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International Monetary and Finance Committee and
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The uneven distribution of economic opportunity is an increasingly worrying feature of the current phase of globalization. The institutions charged with the governance of globalization are challenged to find ways to shape a fairer and more inclusive process of international economic integration.

Evidence that opportunities in today’s world are skewed is increasing. First income inequality within nations is rising in many countries and perhaps particularly in those that are the “successful globalizers”. While life is improving for some, far too many are being left behind.

Second, relatively few countries have successfully engaged in the global marketplace and the gap between them and those that have not is widening.

A third indication of inequality is the decline in labour’s share in national income in industrialized countries discussed in the IMF’s recently released World Economic Outlook. ¹ Broadly the Outlook suggests that technological change and heightened commercial competition while increasing the size of economies may be reducing labour’s share and stretching out the earnings gap between the skilled and unskilled. This complex field deserves further study, preferably of a collaborative nature, particularly on its tentative

¹ International Monetary Fund, World Economic Outlook, April 2007, Chapter 5.
findings of the effects of labour market policies on labour shares. Nevertheless as the Outlook says “it is important to be fully cognizant of the fact that there are adjustment costs, and policies do need to support those people negatively affected by labour market globalization.”

This is a balanced view that acknowledges that there are minuses as well as plusses to the complex world of economic interdependence. It is a statement that opens the way to a constructive discussion of social as well as economic policies and the scope for synergies between them. Furthermore given the interaction between labour market responses and the effects of heightened global competition these discussions should involve the representative organizations of employers and workers.

It is also consistent with the findings of the recent WTO/ILO Secretariat Study on trade and employment. It concluded that trade liberalization is therefore 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 like 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 quantity of jobs, wages earned or a combination of both. Average wage increases may, however, hide distributional changes that affect some workers negatively.

**Strong Growth, but Weak Labour Markets**

Trade liberalization is one of the elements alongside shifts in investment patterns and technological change that provoke a constant restructuring of employment. The key issue is whether that process is taking place in an environment in which decent work opportunities are being created at a pace sufficient to absorb the growth in the global labour force and reduce unemployment and the underemployment which is the root cause of high levels of working poverty. Despite five consecutive years of respectable rates of global growth global labour markets show persistent signs of weakness or, indeed, deterioration. The ILO’s latest Global Employment Trends of earlier this year found that unemployment and poverty remain at stubbornly high levels.

- global unemployment in 2006 stood at its highest absolute level ever, with 195.2 million unemployed, or a rate of 6.3 percent, unchanged from the previous year;
- improvement in the absolute number of the working poor (those whose work nets them $2 a day or less for themselves and their families) –1.37 billion in 2006 – was markedly modest

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2 The finding that “the index of employment protection legislation… and the union density measure, were not statistically significant” in their relationship to declining labour shares is not reflected in the text of the chapter. (Footnote 32 Appendix 5.1)

for the first time in history, 2006 saw the share of global employment in the service sector (40%) rise above that in agriculture (38.7%). But this does not imply a substantial improvement in earnings and conditions of work, as, for too many, the transition has been one out of low paid labour in agriculture to unproductive work in the urban informal economy.

while the $1-a-day working poor declined in most regions, it increased in absolute terms (by 14 million) in sub-Saharan Africa and remained relatively unchanged in Latin America and Middle East and North Africa

It is thus clear that the labour market response to growth has neither been as favourable as desired, nor approaching that which can be attained. This in turn implies substantial scope for policy action at international and national levels.

Policy Coherence: A Challenge Accepted

There is a welcome trend toward greater attention to improved policy coherence in the multilateral system. Indeed, the MDGs themselves were a first and powerful pointer in this direction. Since the World Summit of 2005 and last year’s High-Level Segment of ECOSOC, the central importance of full and productive employment and decent work for all has been acknowledged as a central aim of governments, of the multilateral system, and therefore of the policy spheres of our respective and increasingly intersecting mandates. As usual, the Spring meetings of the International Monetary and Finance Committee and the Development Committee are immediately followed by a dialogue between the international financial institutions and the UN Economic and Social Council (ECOSOC) in New York. This year however provides an unusual opportunity for a reinvigoration of the dialogue with the International Financial Institutions. It is a test of the seriousness of system–wide commitment to the clarion call of “deliver as one”.

The ECOSOC Ministerial Declaration of 2006 reinforced the decent work agenda, and underscored the significance of full and productive employment and decent work for all as an end in itself and as a means to achieve the internationally agreed development goals, including poverty eradication and other key development objectives. It consequently requested the whole multilateral system, including the UN Funds, Programmes and Agencies, regional economic commissions and development banks, and the International Financial Institutions and the WTO, to mainstream the goals of full and productive employment and decent work for all in their policies, programmes and activities.

In order to assist its member organizations, the Chief Executives Board for Coordination (CEB) decided to develop a Toolkit for Mainstreaming Employment and Decent Work. The ILO has been asked to take the lead in developing the Toolkit in collaboration with interested organizations and in consultation with all members of the High Level Committee on Programmes (HLCP). The Spring Session of the HLCP on 20-21 March 2007 in Rome

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4 Paragraph 36 of the Ministerial Declaration adopted by ECOSOC encouraged all agencies “to collaborate actively in the development of the Toolkit to promote decent work that is currently being developed by the ILO”.

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welcomed the Toolkit and the present version is being submitted for endorsement by the Executive Heads of all member agencies at the next CEB Session to be hosted by the ILO in Geneva on 20-21 April 2007.

The Toolkit strives to be a lens that the agencies could look through to see how their strategies, policies, programmes and activities are interlinked with employment and decent work outcomes and how they can enhance these outcomes by taking full account of the implications of their strategies, policies, programmes and activities for employment and decent work, while devising them and when advising and assisting countries and constituents in their adoption and implementation.

The Toolkit, which will continue to be refined, aims to promote coherence and capture synergies for enhancing the role of the CEB-member agencies in the promotion of decent work for all through their own action at the global, regional and country level. As such, it is addressed to the staff of the CEB-member agencies at headquarters and in the field. More specific audiences can be identified for future versions of the Toolkit, tailored for particular areas of application. The indirect beneficiaries of the application of this Toolkit by CEB member agencies, and of its future extensions, will in fact be the national constituents and target groups of each and every organization, and ultimately the people of the world who have the legitimate aspiration of a fair chance to a decent job.

The overall objective of the Toolkit is to mobilize synergies and to enhance the employment and decent work impact of CEB-member organizations as a contribution towards a system-wide coherent approach to the implementation of the World Summit Outcome. As part of the effort to realize the goal of “One UN”, the Toolkit with its website is also a means to share knowledge more efficiently and systematically, to identify policy synergies, to avoid overlaps, to promote policy dialogue, and thus to focus interagency cooperation around a shared international development agenda. By fostering policy coherence in the advice provided to our respective constituents, it improves overall effectiveness.

The Next Steps

The next steps in this process will be the monitoring and evaluation of institutional self-assessments of how the institutions’ programmes and policies can serve to promote the centrality of full and productive employment and decent work for all. The ILO and the ECOSOC, and I am sure all CEB members, will welcome the full partnership of the IMF and the World Bank in this endeavour.