commodity prices should also be reflected in lower inflation which may encourage policy makers to adopt more expansionary monetary and fiscal policies. So far however, there is limited evidence of these potentially positive factors feeding through into faster economic or employment growth.

This is probably because the end of the "commodity supercycle" is not the only factor depressing growth in emerging economies. Economic uncertainty was initially triggered by the return to more orthodox monetary policy in the United States and the implications this has for global liquidity. Geopolitical factors in Eastern Europe and the Middle East compound the sense of uncertainty and weigh heavily on investment. Moreover in several emerging economies, currencies depreciated sharply in late 2014. This will have an adverse impact on the repayments of dollar denominated debt in both public and private sectors, with negative consequences for profits and expected investment.

Against this background some of the key economic agencies in the world are once again revising their advice and policies. For example, the European Central Bank (ECB) has announced its intention to follow the path of other key central banks and use monetary policy in less orthodox ways to help fight the threat of deflation. The Bank of Japan, which had pioneered this approach among advanced economies, recently expanded its bond buying activities, which will in turn allow the government pension fund in Japan to dramatically expand their investment in equities. This represents a renewed effort to expand demand and achieve modest inflation in Japan. Many observers would argue that such moves need to be complemented by more aggressive measures to boost aggregate demand. This could take the form of increased government expenditure in economies that do not face chronic public debt levels and by boosting incomes for the low paid who are most likely to spend, rather than save, any gains.

Meanwhile, staff at the International Monetary Fund (IMF) recently joined others in calling for a substantial increase in public financed infrastructure expenditure in various advanced and emerging economies. The European Commission have also supported a move in this direction and have announced new measures to boost public investment and leverage additional private investment in infrastructure. Whether or not the planned investment levels in Europe are adequate remains a moot point. The OECD has also recently urged more flexibility with fiscal policy in order to facilitate infrastructure investment.

The protagonists for an expansion of efficient public infrastructure point out that many governments are currently able to borrow long-term at exceptionally low interest rates and improvements in infrastructure will help raise potential long run economic growth. Public investment has the potential therefore to reduce rather than increasing long run public debt. Moreover, increased public investment will boost jobs and consumer spending in the short term when we face rising unemployment and the possibility of deflation. The fact that IMF staff, who are normally cautious about expansionary fiscal policy, have added their voices to those calling for a pick-up in infrastructure investment may help generate momentum in this direction. Other influential voices, who are also normally considered fiscally conservative, have called for changes in rules governing national fiscal discipline to facilitate long term investments in infrastructure.

## 2.2 Longer term trends were more positive

The very recent slowdown in emerging economies represents a stark reversal of past trends. Emerging economies and many developing economies had been the main engines of global growth in the last few decades. Recent ILO research has highlighted the process of productive transformation that has been underway in developing countries over the last few decades and progress towards economic convergence.<sup>4</sup> Over the 32 year period from 1980 to 2011 average per capita income in developing countries increased by 3.3 % per annum. The comparable growth rate among advanced economies was 1.8 % for the same period.

Among the developing countries there are wide variations in growth rates over time and between groups of countries at different income levels. Table 1 shows GDP per capita annual growth rates for the 1980s, 1990s and 2000s for advanced and developing economies plus three sub sets of developing economies. The slowdown in average annual growth rates among the advanced economies over time is stark: declining from 2.6 % in the 1980s to 0.8 % in the 2000s. The opposite trend is evident for the less developed economies, lower middle income countries and the emerging economies. Of particular note are the relatively rapid growth rates achieved by all three categories of developing economies in the 2000s.

**Table 1. GDP per capita annual growth rate, periode average (per cent per annum)**

	1980-89	1990-99	2000-11
Advanced economies	2.6	1.8	0.8
Developing countries	1.6	3.2	5.0
LDCs <sup>1</sup>	-0.1	0.3	3.6
LMIs <sup>2</sup>	2.4	2.6	4.5
EEs <sup>3</sup>	1.7	3.7	5.5
Non-extractive reliant	LDCs	0	1.5
	LMIs	1.8	2.5
	EEs	1.9	3.4
Extractive reliant	LDCs	-0.4	-1.3
	LMIs	1.1	1.5
	EEs	-0.2	1.7

1 Data missing for: Afganistan, Cambodia, Djibouti, Eritrea, Guinea-Bissau, Liberia, Mauritania, Myanmar, Sao Tome and Principe, South Sudan, Timor-Leste, Tuvalu, Yemen

2 Data missing for: Armenia, Georgia, Iraq, Kosovo (as defined in United Nation Security Council Resolution No. 1244 of 1999) Kyrgystan, Marshall Islands, Micronesia Federal States, Moldova, Syrian Arabic Republic, Tajikistan, Ukraine, Uzbekistan, Zimbabwe.

3 Data missing for: Azerbaijan, Belarus, Bosnia and Herzegovina, Gabon, Kazakhstan, Latvia, Lithuania, Montenegro, Namibia, Russian Federation, Serbia, The former Yugoslav, Republic of Macedonia, Turkmenistan.

Source: ILO Research Department calculation based on World Bank, *World Development Indicators 2013*.

4 ILO, World of Work Report, 2014.

Moreover, as can be seen from Table 2 the impact of the global economic crisis on average growth rates among the lower middle income countries and the emerging economies was muted in the first five years after the global economic crisis, whereas the advanced economies and to a lesser degree the less developed economies bore the brunt of the global slowdown. Research by the ILO has helped confirm that an expansion in the manufacturing sector was one important factor explaining faster economic growth in many of the emerging economies and lower middle income countries over the last two decades. Progress towards economic convergence was therefore not merely a product of the commodities boom although, among the less developed economies, the expansion of the extractive sector was a key driver of growth in the 2000s.

**Table 2. GDP per capita annual growth rate, before and after the economic crisis (per cent per annum)**

	2000-07	2008-12
Advanced economies	1.5	-0.1
Developing countries	4.9	4.4
LDCs <sup>1</sup>	3.4	2.2
LMIs <sup>2</sup>	4.5	4.4
EEs <sup>3</sup>	5.4	4.9

1 Data missing for: Afghanistan, Cambodia, Djibouti, Eritrea, Guinea-Bissau, Liberia, Mauritania, Myanmar, Sao Tome and Principe, South Sudan, Timor-Leste, Tuvalu, Yemen

2 Data missing for: Armenia, Georgia, Iraq, Kosovo (as defined in United Nation Security Council Resolution No. 1244 of 1999) Kyrgyzstan, Marshall Islands, Micronesia Federal States, Moldova, Syrian Arabic Republic, Tajikistan, Ukraine, Uzbekistan, Zimbabwe.

