Decent Work for Sustainable Development
in the Era of Globalization

Statement to UNCTAD XII,
Accra, 21-25 April 2008

The theme of UNCTAD XII, the opportunities and challenges of globalization, is a central feature of the International Labour Organization’s Decent Work Agenda. The work of the Accra Conference in helping Member States to address the challenges and grasp the opportunities of globalization will make an important contribution to creating an environment at the national and international levels conducive to generating full and productive employment and decent work for all.

As the United Nations World Summit stated in September 2005:

We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including women and young people, a central objective of our national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals. ¹

The Secretary-General argues in his insightful report to UNCTAD XII that multilateralism is at a crossroads. The President of the World Bank, Robert Zoellick, has also called for new approaches to shaping “a sustainable and inclusive globalization”. ² The World Commission on the Social Dimension of Globalization, established by the ILO, helped frame this debate in its 2004 Report “A Fair Globalization: Creating Opportunities for All”. ³ Their report highlighted the importance of Decent Work as a universal aspiration of working women and men in all countries and a central objective of economic and social policies.

Globalization creates a rapid pace of social, economic and employment change. As a study by the ILO and WTO Secretariats finds, trade liberalization is associated with both job destruction and job creation. In the short run the resulting net employment effects may be positive or negative depending on country-specific factors such as the functioning of the labour and product markets. In the long run, however, the efficiency gains caused by trade liberalization are expected to lead to positive overall employment effects in terms of the quantity of jobs, wages earned

¹ A/RES/60/1, paragraph 47.

² Address to the National Press Club, Washington, DC, 10 October 2007.

or a combination of the two. Average wage increases may, however, hide distributional changes that affect some workers negatively.  

While the potential benefits of these changes are large, the current process excludes many, generating social tensions that can be released in unpredictable and damaging ways. There is increasing awareness of the need for decisive political action to shape fair globalization that offers opportunities for all. People need to be confident that, even in an economy dominated by global players, their societies and governments can still provide an adequate level of economic and social security.

This ILO statement therefore focuses on the synergies between the work of UNCTAD and the ILO, with particular emphasis on building an international response to the risks of a marked slowdown in global growth following the financial turmoil sparked by the sub-prime crisis and the sharp rise in food prices.

**Decent work and international policies on development**

The goal of decent work for all has struck a chord in all regions and at the highest levels of policy-making. The 39th session of the Conference of African Ministers of Finance, Planning and Economic Development in Ouagadougou in May 2006 was particularly noteworthy in expressing “our firm belief that the way forward in creating decent jobs in Africa lies in mainstreaming employment in the development agenda. We therefore commit to explicitly incorporate employment objectives in national development strategies and policies. Given the importance of poverty reduction strategies (PRSs) as the framework for national budget allocation and official development assistance, we acknowledge the necessity of aligning the various processes towards realizing economic and social objectives in our countries, especially the MDGs. We also note the need to integrate the goal of decent employment into the design, implementation and monitoring of the second generation PRSs. To increase employment generation, we commit to further embedding employment criteria in investment promotion policies.”

The UN Summit’s commitment to Decent Work was reaffirmed in July 2006 at the High-Level Segment of the 2006 Substantive Session of the United Nations Economic and Social Council. The target of achieving full and productive employment and decent work for all, including women and young people, has also been added to the Millennium Development Goal (MDG) of halving extreme poverty by 2015.

The Heads of Agencies of the United Nations System Chief Executives Board for Coordination (CEB), which includes the Bretton Woods institutions and the WTO, have jointly developed a Toolkit for Mainstreaming Employment and Decent Work. The toolkit offers a practical way forward for policy coherence in the international system to project the development agenda of globalization and decent work.

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To broaden further discussions on the shaping of a fair globalization, in Lisbon in November 2007 the ILO organized a Forum on Decent Work for a Fair Globalization. With the strong support of the Portuguese European Union Presidency, the Forum brought together high-level representatives of international organizations, civil society organizations and the ILO’s constituency of governments, unions and employers’ organizations.

**Halving poverty through employment and decent work**

Without a greater focus on full and productive employment and decent work, global growth will not deliver the Millennium Development Goal (MDG) of halving poverty by 2015. The risk of a setback to progress in poverty reduction will greatly increase should the current sharp downturn in the US economy lead to a global recession and a consequent rise in working poverty and unemployment. The IMF now estimates a 25% risk of such a global recession.

