



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

**ONE HUNDRED AND SIXTH MEETING
WASHINGTON, DC – OCTOBER 14, 2022**

DC/S/2022-0044
October 14, 2022

Statement by
Gilbert Hougbo
Director-General
International Labour Organization



Statement by

**Gilbert Hounbo
Director-General**

International Labour Organization

106th Meeting of the Development Committee

**October 14, 2022
Washington, DC**

Summary

In addition to claiming millions of lives, the COVID-19 pandemic has caused an unprecedented loss of jobs and livelihoods, increased inequalities and exacerbated income insecurity around the world. The consequences of the war in Ukraine have exposed fragilities in global food and energy systems, triggering a cost-of-living crisis around the world. These crises have emerged within the context of the accelerating climate crisis and its adverse impacts on economies and societies. Constrained by rising debt burdens and shrinking fiscal space, many countries now face an even more daunting policy landscape.

A new collective effort is needed to better manage and ultimately exit these crises and prevent future crises whilst promoting equality and inclusion; ensure that the benefits of globalization are more equally shared, within and across countries; and address the structural economic transitions that are urgently required to attain sustainability both for workers and for enterprises. The following policy responses should be prioritised:

- **Universal social protection is essential** to sustain the purchasing power of working families, especially the most vulnerable. It is therefore important to adjust social assistance and other social protection benefits to inflation to raise benefits to an adequate level. Concerted international support is critical for fast-tracking progress in countries lacking fiscal and economic capacities, especially in low-income countries with marked underinvestment in social protection.
- The **UN Global Accelerator on Jobs and Social Protection for Just Transitions** is oriented to providing a robust and effective level of support to extend social protection to the majority of the world's workers in the informal economy and supporting employment generation. It will be a very valuable contribution to strengthened coherence of the multilateral system's support for developing countries as they grapple with recovery from the COVID-19 pandemic, current food and energy crises, rising debt and climate change. We look forward to the WBG's contribution to its success.
- **Adequate adjustments of wages, including the minimum wage**, are needed that would help significantly to improve the living standards of low-income households in the current cost-of-living crisis. As nominal wages are not catching up with inflation and the gap between wage growth and labour productivity growth in many countries is continuing to widen, there is scope for increasing wages without fear of generating a wage-price spiral.
- **Higher levels of productive employment are essential** to reduce inequality. Formalization is a necessary condition to increase productivity and sustainability of enterprises, advance decent work and workers' well-being and expand governments' financial means to address structural development problems, thereby reducing poverty and inequality.

- **Long-term policy efforts are needed to tackle stubbornly large gender gaps**, including in relation to pay, pensions and quality of work. They should promote investments in gender-transformative policy packages, including care policies including care leave, legal reforms to tackle direct and indirect discrimination, and policies that foster women’s employment opportunities and equality of treatment in employment and occupation, and promote freedom from violence and harassment in the world of work.

The development crisis

As global growth momentum remains weak and global growth is projected to remain subdued in the second half of 2022, before slowing further in 2023¹, the ILO expects the number of hours worked globally to remain significantly lower in 2022 than the pre-pandemic level, with widening gender gaps in hours worked in employment and employment-to-population ratio.²

In addition, the greater-than-expected overshoot of inflation targets drives the generalised tightening of monetary policy, which is a key factor slowing global growth³. Significantly higher prices and an expected sharp slowdown in the economic recovery are fuelling a cost-of-living crisis and exacerbating existing employment challenges.

The cost-of-living crisis comes on top of significant losses in the total wage bill for workers and their families during the COVID-19 crisis, which in many countries had the greatest impact on low-income groups. Available evidence for 2022 suggests that rising inflation is causing real wage growth to dip into negative figures in many countries⁴, reducing the purchasing power of the middle class and hitting low-income groups particularly hard. Minimum wages, a widely used instrument around the world to protect the incomes and the purchasing power of low-paid workers and their families, have decreased in real terms in several countries – even when measured against the average CPI⁵.

The near-term outlook is particularly challenging for developing countries as recognized recently by World Bank President David Malpass⁶, with increasing prices of food, fertilisers and energy, increasing interest rates and credit spreads, and currency depreciation. Developing countries need to address debt sustainability, act on climate adaptation and mitigation, and manage limited fiscal budgets, but have not yet reattained pre-pandemic income levels.

Indeed, labour incomes have not yet recovered for the majority of workers. Those in low-, lower-middle- and upper-middle-income countries (excluding China) still faced reduced labour incomes compared to the pre-crisis situation while labour income in high-income countries had surpassed its pre-crisis level by the 1st quarter of 2022⁷, although as noted above it has not kept up with inflation since.

This “great divergence” between richer and poorer economies has characterized the recovery, particularly in early 2022 when high-income countries were experiencing a strong labour market recovery. In contrast, low- and lower-middle-income economies suffered setbacks in their recovery at the start of 2022. Already constrained by limited fiscal space and vaccination rollouts, these countries are now being buffeted by the impact of financial, food and energy shocks.⁸

¹ IMF. World Economic Outlook, Update July 2022; OECD Economic Outlook, Interim Report September 2022.