3 Data missing for: Azerbaijan, Belarus, Bosnia and Herzegovina, Gabon, Kazakhstan, Latvia, Lithuania, Montenegro, Namibia, Russian Federation, Serbia, The former Yugoslav, Republic of Macedonia, Turkmenistan.

Source: ILO Research Department calculation based on World Bank, *World Development Indicators 2013*.

However, as suggested above there are now legitimate concerns about the economic outlook in several of the large emerging. If this slowdown proves enduring and spreads further, it will call into question the limited progress made towards sustainable development on the economic and social fronts in the last few decades.

## 2.3 Long term labour market trends were mixed

Reasonably robust economic growth in many emerging and developing countries led to some positive labour market developments in recent decades. Nevertheless significant challenges remain. Globally there are now well over 200 million people unemployed and this number will continue to rise for several more years. Over the next 5 years, the ILO estimates that an additional 213 million people will join the global labour market, with roughly 200 million of these people living in developing countries. As a result the ILO is forecasting further increases in global unemployment in the next few years.

As always young people face the brunt of the labour market crisis. Today around 75 million young people (aged 15 to 24) are unemployed. But the fact that the youth-to-adult unemployment ratio has reached an historic peak would suggest that the challenges confronting young job seekers have never been so great. Youth unemployment is particularly severe in the Middle East and North Africa, as well as in parts of Latin America, the Caribbean and Southern Europe.

However, generally speaking, employment and unemployed figures are of limited use in assessing labour market trends in developing countries. In circumstances where there is little social protection or other income transfers, people must engage in some economic activities just to survive. Consequently,

in developing countries aggregate employment levels tend to reflect demographic and labour force participation trends, rather than economic demand. Instead, the type of work performed and the income and working conditions attached to economic activities are what really matters in assessing employment performance in developing countries.

Wage and salaried employment (or dependent employment) has long been the norm in advanced economies with roughly 80 % to 90 % of all employment taking this form. The situation is vastly different in countries at lower levels of economic development, where the informal economy and agriculture activities play a far more significant role. However the process of gradual economic transformation over the last few decades had a positive impact on the composition of employment in many developing countries. Table 3 shows changes in different types of employment between 1991 and 2013 for groups of countries at different levels of development. It is evident that there were significant increases in the share of wage and salary workers in total employment in the less developed countries, lower middle income countries and the emerging economies. In the emerging economies, wage and salary workers now represent nearly 60 % of all employment.

**Table 3. Share of employment by status**

Shares of status in total employment (%) - total										
	1991					2013*				
	Wage and salaried workers	Employers	Own-account workers	Contributing family workers	Vulnerable employment	Wage and salaried workers	Employers	Own-account workers	Contributing family workers	Vulnerable employment
AEs	82.3	3.9	10.8	3.1	13.9	86.3	3.6	9.0	1.0	10.0
DCs	32.7	2.4	35.6	29.3	64.9	42.6	2.0	40.5	14.9	55.4
LDCs	13.0	1.0	45.0	41.0	86.0	18.0	1.2	53.2	27.6	80.8
LMIs	26.4	2.5	48.6	22.5	71.1	31.7	2.1	50.5	15.7	66.2
EEs	41.0	2.7	25.0	31.4	56.3	58.2	2.2	29.0	10.6	39.6

Note p = projection

Source: ILO, *Trends Econometric Models*, October 2013.

Table 3 also shows long term trends in vulnerable employment for groups of countries at different levels of development.<sup>5</sup> To some extent vulnerable employment is the flip side of wage and salary employment, because workers who cannot secure wage employment often end up accepting to be self-employed or unpaid family workers. Workers in such situations are often trapped in a vicious circle of low productivity jobs, poor remuneration and limited ability to invest in the health and education of their children. This inhibits the ability of subsequent generations to move up the economic ladder.

The ILO estimates that around 55 % of all workers in developing countries were engaged in vulnerable employment in 2013. This is down from around 65 % in 1991 and to a large degree reflects the expansion in the manufacturing and extractive sectors mentioned above. Nevertheless the share of vulnerable employment remains excessive and varies from over 80 % in the less developed economies to around 40 % in emerging economies. UNCTAD has recently highlighted the inability of less developed economies to translate robust economic growth “into structural transformation of their economies and a higher proportion of good quality jobs”.<sup>6</sup>

<sup>5</sup> For the purposes of the Millennium Development Goals the ILO proposed and monitored several indicators of job quality. Two of these were the share of working poor and the share of workers in vulnerable employment. The working poor provide a headcount of the proportion of workers living below the US \$ 1.25 poverty line. Vulnerable employment gives a headcount of the working population judged to be greater risk of weak and unreliable incomes. Two categories of employment fall into the vulnerable definition: contribution family members and self-employed.

<sup>6</sup> UNCTAD, *Least Developed Countries Report*, 2014.



As workers transition from vulnerable employment to wage employment their incomes and consumption patterns will change. However this may not necessarily be detrimental for the environment. Particularly in the least developing countries the vast majority of vulnerable workers are engaged in the land based economy which is associated with high carbon emissions. Consequently the transition to high value production and better paying jobs for the poor does not have to result in increased greenhouse emissions.

There remain significant challenges in promoting decent work. A decent job will provide a living wage or remuneration that covers basic necessities, including health and education. It will also include social protection and fundamental labour rights. While it would be wrong to equate all wage and salary employment with decent work, there is no doubt that the move from vulnerable employment to wage employment represents a step in the right direction.

This progress needs to be accelerated. But recent events suggest that the development model and the drivers of growth may need to change. Declining trends in at least some commodity prices may be more than transitory, particularly if promises to cut greenhouse gas emissions and expand renewable energy sources are honoured. This would mean that developing countries will need to rely even less on extractive industries to drive economic and employment growth. This in turn would entail placing greater reliance on expanding manufacturing jobs and upgrading productivity and value added production in parts of the agriculture sector and informal economy. A move in this direction would have significant implications for policies in fields as diverse as international trade, foreign direct investment, technology transfer and financing for development.