A recession-induced shakeout in employment would come on top of anaemic job creation over the last five years of upswing. The 4.1% per annum growth of the global economy over the decade 1996-2006 has yielded employment growth of just 1.6% per annum. Global unemployment therefore actually nudged up over this period, from 6.2% in 1996, to 6.3% in 2006.

Access to employment is a critical element in poverty reduction. The proportion of women and men working and living with their families on a daily income of less than 2 dollars per person is over 80 per cent in sub-Saharan Africa and South Asia, around 50 per cent in South-East Asia and 22 per cent in Central and South-Eastern Europe and CIS countries. Most of the working poor are likely to eke out a living in the informal economy. In labour force surveys they are usually counted as own-account workers, and it is notable that this category has grown faster than employees in recent years, especially in the poorest countries. The share of own-account workers reached 33 per cent of world employment in 2006, with the largest numbers in sub-Saharan Africa (48 per cent) and South Asia (47 per cent). Own-account workers, workers in small and very small enterprises, and casual wage workers form the large majority of those toiling in the informal economies of the developing world.

The number of persons living on less than one dollar a day is declining much more rapidly than the number of persons living on less than 2 dollars. This is to be expected as those escaping extreme poverty join those living on one to two dollars a day. This suggests that even if current projections are verified, we will still witness substantial relative and absolute poverty in 2015, when over 2 billion persons will still be living on less than two dollars a day. This is one in every three persons living in the developing world. Furthermore, approximately half of total

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9 Data from ILO, *Key Indicators of the Labour Market*, 5th Edition

10 An additional caveat is that global estimates for poverty are calculated using a notional exchange rate called Purchasing Power Parity, which takes price differences into account. These parities have recently been recalculated using new and more complete information on prices and
poverty in poor countries is transient as opposed to chronic poverty, that is, persons moving in and out of poverty as a result of changing conditions, be it employment, health, life risks or new opportunities. \(^{11}\) So many more people experience poverty, or are vulnerable to poverty, than are below the poverty line at any point in time.

**Shaping a fair globalization and tackling threats to growth, employment and poverty reduction**

Since August 2007, the crisis in the US sub-prime mortgage market has spread into a credit crunch in both the US and Europe, and increasingly in developing countries. At its spring meeting last week, the IMF estimated global losses at nearly $1 trillion, with global growth forecast down to 3.7\% per annum over 2008, US growth down to 0.5\%, and Eurozone growth down to 1.4\%. \(^{12}\) There is a downside risk of a global recession in 2009, with world output growth falling to below 3.0\% per annum. While developing countries as a group have shown some resilience to the slowdown, both the financial and trade channels that enlarged substantially as a result of globalization are transmitting the credit squeeze and the demand slowdown around the world. The impact on labour markets is already apparent in the United States, and is likely to hit other countries in this year.

Since the start of 2008, a second fracture point has opened in the global economy, in the form of rocketing agricultural commodity prices, principally cereals. Both wheat and rice prices have risen above $1,000 per ton, actually doubling since 2004. \(^{13}\) Corn prices have risen 30\% in the past three months. \(^{14}\) An era of stable agricultural prices, based on highly competitive agricultural exporters such as Brazil and Thailand, had kept food prices stable, even in food deficit countries like Egypt, which imports half its wheat, through stable subsidies. During this period, the World Food Programme was also able to procure cereals for large deficit regions like sub-Saharan Africa, with a relatively stable and sustainable budget, feeding for instance Ethiopia, with approximately 2 million tons of cereal a year.

Grains account for about two-thirds of the calories consumed in low income countries in Asia, and a half in sub-Saharan Africa. The rise in food prices can benefit efficient producers who market their surplus, but can also cripple consumers – including small producers – who are also net buyers of grains. The International Food Policy Research Institute estimates that the poor have lost out badly through the rise in food prices for this reason. A further consequence of the leap in prices is that the cost of food subsidies has rocketed, as have procurement costs for feeding programmes, such as that of the WFP.

Growth over the past two decades, although uneven, was led by developing countries, especially emerging manufacturing exporters in Asia. This pick-up in growth in developing countries owes much to the relationship between the consumption patterns. New poverty estimates will also be made and are likely to suggest higher numbers both for the 1990 base year and recent years. The pace of decline may however be similar.


\(^{13}\) World Bank, 2008, *Rising Food Prices*.