² ILO. 2022. [ILO Monitor on the world of work](#). Ninth edition. 23 May 2022.

³ OECD. Economic Outlook, Interim Report September 2022.

⁴ ILO. Global Wage Report 2022/23. Forthcoming (28 November 2022)

⁵ Ibid.

⁶ Remarks at the Stanford Institute for Economic Policy Research/Stanford King Center on Global Development on 28 September 2022.

⁷ ILO. 2022. [ILO Monitor on the world of work](#). Ninth edition. 23 May 2022.

⁸ Ibid.

In the absence of adequate policy responses, the near future can be expected to see a sharp increase in inequality. Reduced incomes and purchasing power also mean reduced demand, which puts businesses under strain. Many are facing additional challenges caused by disruption to their supply chains. This situation has knock-on implications for economic growth, threatening the economic recovery. And after two years of pandemic, increasing interest rates and depreciating currencies, many countries – and particularly the lower-income – have limited fiscal space to cushion the impact of these blows on their people, potentially fuelling further social unrest.

All this calls for urgent global action and additional resources to tackle the development crisis.

The needed policy response

Fiscal policy and social protection

The ILO has long emphasized the need to increase social investments in education and health to reverse decades of under-investment in development, as recognized also by the World Bank⁹. Fiscal policy, while designed in a way to avoid adding to high inflationary pressures, must address inequalities and rebuild buffers to cushion living standards and assist enterprises.

Adjusting social assistance and other social protection benefits to inflation is one avenue to sustain the purchasing power of working families, especially the most vulnerable. A recent ILO analysis of adjustment rules for social protection benefits in the world shows, however, that more than half of the schemes for which information is available have no specific rule to adjust benefit levels to inflation, real wages or a combination of the two. This means that the real value of the benefits in these schemes cannot keep up with inflation. It is therefore important to ensure that in countries that have no adjustment rules, adjustments take place now to keep benefits at an adequate level immediately and a process for the inclusion of such rules in existing schemes starts, in line with the [Social Security \(Minimum Standards\) Convention, 1952 \(No. 102\)](#). Such measures can efficiently cushion the impact of inflation on the most vulnerable and protect them from poverty and hunger.

Social protection is an internationally recognised human right and it plays an essential role in supporting and raising living standards, fostering social and economic development and reducing inequalities. Concerted international support is critical for fast-tracking progress towards universal social protection, especially in low-income countries with marked underinvestment in social protection and limited fiscal and economic capacities.

Additional policies that can ease the impact of the cost-of-living crisis on households and complement the protection afforded by existing social protection systems, range from temporary measures targeting specific groups, such as energy vouchers provided to low-income households to help them cope with the current increase in energy prices, to more general interventions aimed at reducing the cost of living for all households, such as the (often temporary) reduction of indirect taxation on goods and services.

Protecting the purchasing power of the most vulnerable

Even before the pandemic, 327 million wage earners, or 1 in 5 wage employees worldwide, earned at or below the applicable hourly minimum wage¹⁰. An adequate adjustment of the minimum wage would help significantly to improve the living standards of low-income households in the current cost-of-living crisis. It would also boost the wages of women and workers who face discrimination in the labour market who are usually at the lower end of income distribution. 90 per cent of ILO Member States have minimum wage systems in place and they can protect low-paid workers against hefty losses of purchasing power at times

⁹ David Malpass. Remarks at the Stanford Institute for Economic Policy Research/Stanford King Center on Global Development on 28 September 2022.

¹⁰ ILO. 2020. [Global Wage Report 2020-21: Wages and minimum wages in the time of COVID-19](#).

of high inflation. However, for this mechanism to be effective, it is necessary that minimum wages be adjusted regularly to take into account the needs of workers and their families, along with relevant economic factors. This adjustment process should be undertaken with the full participation of the social partners and entails evidence based social dialogue, in line with the [Minimum Wage Fixing Convention, 1970 \(No. 131\)](#).

Furthermore, strong social dialogue, including collective bargaining, can be instrumental in achieving wage adjustments to agree on how much to compensate inflation with regards to wages above the minimum wage. There would appear to be scope in many countries for increasing wages without fear of generating a wage–price spiral. Nominal wages are not catching up with inflation as measured by the CPI, and the gap between wage growth and labour productivity growth in high-income countries is continuing to widen, with labour productivity increasing in the first half of 2022 and wages falling in real terms¹¹.

This success of this process requires that employers’ and workers’ position be adequately taken into account and for sound empirical evidence to inform the bipartite or tripartite negotiations. In the recent past, the use of relevant data¹² to examine how the COVID-19 crisis impacted the labour market outcomes of wage employees, for example, has helped disentangle the employment composition effects on wage outcomes, leading to a more accurate understanding of how the crisis affected employees across the wage distribution and therefore better designed policy responses.

Investing in employment and social protection strategies for just transitions to formality and to greener economies

Increased support for vulnerable economies amid high and rising debt is urgent in the current context of tighter monetary policy and rising interest rates.