## 3. The environmental aspects of sustainable development

### 3.1 A multitude of environmental challenges

We face a range of urgent and complex environmental challenges. Escalating natural resource use and pollution are compounding the existing scarcity of fresh water and fertile land and accelerating the loss of biodiversity and climate change beyond manageable levels. Not only is the situation environmentally unsustainable, it has substantial economic and social costs.<sup>7</sup>

In the absence of increased efficiency, reuse and recycling, global waste volumes will continue to rise rapidly, adding to the pollution of soil, water and air. The World Bank has estimated that the world will produce 2.2 billion tonnes of waste by 2025, almost double the amount produced today.<sup>8</sup> Fresh water is already scarce in many parts of the world and the OECD predicts an additional 2.3 billion people will be living in areas experiencing severe water stress by 2050.<sup>9</sup> Water shortages will hinder the growth of many economic activities and greatly exacerbate food insecurity. The wealth of plant and animal species provides the basis for food production and raw materials for a host of commodities and products. Several hundred million people depend on forests, marine and coastal biodiversity for their livelihoods. However up to 30 % of all mammals, bird and amphibian species will be threatened by extinction this century.

One of the most serious global threats, and the one which exacerbates other environmental concerns like water scarcity and biodiversity loss, is climate change. Climate change is primarily caused by increased concentrations of greenhouse gases in the atmosphere arising from the burning of fossil fuels, and biomass, animal husbandry, rice field irrigation and use of nitrogenous fertilizers. The United Nations Intergovernmental Panel on Climate Change (IPCC) recently issued its strongest warning so far about climate change, arguing that:

“Continued emissions of greenhouse gases will cause further warming and long-lasting changes in all components of the climate system, increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems”.

The IPCC Report confirmed that a continuation of current trends in carbon emissions would have profound economic and social implications:

“Reverse generations of progress in reducing poverty, greatly exacerbate food scarcity and water shortages, add to existing refugee crisis, lead to the flooding of major cities and entire island nations, cause the mass extinction of plants and animals”.

The next twelve months will provide global leaders with several opportunities to demonstrate that they have understood the severity of this warning and they can reach a political consensus about the concrete action and required resources to save our planet.<sup>10</sup> In fact negotiations are already well advanced over binding targets for reductions in carbon emissions, the share of energy derived from

7 ILO, “Sustainable development, decent work and green jobs”, 2013.

8 World Bank, “What a waste: a global review of solid waste management”, 2012.

9 OECD, “Environmental outlook to 2050: the consequences of inaction”, 2012.

10 These opportunities start with the Third United Nations Conference on Disaster Risk Reduction (WCDRR) in March 2015. The International Conference on Financing for Development in Addis Ababa in July 2015 will also be important. As will the prep meetings leading up to global climate change summit scheduled for Paris in late 2015.

renewable sources and energy efficiency improvements, as well as the mechanisms for fairly sharing the burden of these adjustments.

For example, prior to preliminary climate change negotiations in Lima in December 2014, European Union leaders recently announced agreement on their joint position for the Paris negotiations. They agreed to a target of reducing carbon emissions in the European Union by at least 40 % over their 1990 levels by 2030. They have also agreed non-binding targets of 27 % for the share of renewable energy in total energy use and for an increase energy efficiency of the same magnitude. Shortly thereafter, the United States and China jointly announced new national targets. China, which is the biggest producer of greenhouse gases in the world in absolute terms, agreed to cap its emissions by 2030 and ensure that 20% of its energy is derived from sources that do not emit greenhouse gases by the same date. The United States has pledged to cut its emissions by 26% to 28% below levels recorded in 2005 by 2025. It is estimated that the commitment by the United States would entail doubling the pace at which carbon emissions are currently expected to fall. These recent announcements are likely to increase pressure on other governments who have been reluctant to commit to ambitious targets or policies for mitigating climate change.

### **3.2 Tackling climate change and the link to current economic trends**

In global negotiations about climate change some of the most difficult discussions focus on how to finance investments in climate change mitigation and adaption. Estimates about the cost of required renewable energy sources or energy efficiency measures vary widely. But no one contests the fact that substantial investments are required and this may imply redirecting resources from other uses. There is also widespread agreement that urgent investments now on mitigation will reduce the financial and social costs of adaption later and, most importantly, this reduces the risk of a catastrophic climate event. There is also consensus on the need for universal action on climate change; albeit not necessarily uniform action by all countries. There is also agreement that this requires international solidarity to support developing countries meet the cost of mitigation measures. The United Nations Green Climate Fund is one potentially important means of ensuring financial support for mitigation measures in developing countries. At the time of writing pledges to this Fund stood at around ten billion dollars, which remains well short of the one hundred billion dollar target.

In Section 2 it was suggested that there is an emerging consensus among key economic institutions about the merits of increased public investment, particularly on physical infrastructure. There are many good candidates if fiscal space was found for increased public expenditure. But additional investment in renewable energy sources should be high on the list. In the last few years several advanced economies and some emerging economies, like China and Brazil, have invested heavily in existing technology for renewable energy. For example, in 2013 alone, China doubled its solar energy capacity and expanded wind energy use by 40 %. More countries need to urgently follow this lead. For many developing countries this will only be possible if additional financial assistance and technology transfers are forthcoming. It will be imperative to ensure that the recent decline in oil and other commodities prices do not reduce the incentive for research, development and implementation of renewable energy sources.

Improving energy efficient through, for example, better public transport systems, better design of new buildings and retrofitting of older buildings should also be high on the list of new public investment options. It will also be important that the physical infrastructure we construct and the technology we employ encourages lower carbon consumption patterns. According to the recent IPCC report less than 400 billion US dollars per year are currently being spent globally to reduce carbon emissions.

This remains a small fraction of the revenue being invested in the extraction and search for new fossil fuels.

Even if we are successful in immediately reducing, and eventually eliminating, future greenhouse emissions in line with the consensus that has emerged in the scientific community, the legacy of our actions since the industrial revolution means that we will have to adapt to a significantly warmer world with more regular and severe natural disasters. This includes flooding, drought, heat waves, cyclones, wildfires and landslides. There is significant scope to expand employment, particularly in less developed countries, as we adapt our communities to cope with these adverse circumstances. For example, investments in soil and water conservation, land rehabilitation, sustainable community forestry, better fire management and improving rural access will all create jobs.

Other forms of infrastructure required to make communities more resilient to natural disasters include the construction of retaining walls, terracing in rural areas, drainage systems and improved sewerage systems in flood prone areas plus the infrastructure required for water harvesting in drought regions. There is also massive scope for strengthening existing critical infrastructure like roads, bridges, ports and public buildings so they have a better chance of surviving in areas subjected to earth quakes or other natural disasters. The humanitarian, economic and social costs associated with natural disasters make investments of this nature critical for sustainable development.