\(^{14}\) *Financial Times*, April 14, 2008.
agricultural and manufacturing sectors. The food revolution of the 1960s and 1970s in Asia, through enhanced productivity in the growing of crops such as wheat, rice and maize, increased supply at stable prices, for both the food surplus and deficit countries. The increased supply of food staples at low and stable prices enabled developing countries in Asia to maintain relatively low real wages in manufacturing. 15

Relatively low and stable wages, and thereby low and stable unit labour costs helped create a platform for developing countries’ exports of labour intensive manufactures to take off. With increasing employment and productivity, substantial inroads into poverty were achieved together with the emergence of a middle class of more prosperous wage earners. More wage workers and a gradual rise in real wages in turn led to rising consumption, especially in the larger economies like China, Brazil and India.

This increased consumption has led in large part to the increased demand for food, including meat, so increasing the demand for feed grains and cereals, and accounting in large part for their increases in price. High growth in developing countries has contributed to increased demand for minerals and higher prices, prompting much of the extractive industries-led growth in sub-Saharan Africa. The surge in energy prices has further increased demand for biofuels, which have substituted for food production in some countries. They have also driven fertilizers costs higher and put further pressure on food prices.

If the end of the period of low prices for staple foods now leads to increases in wages and thus unit labour costs, it may mark a break in the pattern of manufacturing export-led development. This pattern is also threatened by the unwinding of global economic and financial imbalances, with high savings ratios and large currency reserves in developing Asia and oil producing countries and low savings and high credit backed consumption in the US.

A major question for policy makers is whether these major shifts can be shaped into a basis for a more sustainable pattern of global development. Policies have to better balance the drivers of growth in both developing and developed economies. The low food prices, low wage, export-led growth strategy certainly helped many countries to take off, but should now shift to a more sustainable framework oriented towards improved wage and small farm incomes, increased consumption, saving and investment, and trade competitiveness built on increased productivity as a moderator of unit labour costs. Increased volatility in international finance has provoked a series of crises and downturns. The Asian financial crisis reversed decades of progress in employment, wages, and poverty reduction. Low and thin social protection coverage implied long recovery times for the unemployed, the poor, and the vulnerable. But it also implied that as assets and incomes devalued without adequate counterbalancing social protection, so did purchasing power, shrinking the economy and making the recovery more onerous.

15 A large literature shows this for country studies in South and East Asia.

In industrial countries, European countries are less vulnerable than the US to a deceleration of growth because of the operation of so-called automatic fiscal stabilizers, notably social security systems. In the US both fiscal and monetary policies are being used energetically to try to stave off a deep and prolonged slowdown, while large and fundamental restructuring of the financial sector’s balance sheet is undertaken. One of the lessons for developing countries is that the construction of at least the basic elements of social transfers is a worthwhile investment even at low levels of per capita income. A number of countries are starting down this road now, including China, Brazil, India, South Africa and Pakistan.

**Investing in sustainable enterprise development**

The three pillars of sustainable development – environmental, economic and social – provide a conducive policy framework for enterprise development, particularly the small and medium-sized enterprises that form the backbone of the private sector in developing countries.

At the June 2007 International Labour Conference the ILO’s tripartite constituency of employers’ and workers’ organizations and governments agreed on a comprehensive set of conclusions on the promotion of sustainable enterprises which provide a sound platform for coherent policies within the multilateral system. Promoting sustainable enterprises is about strengthening the rule of law, the institutions and governance systems which nurture enterprises, and encouraging them to operate in a sustainable manner. Central to this is an enabling environment which encourages investment, entrepreneurship, workers’ rights and the creation, growth and maintenance of sustainable enterprises. Policy frameworks must balance the need of enterprises to turn a profit with the aspiration of society for a path of development that respects the values and principles of decent work, human dignity and environmental sustainability.

A narrow perspective which fails to take into account the benefits as well as the costs of regulations concerning business is unlikely to be sustainable. Respect for human rights and international labour standards, especially freedom of association and collective bargaining, the abolition of child labour, forced labour and all forms of discrimination, is a distinctive feature of societies that have successfully integrated sustainability and decent work. Poorly designed regulations and unnecessary bureaucratic burdens on businesses limit enterprise start-ups and the ongoing operations of existing companies, and lead to informality, corruption and efficiency costs.

Well-designed, transparent, accountable and well-communicated rules, including those that uphold labour and environmental standards, are good for markets and society. They facilitate formalization and boost systemic competitiveness. The reform of laws and the removal of business constraints should not undermine such standards. International support for private sector development, including rules for finance markets, should build on the comprehensive sustainable enterprise approach.