The high prevalence of employment in the informal economy in developing countries is posing a major challenge to realizing the right to social protection, while adversely affecting the development of sustainable enterprises, reducing public revenues and limiting governments’ regulatory scope of action. The World Bank’s commitment towards extending social protection, outlined in its recent publication, ‘[Charting a Course Towards Universal Social Protection: Resilience, Equity and Opportunity for All](#)’, otherwise known as the Social Protection and Jobs Compass, is important. Extending social protection to the majority of the world’s workers in the informal economy requires creating quality formal employment in tandem with the development of comprehensive social protection systems and strengthening social protection financing, both at the domestic and international levels.

Furthermore, a just transition is imperative if the necessary longer-term measures to attain the green transition required to tackle climate change are to be economically, socially, and politically feasible. That is why international economic cooperation needs to turn increasingly to supporting countries’ efforts to generate quality employment and improve social protection systems so as not to leave anyone behind as they transform to reduce CO2 emissions, drawing on the [ILO Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All](#).

To this end, the [Global Accelerator on Jobs and Social Protection for Just Transitions](#) coordinated by the International Labour Organization as part of a UN-wide effort, can play an important role. It aims to galvanize the creation of 400 million productive jobs, including in the green, digital and care economies, and the extension of social protection to the 4 billion people currently excluded.

The Global Accelerator aims to harness Integrated National Financing Frameworks to support more investments for productive employment and adequate social protection – boosting domestic resources and expanding the tax base as well as mobilizing further development cooperation assistance and international support. Complementary interventions will aim to create a more effective use and stronger alignment of

¹¹ ILO. Global Wage Report 2022/23. Forthcoming (28 November 2022)

¹² ILO. 2020. [Global Wage Report 2020-21, Wages and minimum wages in the time of COVID-19](#).

current financial flows (both public and private) for the social investments needed to support an inclusive and sustainable recovery in low-income countries. Thereby, the Global Accelerator has the potential to bring together the multilateral system and move from a position of simply reacting to crises to pro-actively anticipating and managing the different transitions that are underway – environmental, social and economic.

Through such measures, the Global Accelerator supports enhanced policy coherence and ensures that countries receive sufficient technical and financial support. It will be a valuable contribution to the objective of strengthening the level and coherence of the multilateral system's support for developing countries as they grapple with recovery from the COVID-19 pandemic, current food and energy crises, rising debt and climate change.

Reducing inequalities and closing gender gaps

In addition to claiming millions of lives, the COVID-19 pandemic has caused an unprecedented loss of employment and increased inequalities. This not only risks overturning decades of progress in reducing poverty and gender disparities, but also aggravating socio-economic vulnerabilities. High levels of inequality, aggravated by ongoing crises, are putting the credibility of the international community's pledge to deliver inclusive and sustainable growth, full and productive employment and decent work for all and to leave no one behind to the test.

As labour income is the main, if not the sole, source of income for most households in the world, what happens in labour markets matters a great deal for overall inequality. Higher levels of productive employment are essential to reducing inequality; without employment-derived income, no distribution or redistribution is possible. Quality education, training and public services are a precondition for successful labour market transitions, equal opportunities in employment, gender equality and social inclusion. Formalization is a necessary condition to increase productivity and sustainability of enterprises, advance decent work and workers' well-being and expand governments' financial means to address structural development problems, thereby reducing poverty and inequality. Tackling discrimination is key as it is a determinant of inequalities in employment opportunities and outcomes between groups and individuals.

Long-term policy efforts are needed to tackle stubbornly large gender gaps including in relation to pay, pensions and quality of work. In 2018, 606 million women globally were unavailable for employment due to unpaid care and domestic work, compared to only 41 million men.¹³ At the current time, women spend 18.9 hours weekly in employment, or 57 per cent of average hours worked by men (33.4 hours).¹⁴ Disproportionate care responsibilities also had a significant impact on women working in the informal economy, with the number of women in informal employment declining by 24 per cent relative to the pre-pandemic situation, compared to a decrease of 18 per cent among men.¹⁵

Such long-term policy efforts should include promoting investments in gender-transformative policy packages, including care leave and other care policies, universal gender-responsive social protection, legal reforms that tackle direct and indirect discrimination, and active labour market policies that foster women's employment opportunities and equality of treatment in employment and occupation, and promote freedom from violence and harassment in the world of work.

All these efforts should be reinforced through strengthened social dialogue, including through collective bargaining and involving workers' and employers' organizations. Policies should also pay special attention to specific groups of women that risk being left behind.

¹³ ILO. 2018. [Care Work and Care Jobs for the Future of Decent Work](#)..

¹⁴ ILO 2022. [ILO Monitor on the world of work](#). Ninth edition. 23 May 2022.

¹⁵ Ibid.

Conclusions

At this challenging time, it is essential that we seize the initiative. We must shape the future so that it delivers a better, more equitable and sustainable world that will also contribute to lasting peace. We need to reinvigorate our collective efforts to address the interrelated and mutually reinforcing crises that we are facing and collectively support the far-reaching transformations that are required. And we must collectively ensure that the benefits of these efforts are equitably shared, within and between countries. Only by advancing social justice can we ensure lasting peace.