At least some of the infrastructure mentioned above can be constructed using labour intensive techniques that are more environmentally friendly and cost effective than capital intensive techniques. The ILO has over 40 years' experience in developing and promoting such techniques. In fact, taken together increased public and private investment on climate change mitigation and adaption has the potential to generate a significant expansion of good quality green jobs. This can offset job reductions in sectors that need to be curtailed to significantly cut emissions.

### 3.3 Climate change and the labour market

Estimating the economic impact of climate change mitigation is very complex and depends on a number of critical assumptions. However, the recent IPCC report calculated that adopting efficient policies to keep global warming within the target that that science profession and global leaders have agreed upon ( 2 degrees C relative to average pre-industrial temperatures) would entail losses in global consumption of between 1% and 4 % by 2030 and between 3% and 11 % by 2100. Putting this in perspective, at least one highly respected economist has suggested that this represents an economic costs less than the advanced economies have incurred due to the last global financial crisis.<sup>11</sup>

However, the net impact on jobs can still be positive even if the required cuts in emissions have a very slight negative impact on economic growth. This is partly because the sectors of the economy that need to be reduced to cut emissions are very capital intensive and contribute far less to employment than to GDP. On the other hand, many of the areas that require expansion to mitigate climate change and adapt our societies to cope with a warmer planet are more labour intensive. A recent ILO review of 24 empirical studies examining the net employment impact of environmental policy measures related to climate change suggested gains to total employment in the range of 0.5% to 2%.<sup>12</sup> The positive employment effects also depend on the implementation of various labour and social policies that are required to complement environmental reform. For example, in the above study the positive

<sup>11</sup> Martin Wolf, "An unethical bet in the climate casino", Financial Times, 12 November, 2014.

<sup>12</sup> ILO, "Sustainable development, decent work and green jobs", 2013.

employment effects were partly the result of using public revenue from taxes on carbon or an emissions trading system to reduce taxes on employment.<sup>13</sup>

When altering the mix of taxes attention must also be paid to the impact on income distribution. Taxes on energy tend to be regressive given that poor families spend a high proportion of their incomes on fuel and electricity. This is why governments in many developing countries have traditionally subsidised energy consumption although it is recognised that such measures are not well targeted on the poor. Given that the price of oil declined by over 40 % in the second half of 2014, and the price of other fossil fuels have also fallen, a few governments have decided this is an opportune time to reduce or remove subsidies on fossil fuels. India is one country that has recently moved in this direction.

Cutting subsidies may be desirable for sustainable development if it offsets the incentive to expand fossil fuel usage as prices fall, and particularly, if the fiscal savings from cutting subsidies are reinvested in job creation. But complementary measures are also required to protect the living standards of the poor. In particular, higher fuel costs for the poor can be offset through increased minimum wages and ensuring their application in the informal sector plus through greater support for collective bargaining.

While in the longer term the employment impact of climate mitigation may be positive the transition to a low carbon employment base will not be smooth and the costs are unevenly spread. Workers in a few sectors including: fossil fuelled power supply, transportation, forestry and parts of agriculture, mining and several resource intensive manufacturing industries carry the burden of adjustment in the transition. When workers act in concert with investors and management from these industries they constitute a powerful political block to climate change mitigation policies.

Policies that provide decent work for all are therefore essential to secure the political and social acceptance of the required economic transformation to a green economy. This must start with concerted social dialogue around a detailed analysis of the required shifts in the economic and employment structure. While climate mitigation may well entail the loss of some relatively well paid jobs in particular sectors it also opens up opportunities for new jobs in industries that generate renewable energy, improving energy efficiency and also in activities that are necessary to adapt our societies to more frequent and extreme weather patterns. The ILO has assisted a number of countries prepare an analysis of the opportunities to expand “green jobs” and the types of policies and incentives, including tax credits, subsidies and regulatory reforms that are required to realise these job opportunities.

Having identified the job opportunities, a firm commitment of resources for reskilling, labour mobility and adjustment are then required. In most countries active labour market policies receive insufficient resources despite high levels of unemployment and underemployment. Demands for fiscal austerity and pressure to reduce taxes mean that budgets for retraining, job search assistance, public employment schemes and related policies are restricted. Mitigation and adaptation to climate change represent major additional challenges for labour market policies and this will require a significant rethink of fiscal policy and funding priorities.

But even with the best labour market policies, periods of unemployment for some workers are unavoidable in the transition to a low carbon economy. So a well-resourced social welfare system, which includes support for the unemployed, is required to facilitate job search and income security. Developed and middle income economies can afford well-resourced unemployment benefit schemes which will assist labour mobility and provide income security to those adversely impacted by the structural changes required for ambitious climate mitigation. In less developed economies the fiscal space must be found for a national social protection floor that provides basic support.

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13 ILO, “World of work: The global jobs crisis and beyond”, 2009.

Climate change mitigation also requires major efforts to stop deforestation and forest degradation. Put simply, trees capture carbon and this carbon is released back into the atmosphere when forests are destroyed. Brazil, the Democratic Republic of the Congo, Indonesia and the Solomon Islands are among the countries with the largest rain forests in the world. Some of the factors driving deforestation include the desire for economic development, reliance on natural resources, the strong demand for timber and related products and the activities of mining companies.

But other factors including political corruption, poor governance and unclear land tenure also play a role. For people in remote rural areas of developing and emerging economies, particularly forest dependent households, land rights are critical factors determining living standards. Generally speaking, robust economic growth in recent decades has not led to greater security for such communities who derive their livelihoods from the land based economy. On the contrary in several countries land rights for the rural poor are increasingly threatened by capital rich stakeholders who wish to exploit the extraction of fossil fuels or other commodities located in such areas. Ensuring that local communities retain their land rights and providing them with a sustainable means of making a livelihood will curb deforestation and making a valuable contribution to climate change mitigation.

Populations will be more resilient to the inevitable impact of climate change if they have access to decent work. People with jobs that provide adequate incomes will be healthier and will live in better built dwellings hopefully away from areas prone to flooding or other natural disasters. The poor are unlikely to have insurance or the savings required to rapidly re-establish their economic activities and livelihoods in the aftermath of a natural disaster. Ensuring that all workers have had access to a living wage and a social protection floor should be a key part of building resilience to the effects of climate change.

## 4. The social aspects of sustainable development

The UN Secretary General recently noted:

“Today’s world is a troubled world; one in turmoil and turbulence, with no shortage of painful political upheavals.”<sup>14</sup>

The sense of global instability can be attributed in part to critical geopolitical tensions in several regions and a major global health crisis. As of December 2014 there were over 16,000 cases of Ebola reported in West Africa. The outbreak is starting to have important economic and social implications in the wider African region as tourist levels decline and capital outflows intensify.