Investing in skills

Investment in human resource development is also a key aspect of preparing economies for recovery and meeting the skill shortages which may be part of the imbalances that underlie the end of the upswing in many countries. 18 Both technological change and the opening of markets to international competition have led to skill shortages and a consequent bidding-up of the wages of scarce skilled workers. Although indicators of educational attainment such as literacy rates have progressed significantly, the supply of skilled workers may not be keeping pace with new demands or not be attuned to employers’ needs. In addition, high demand for skilled workers in urban areas of some developing countries has exacerbated gaps between rural and urban populations. Such skills-based inequalities are particularly striking in emerging countries, divided between export-led high-growth areas and the rest. Minimum wage fixing policies can also compensate for the weak bargaining position of the lowest paid workers and ensure that the benefits of growth are more equitably shared.

Investing in a low carbon emissions development path

Infrastructure investment can be an important direct stimulus to employment. Many countries are looking to renew their infrastructure as part of strategies to contain and reduce greenhouse gas emissions. Programmes focused on creating “green jobs”, which are economically and environmentally sustainable, can thus make an important contribution to seeking out development paths which reduce poverty through low carbon development. There are likely to be significant opportunities to create green jobs that contribute to sustainable development and redress shortfalls in decent work as a result of economic slowdown. Major examples that are relatively labour intensive include building insulation, 19 which can yield significant reductions in energy consumption, coast and river flood protection barriers, and the upgrading of public transportation systems. The ILO is working with UNEP, the international trade union movement and others on a Green Jobs Initiative to promote dialogue and action on the employment adjustment challenges posed by adaptation to and mitigation of climate change. ODA support for employment-intensive infrastructure can be an important catalyst for such efforts to adapt to and mitigate climate change at the same time as reducing poverty.

Coherent policies for employment, decent work and inclusive development

Employment, decent wages and working conditions and the construction of a basic social protection system reduce poverty, insecurity and inequality for individual workers and their dependants. However, macroeconomic policy-makers have too often overlooked the key role of more and better jobs in balanced growth, focusing narrowly on wages as a cost, reducing export competitiveness, inhibiting investment, constituting a burden on government expenditure, potentially


19 Many such jobs have been created in Brazil, Germany, and Spain.
inflationary, and running via consumption into an unsustainable import bill. Where wage growth far exceeds productivity expansion, these are valid concerns. However, ILO research confirms that consumption growth accounts for around two-thirds of overall growth in most regions of the world for most years in the past quarter century. This consumption growth is fuelled in turn by wage incomes. Full and productive employment and decent work is a major driver of, and not just an outcome of growth.

It is time to restore some perspective to the one-sided view of the wage bill as simply a cost. Wages stimulate consumption which drives growth. This is particularly important for the largest and medium-sized developing countries, which may need to be less reliant on the stimulus of exports to industrialized countries in the short term, and in the longer term rely much more on the increasing purchasing power of their own expanding middle class of wage earners.

But growth will not necessarily produce jobs of its own accord. Global job growth is dragged down by job-poor growth in a number of regions – sub-Saharan Africa, South and South East Asia, and Latin America and the Caribbean. Nor will growth necessarily improve the primary conditions of work such as the real wage.

Macroeconomic policies should facilitate the growth of productive employment and wage increases commensurate with productivity improvements, within the constraints of avoiding an acceleration of inflation and a major weakening of the balance of payments. The policy space to do this is however severely constrained by stringent conditions of debt relief in a number of countries across Africa, Asia, Latin America and the Caribbean. Sharp cuts in public expenditure through wage bill caps can reduce public employment before the private sector can raise savings and investment rates to produce an increase in compensating private sector employment. High levels of indirect taxation, while fiscally efficient in the short run, dampen economic activity, growth and employment in the longer term. A sudden reduction in self-targeting consumption subsidies on food staples like cereals impoverishes the population bunched just above the poverty line of badly designed targeted programmes. Liberalising mono crops results in a flood of cheaper imports, which destroys the livelihoods of peasant economies.

Policy reforms need to balance the impact on growth, employment and decent work with possible gains in the efficient operation of markets. Carrying out key external and internal liberalization reforms simultaneously, rather than through appropriate sequencing, can prejudice growth, employment and wages. Improved policy dialogue between ministries, with social partners and between the Bretton Woods institutions, UN agencies and bilateral donors can yield better policy coherence on growth, employment and decent work. The ILO has worked closely with UNCTAD in the past and looks forward to further deepening collaboration in the future within the emerging framework of UN multilateral cooperation aimed at “Delivering as One.”