But social tensions are elevated in many other parts of the world due to high and persistent unemployment or underemployment. Vast sections of the global population remain without any social protection. Income and wealth inequality continues to widen in the majority of countries. All these trends exacerbate social exclusion and are reflected in increased hostility towards migrant workers and other forms of discrimination against minority groups. This is true even in countries where aggregate income levels have increased significantly in the last few decades and absolute poverty has declined.

### 4.1 Progress on poverty reduction but income inequality widens

In the last few decades significant progress has been made in reducing absolute poverty. Nevertheless there are still 839 million workers in developing countries (or 27% of global employment) who are unable to earn enough to lift themselves and their families above the US 2 dollar a day poverty threshold. Moreover, the pace at which we are reducing extreme poverty has slowed in recent years, and if the global economy endures a further prolonged period of slow and uneven economic growth, this will continue to retard progress on eliminating absolute poverty. Indeed, it is possible that previous progress may be foregone. At present there is a danger that environmental degradation could reverse the hard won gains in development and poverty reduction from recent decades. As the recent IPCC Report argued:

“Throughout the 21<sup>st</sup> century, climate-change impacts are projected to slow down economic growth, make poverty reduction more difficult, further erode food security, and prolong existing and create new poverty traps.”

Although there has been some convergence between average incomes levels in rich and poor countries in the last few decades, income and wealth inequality within many countries has continued to expand. For ordinary workers and the poor, perceptions of fairness and social cohesion are more often based on local rather than global comparisons. As such widening income and wealth differentials within countries can be a source of social tensions with important political implications.

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14 United Nations, “The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet”, Synthesis Report of the Secretary- General on the post-2015 Agenda.

There are various ways to assess income and wealth inequality within a country. Recent ILO research examines wage and salary differentials between those in the top ten per cent of the income distribution and the bottom ten per cent of this the spectrum.<sup>15</sup> In the decade prior to the global economic crisis this differential widened in the majority of developed economies. These trends are well documented. But data limitations mean that often less attention is paid to trends in emerging and developing countries. In fact the wage differential between those in the top and bottom 10 % of the wage distribution is much greater in middle income and less developed economies than in the advanced economies.

For example, in Indonesia those in the top decile of the wage distribution have wages and salaries that are almost 16 times greater than those in the bottom 10 % of the distribution. But there are some regions and countries where progress in reducing income inequality has been recorded. For example, there were several countries from Latin America (including Brazil, Mexico and Venezuela) that bucked the prevailing global trend and reduced this wage differential in the last two decades. Many observers have attributed these trends to improving labour market institutions including improved labour inspection systems and social protection floors.<sup>16</sup>

Trends in wage differentials do not tell the full story by a long stretch. First, the explosion in top incomes is confined to a small elite and by examining the top 10 % of the distribution we fail to capture the real spike in wages and salaries among the top 1%. Second, wages and salaries paid to those at the top end of the distribution are often only a small component of their overall wealth. In countries at all levels of economic development the incomes and wealth of the very rich also depend on rents, dividends and other income streams derived from family assets. It is the growth in these non-wage components of total income that have rapidly boosted the incomes and wealth of the well off in recent decades.

Meanwhile ordinary workers outside the elite and executive ranks have no similar entitlements. This is most obvious for the vast majority of people in the developing world who survive by engaging in informal economic activities or accepting unpaid or casual work in the agriculture sector. In middle income and less developed economies the income differential between rural and urban communities can often be extreme. The poor in rural and remote areas have minimal chances of finding wage employment and consequently have little choice but to exploit natural resources in order to meet their immediate needs. This has often undermined the sustainability of livelihoods and landscapes in the medium to longer term.

In recent decades wage restraint has not been confined to the advanced economies that have faced economic crisis or slow growth. The ILO reports that growth in average real wages has been severely constrained in most regions of the world over the last five years, despite the fact that emerging and developing countries were the main engines of global growth through this period.<sup>17</sup> One important factor explaining stagnant wage levels for those in the bottom half of the distribution is the rapid expansion of contract work, agency work and other precarious forms of employment.<sup>18</sup> The result is a significant global expansion in the proportion of low paid work.

15 ILO, Global Wage Report 2013/14 and 2014/15. (forthcoming).

16 Janine Berg, "Laws or Luck? Understanding rising formality in Brazil in the 2000s", ILO.

17 ILO (2012) Global Wage Report 2012/2013, Geneva, pp. iv-v.

18 ILO, Report to the expert meeting on non-standard forms of work, forthcoming.



## 4.2 Declining wage shares

One way of looking at this issue is by reviewing trends in what economists call the 'functional distribution of income'. In essence this entails breaking down total income for a country into the component that goes to capital in the form of profits, and that which goes to all forms of labour in the form of wages and benefits. The latter of course includes the wages and bonuses of the top executives which tend to inflate the total wage share. Declining wage shares have not been confined to advanced economies. Comprehensive data for all developing and emerging countries is not available but ILO research shows declining wage shares in a range of key emerging economies (China, South Africa and Mexico) and similar trends in a range of smaller developing economies. In China, for example, real wages have increased very rapidly in the last decade but still not at a pace that reflected improvements in productivity or GDP growth.

Overall the ILO confirmed that the trend of declining wage shares was common across most emerging and developing economies. In fact since 1990 the wage share had fallen in three quarters of the 69 countries for which data are available. On average Asia saw the wage share decline by 20 percentage points since 1994 and Africa by 15 percentage points since 1990. In both regions the fall was sharpest in the 2000s. In North Africa the wage share fell by 30 percentage points since 2000.<sup>19</sup>

Relatively robust economic growth, declining poverty and the expansion in wage employment in the developing world has had some important social ramifications. For example, since 2000 the ILO has been providing estimates of global progress on the reduction of child labour. Over the period 2000 to 2012 the number of children working in the world fell by about one third; down from 246 million to 168 million children. Progress in reducing the number of girls in work was particularly pronounced, with a reduction of around 40 % recorded over the 12 year period. Despite this, further progress in the elimination of child labour is urgently required.

## 4.3 Some progress on social protection but major gaps remain

Social protection is a crucial instrument in reducing and preventing poverty and social exclusion, containing income inequality, and in ensuring access to health care. In fact, social protection policies are one of the key mechanisms that can help to share the benefits of economic growth more widely; potentially delivering much faster results than those expected from the "trickle-down" effects of economic policies.<sup>20</sup> It is now widely accepted that social protection contributes to food security and the reduction of hunger, supports positive health and education outcomes, enables people to accept more economic risks, facilitates the search for jobs matching individual skills, stabilizes aggregate consumption and can support the conservation of environmental assets and resources in poor communities.

A number of emerging and middle income countries have also made substantial progress in providing social protection for their populations. China, for example, has achieved nearly universal coverage of pensions and Brazil has also expanded social protection coverage significantly.<sup>21</sup> Nevertheless only 27 % of the global population enjoy access to comprehensive social security systems.<sup>22</sup> Globally, 39 per cent of the population remains without any right to coverage in health, and more than 90 per cent

19 ILO (2011) World of Work Report 2011 – Making markets work for jobs, Geneva, p. 56.

20 ILO, World Social Protection Report 2014/15.

21 ILO, World Social Protection Report 2014/15.

22 ILO, World Social Protection Report 2014/15.

of the population in low income countries. Only 34 per cent of the global labour force is covered for employment injury through mandatory social insurance, only 40 per cent of women in employment are covered under mandatory cash benefit schemes, and 48 per cent of older persons do not receive a pension.<sup>23</sup>

Expenditure on social protection remains inadequate in most of the developing world. For example, on average at global level, governments allocate 0.4 % of GDP to child and family benefits, ranging from 2.2 % in Western Europe to 0.2 % in Africa, Asia and the Pacific. In last few years much attention has been devoted to building social protection floors as part of comprehensive social protection systems. Yet in much of the world debate and political commitment has not been matched by financial resources and implementation. Given that social protection can contribute powerfully to reducing poverty, exclusion and inequality, to boost aggregate demand, to support productive employment, to enhancing political stability and social cohesion, rapid progress towards a global social protection floor is urgently required.

#### **4.4 Compliance with labour standards remains inadequate**

Social cohesion is also threatened by on-going discrimination against women, persons with disabilities, indigenous peoples and various other minority groups. Trends in discrimination at work are difficult to quantify. However there is a large body of anecdotal evidence suggesting that faster economic growth in recent decades has not led to any substantial decline in discrimination at work. As economic growth slows and opportunities for decent work diminish, discrimination at work and other breaches of fundamental worker rights are likely to increase.

A shortage of decent jobs, more prevalent environmental problems associated with climate change and the heightened risk of natural disasters will force workers to seek jobs outside their own country. In such circumstances migrant workers will face a heightened risk of exploitation and will put downward pressure on labour standards. All people deserve equal treatment and equal opportunity in the world of work.

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23 ILO, World Social Protection Report 2014/15

## **5. Moving forward : Decent work as a catalyst for sustainable development**

Adopting an optimistic perspective it might be reasonable to tentatively suggest that, at the global level, we have made some limited progress on the economic and social components of sustainable development in recent decades. While trends vary dramatically from country to country the progress that has been made is concentrated in a number of large emerging countries and some developing countries, and the progress that is evident in the developing world remains inadequate. In particular, there has been no, or only limited, progress in several social fields including reversing widening income inequality, ensuring fundamental rights at work, protecting migrant workers and providing national social floors.

Moreover there are already tentative indications that the limited progress recorded on the economic and social components of sustainable development may not endure. At present we are experiencing a slowdown in economic growth in several major emerging economies. Governments have acknowledged that the model of economic development pursued in key parts of the world in the last few decades was not balanced. An excessive reliance on investment and expanding industrial capacity in some key emerging economies pushed up commodity prices and fostered relatively rapid growth in other developing and emerging economies that relied on energy, minerals and some agriculture exports. The model of development also lacked an appropriate valuation of environmental assets and concern about climate change that at least some governments have now acknowledged.

This unbalanced pattern of development is now being revised and the implications for much of the developing world are starting to unfold. It would seem reasonable to conclude that the recent pace of economic growth, poverty reduction and expansion of wage employment will only be maintained, or accelerated, if developing economies can diversify their economies and find new drivers of growth. At the same time, at a global level, it is very difficult to identify significant progress on the environmental aspects of sustainable development in recent decades. While some of the recent discourse on climate change is encouraging the verified scientific evidence related to our climate and environment continues to deteriorate and is a cause for alarm. This remains the case even though there may be some desirable developments in specific countries.

### **5.1 The transformative agenda and decent work**

Consequently sustainable development requires the implementation of a transformative development model that accelerates progress on the economic and social fronts while simultaneously achieving a rapid reversal of the environmental degradation inflicted in recent decades. The latter will require us to jointly ensure the maximum feasible mitigation of climate change. There is consensus among the scientific community that this will require a decline in human carbon emissions of 50 % of current levels by 2050 and thereafter a drop to zero. It has been estimated that this would entail leaving roughly 75 % of known fossil fuel reserves in the ground.

Making decent work for all a central objective of policy can facilitate the simultaneous pursuit of all three components of sustainable development. For example, expanding the number of decent jobs will require accelerating the process of economic transformation that has been taking place in developing and emerging economies in recent decades. The continued expansion of wage and salary employment in developing and emerging economies is a necessary, but not sufficient, condition for meeting this objective. In developing economies this will require continued expansion of the manufacturing sector and a substantial expansion in the modern services sector, accompanied by

marked improvements in wages, working conditions and social protection. The ILO stands ready to assist governments and the social partners improve the quality of work through its Better Work Program and technical assistance on minimum wages, labour inspection and social protection policies.

But the expansion of manufacturing and modern services sector requires policy coherence across various fields. In fact expanding wage employment and promoting decent work has profound implications for macroeconomic policy, international trade, industry policy and the incentives used to attract foreign direct investment. The precise mix of policies required across these diverse fields will be country specific, but economic policy needs to raise productivity and support a move towards higher value added production. The challenge is particularly acute in less developed economies. UNCTAD has recently highlighted what they have termed the "LDC paradox": the failure of most LDCs to meet most of the MDG targets, despite record economic growth since 2000.<sup>24</sup> In response UNCTAD has called for greater emphasis on creating productive and remunerative employment to translate productive potential into incomes for poverty reduction and public revenue for essential public services.

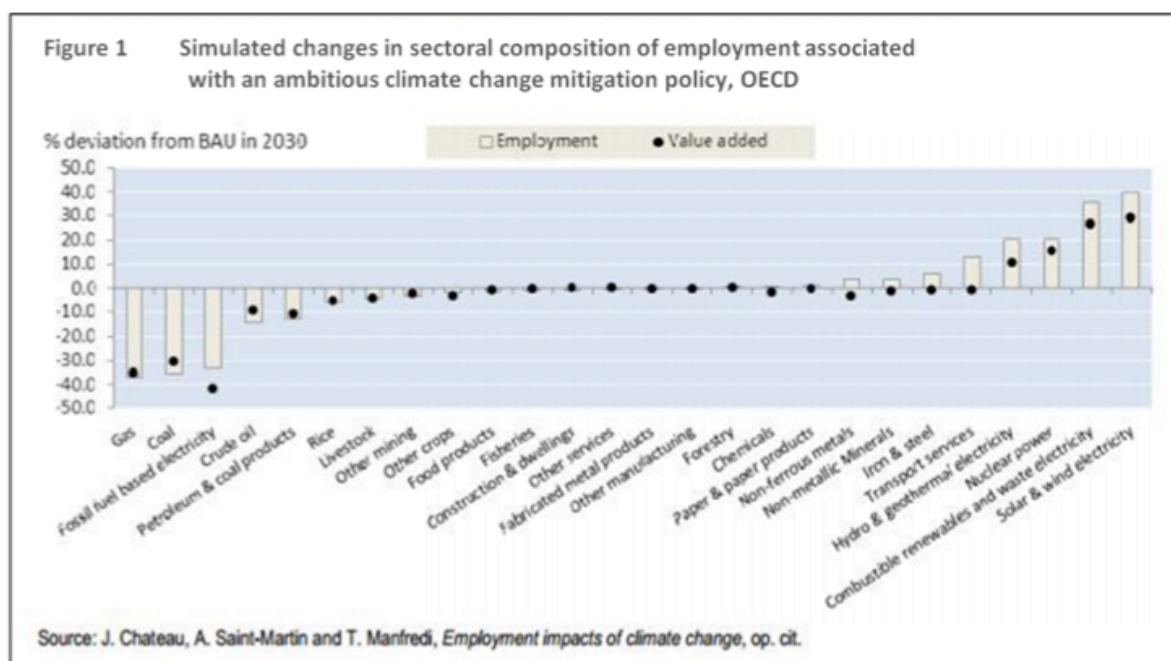
At the same time future production and consumption patterns need to be less resource intensive and far more reliant on renewable energy sources. Some industries and enterprises that may be adversely impacted by the adoption of a more balanced economic growth model are the same sectors that should be curtailed as we move towards more environmentally sustainable production and consumption patterns. In advanced economies, and several large emerging economies, the industries responsible for the vast bulk of greenhouse gas emissions include: fossil fuel-based energy supply, iron and steel production, transport activities, mining and chemical products. In fact the recent IPCC synthesis report argued that to limit global warming to 2C degrees:

"the share of low-carbon electricity supplied needs to increase from its current share of approximately 30% to more than 80% by 2050 and 90% by 2100, and fossil fuel power generation is phased out almost entirely by 2100."

Fortunately these high carbon and resource intensive industries make a relatively modest direct contribution to total employment considering their substantial contribution to economic output and carbon emissions. In fact among OECD countries the seven most polluting industries account for over 80 % of total emissions while employing only about 10 % of the workforce. Figure 1 provides an estimation of the changes possible in industry and employment composition among OECD countries in response to an ambitious climate change mitigation policy.

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24 UNCTAD, Least Developed Countries Report, 2014, "Growth with Structural Transformation - A Post 2015 Agenda".



This does not mean that all industries or enterprises that currently produced high levels of carbon emissions must eventually cease production. It is clearly possible in many instances to alter the production process and significantly mitigate the level of emissions. The “greening” of existing enterprises should be a high priority. In other industries this may not be possible. In either case a smooth transition would require detailed planning and substantial investments in retraining, active labour market policies and social security. Once again a focus on decent work would help ensure that labour mobility and employment security is given priority and the financial resources are available to adequately fund programs in these fields.

The industries most impacted by an ambitious policy of climate change mitigation are not homogeneously distributed across all countries. So some countries will carry much more of the burden of reallocating workers out of high carbon and resource intensive industries than others. Taxes on carbon emissions are one way of raising revenue to fund the required labour mobility policies and programs. Taxes on carbon emissions and other so-called eco-taxes can also be used to reduce reliance on payroll taxes. Reducing labour costs in this manner will boost employment and help offset job losses in carbon or resource intensive sectors.

In some developing countries the labour market transition to a low carbon economy may be more difficult than in advanced economies because the economic structure and employment base is very narrow. In fact, for some developing countries, important opportunities to raise per capita incomes in recent decades have come through the extraction of non-renewable natural resources such as oil, gas, coal and minerals. There is no doubt that private investment in the extractive sector and the export earnings from such industries have made a significant contribution economic growth in many of the least developed countries.

But even in developing economies extractive industries typically create limited job opportunities, often with very specific skills. In fact many of the best jobs in such industries are often filled by skilled migrant workers from advanced economies. Overall the direct impact of the mining and other extractive industries on employment and decent work is less significant than what might be expected. On the other hand, the indirect effects on employment can still be significant if non-renewable resources are carefully managed with the bulk of the revenue acquired from extractive industries being reinvested in human and physical capital in the domestic economy. Unfortunately, this is often not the case.

On the positive side climate change mitigation and adaptation will provide vast opportunities to expand employment in sectors that tend to provide decent work. In developing and emerging economies opportunities exist to use the latest technology to improve energy efficiency and renewable energy sources. The building sector, which already employs 110 million construction workers worldwide, would be a prime sector for job growth. Employment in other sectors like waste management and recycling also has great potential to expand in response to sustainable environmental policies.

## 5.2 Implications for the rural and informal sectors

As suggested above, maintaining progress towards the economic convergence of developing and advanced economies will require greater efforts to promote broad-based economic growth and economic diversification in developing and emerging economies. This must include upgrading parts of the informal and rural economies. These sectors provide the vast bulk of jobs in the developing world and they can be made more productive and better paid without adverse consequences for the environment. This will require a combination of efficient public investment in the infrastructure that is critical for small enterprises and encouragement of private initiative through access to affordable credit. Also necessary is a transparent regulatory and tax environment where decisions are implemented without discrimination or corruption. These conditions are necessary to promote business confidence and private investment. As the Secretary General of the United Nations recently noted “an enabled, properly regulated, responsible and profitable private sector is critical for employment, living wages, growth and revenues for public programmes.”<sup>25</sup>

For developing countries, industry and trade policies that support economic diversification and higher value added production in an environmentally sustainable manner are also essential. For less developed countries, UNCTAD has recently called for a major focus on rural electrification, taking advantage of small-scale renewable energy technologies and labour intensive infrastructure investment.<sup>26</sup>

Agriculture often represents the largest source of employment in developing countries, particularly in LDCs. In fact agriculture provides work for well over a billion people globally. If one approaches this sector from a decent work perspective, the obvious policy implications are to promote more value added products and higher productivity, as this is the best way to improve the quality of work. The Green Revolution in Asia demonstrated that productive transformation can be partly driven by raising agriculture productivity and thus the incomes of those employed in that sector. In fact, the World Development Report of 2008 concluded that improved productivity and incomes in smallholder farms was the most effective way to reduce poverty. This can involve diversification into horticulture products such as fruit, vegetables, cut flowers, livestock and fish products. Increasing demand for biofuels also provides opportunities to raise productivity and incomes in the agriculture sector.

Yet agriculture is one of the largest emitters of greenhouse gases. It is also the largest user, and a significant polluter, of water and a key cause of land degradation and loss of biodiversity. The ILO has argued that focusing on decent work in the agriculture sector would imply implementing reforms that simultaneously raise productivity while reducing the adverse environmental impact of the sector. This would imply investing heavily in the human capital of farmers and training them in farming methods with a low environmental impact. This is particularly important among small

25 United Nations, “The road to dignity by 2030: ending poverty, transforming all lives and protecting the planet”, Synthesis report of the Secretary General on the post-2015 agenda.

26 UNCTAD, op cit.

scale farmers in developing countries. This would include the responsible use and management of pesticides and other hazardous chemicals which would have positive implications for the environment and occupational health and safety.<sup>27</sup>

In several emerging and developing economies improving productivity in small scale agriculture must go hand in hand with greater efforts to reduce emissions from deforestation and forest degradation. Worldwide deforestation is responsible for about 17 % of total greenhouse gas emissions. But this figure is dramatically higher in a few countries. For example, in Indonesia 80 % of total emissions are associated with land use, land use change and forestry. Since 2009 the Government of Indonesia has been committed to reducing emissions by between 26 % and 41 % by 2020. Given that the forests of Indonesia are home to roughly 70 million people this commitment implies a massive transformation in the identity, lifestyle and livelihoods of Indonesian people. As part of this process Indonesia has created a new type of carbon trading to support for-profit ecosystem restoration. This allows companies to obtain licenses to restore degraded areas and sell carbon credits to the market. The ILO has argued, and helped demonstrate, that elements of the decent work agenda can facilitate such reforms. This includes: promoting social dialogue at the local level to win support for change; investing in retraining and skills development; creating alternative sources of income through labour intensive investments in environmental assets and rural access; the provision of microfinance and micro insurance; and ensuring there are adequate social protection floor.<sup>28</sup>

### **5.3 Reducing income inequality and decent work deficits**

If public policy is developed within a decent work framework it is evident that much greater emphasis must be placed on ensuring the benefits of economic growth are distributed more fairly between countries and within countries. Reversing recent global trends towards extreme levels of income inequality, while reducing poverty, is a top priority. This will require implementation of promises that have been made in many international forums in recent years about ensuring a social protection floor and progress towards a living wage. The latter requires urgent action to introduce, or expand, systems of collective bargaining that provide protection for the majority of workers. Industry and more centralised systems of collective bargaining tend to provide higher levels of coverage and are associated with lower levels of income inequality.<sup>29</sup> However in the majority of advanced economies collective bargaining coverage has been diminishing and in most developing countries collective bargaining is largely confined to a small segment of wage workers in the public sector. In these circumstances a national minimum wage that provides a “living wage” floor is highly desirable. Ensuring that the minimum wage is implemented throughout all segments of the economy and that it is regularly updated to reflect changes in the cost of living and national productivity improvements is necessary.

An income distribution that combines economic efficiency and fairness, and thus is compatible with social cohesion, often requires the support of other labour market institutions. This can include well-resourced systems of labour inspection and labour courts to ensure national labour legislation and commitments to international labour standards are fully complied with.

All three aspects of sustainable development require the right education, training and skills policies, increased investment in other active labour market policies and effective social protection policies. Economic growth in some economies is hindered by inadequate investment in education and skill

<sup>27</sup> ILO, Sustainable development, decent work and green jobs, 2013.

<sup>28</sup> ILO, “Introducing decent work to the REDD+ green economy: Policy and programming options for Indonesia”, forthcoming.

<sup>29</sup> Susan Hayter (ed) “The role of collective bargaining in the global economy”, ILO 2011.

shortages and insufficient attention to investments in people and human development. Social cohesion will be promoted if workers have the opportunity throughout their working life to improve their skills and the quality of their jobs, if they have effective access to health care, and if they can be sure that they are protected in case of employment injury, disability, maternity, unemployment and old age. And the promotion of environmental sustainability will require the development of new skills and the expansion of many occupations that have been neglected in the past.

Focusing on decent work can be the catalyst that drives all three components of sustainable development. We have available the technology and knowledge about the required policies to make the transition to a world that is more environmentally, socially and economically secure. But using that technology and implementing the required policies will not be easy. There are powerful vested interests that stand to lose from this process and who have the political and financial resources to block progress. This is why a coalition that combines governments, the business community, trade unions, cooperatives, academics, civil society and relevant international and regional organisations can help generate the political will to counter those opposed to progress. The 2015 Integration Segment of ECOSOC is an opportunity for these groups to share their views with governments and help forge a constructive coalition for sustainable development.



## 6. Issues for discussion

Based on the above, the Integrated Segment in 2015 will focus on the following priority areas:

- ♦ What are the potential short-term policy choices and longer-term gains inherent in an integrated approach to promoting full employment and decent work for all?
- ♦ How can policy coherence in economic, social and environmental dimensions be achieved in the promotion of full employment and decent work for all?
- ♦ How can labour policies help reduce economic and social inequalities?
- ♦ Why is youth unemployment a major issue in many countries regardless of their level of development?
- ♦ Can agricultural sector development help generate youth employment in African countries?
- ♦ What measures are needed to link entrepreneurs to global supply chains?
- ♦ What role do Governments, the UN system, the ILO tripartite constituents and civil society play in ensuring rights at work?
- ♦ What is the future of work? How are countries preparing their education systems to respond to this change? What are the investments required?
- ♦ What kinds of jobs are needed to provide solutions to climate change? What are the policies required and how can the trade-offs between the environmental, economic and social pillars be mitigated?
- ♦ What kinds of investments are needed to generate the greatest job potential while maintaining environmental sustainability?
- ♦ What kind of institutional framework and governance arrangements are needed for the successful integration of the economic, social and environmental dimensions of sustainable development to facilitate decent work?
- ♦ What specific steps are needed for the ECOSOC system to help countries boost economic growth in a sustainable way that creates decent jobs?

