STATEMENT

Statement by

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Director-General

International Labour Organization
Weak outlook for jobs puts Development Prospects at Risk

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Summary

- Despite a mild pick-up compared to 2016, global economic growth in 2017 and 2018 is insufficient to start reducing global unemployment which the ILO expects to reach over 200 million this year.

- Progress in reducing vulnerable employment in developing countries has slowed risking the achievement of the goals of the 2030 Sustainable Development Goals.

- One in eight of the global youth workforce, more than 70 million young women and men, are expected to be unemployed in 2017.

- Consumption by the middle-class workers of developing and emerging countries is likely to be the main driver of global growth in the years ahead. Weak and unevenly distributed wage growth jeopardizes faster and more inclusive growth.

- Reducing inequality and poverty bolsters growth. The ILO and the World Bank are supporting countries to design and implement universal and sustainable social protection systems which ensure income security and support to all people across the life cycle – paying particular attention to the poor and the vulnerable.

- Gender inequality persists in global labour markets, in respect of opportunities, treatment and outcomes. As well as an issue of social justice, gender inequality reduces the productive potential of economies and is a macro-critical issue.

- People’s perceptions of the fairness of globalization are closely connected to the realities of job prospects. The weakness of global labour markets and their failure to recover fully from the financial crisis has led to a widespread frustration with the seeming inability of “globalization” to offer a realistic chance of decent work for all.
• Enhanced employment and social policy packages can make growth and development more inclusive and stronger and are key macroeconomic tools especially when cyclical and structural constraints are inhibiting full recovery of the global economy.

• Grasping the opportunity to shape a global path to faster and more inclusive growth and development must not be missed. A much stronger focus, nationally and internationally, on employment and social policies that address directly widespread concern about prospects for jobs and living standards is essential.

_Mild pickup in growth insufficient to speed creation of poverty-reducing jobs_

1. Despite a mild pick-up compared to 2016, global economic growth is expected to remain below long term trends in 2017 and 2018. Against this background the ILO is projecting that global unemployment will increase by 3.4 million in 2017 to reach a level in excess of 201 million. The increase in global unemployment is concentrated in emerging economies and reflects the continuing effects of deep recessions in 2015 and 2016 in several large countries. Developments in Latin America and the Caribbean are of particular concern as the unemployment rate is expected to rise by 0.3 percentage points, to reach 8.4% in 2017.¹

_Slow growth in decent work brakes poverty reduction in developing countries_

2. Most workers in developing countries are not covered by social protection systems. When labour markets slacken need to join or remain in the informal economy to try to earn some income. Vulnerable employment, which measures the share of own-account workers plus contributing family workers in total employment, is a widely available measure of the scale of such informal work. Between 2000 and 2010 significant progress was made in reducing the proportion of workers in vulnerable employment contributing to the parallel reduction in the incidence of extreme poverty. This was a period of robust growth and rising incomes in most developing countries. More recently this progress has slowed significantly or stalled altogether. The rate of vulnerable employment is expected to decline by less than 0.2 percentage points a year in 2017 and 2018, leaving some 1.4 billion people world-wide in chronically poor quality jobs.

3. Globally 760 million women and men are working but not able to lift themselves and their families above the $3.10 a day poverty threshold. South Asia and Africa, where the age profile is still young, account for three quarters of working poverty. In absolute numbers working poverty is increasing in these two regions although as a share of the working population it is slowly falling to just under half in South Asia and around 60 per cent in Africa. The absence of enough decent work opportunities is dangerously destabilizing for economic, social, environmental and political development and jeopardizes realization of the 2030 Sustainable Development Agenda.

_Lack of decent employment prospects for youth rings a global alarm_

4. Youth unemployment is a major concern in all regions because of both the immediate and longer term social and political costs. Both the absolute level of global youth unemployment, and their unemployment rate, increased marginally in 2016. The ILO projects a further increase in youth unemployment to more than 70 million in 2017 or one in eight of the global youth workforce. Much of the increase is concentrated in Latin America, the Caribbean and sub-Saharan Africa. Furthermore, ILO

School to Work Transition Surveys show that in low income developing countries three quarters of young people are only finding work in the informal economy.

5. Looking at longer term trends, between 1996 and 2016 the global youth labour force participation rate declined by 10 percentage points. In many countries after the global economic crisis, young people became discouraged by the lack of decent job opportunities and gave up searching for a job. A longer running and more positive development is that young people are remaining longer in education. But this has implications for the ability of societies to support both the young and the old who are not working or making a significant contributing to output and the tax base. Urgent priorities are therefore to create decent jobs for both the youth who are officially unemployed plus those who have stopped searching for work as well as ensuring a high quality of education and training.

More and better jobs in developing economies can drive of global growth

6. Workers in the “middle class” of developing and emerging countries living on incomes of between $5 and $13 a day now constitute 38 per cent of the 3.2 billion world employment total. The size of this group has grown in recent decades as extreme and near poverty has fallen and workers move from vulnerable to more stable wage employment. Consumption by the middle class workers of developing and emerging countries is likely to be the main driver of global growth in the years ahead.

7. In the wake of the financial crisis of 2008–09, global real wage growth started to recover in 2010, but has decelerated since 2012, falling from 2.5 per cent to 1.7 per cent in 2015, its lowest level in four years. If China, where wage growth was faster than elsewhere, is not included, real wage growth has fallen from 1.6 per cent in 2012 to 0.9 per cent in 2015. In 2016, real wages declined in a number of large emerging economies and commodity exporters such as Brazil, Indonesia, Mexico, Russia, South Africa and Australia. In some countries, significant cuts in real wages led to marked deteriorations in living standards.

8. At the macroeconomic level, sustainable wage growth is central to maximizing aggregate demand. Weak wage growth for the bulk of workforce represents a drag on household consumption and domestic demand – a prospect that is particularly relevant in the current global economic context characterized by subpar and fragile growth. Demand-side as well as supply-side policies are needed to rekindle the positive relationship between productivity and real wage growth through increased investment, innovation, sustainable enterprise creation and decent work.

9. Average wages do not tell the story of how wages are distributed among different groups of wage earners. During recent decades wage inequality has increased in many countries around the world and is frequently correlated with greater household income inequality, declining labour shares and slow growth. As a recent World Bank report showed eliminating poverty requires faster and more inclusive growth and development.

10. The ILO welcomes the increased focus by the World Bank Group (WBG) on a jobs agenda. The ILO looks forward to working more closely with the WBG in support of national strategies for sustainable development and the essential contribution well-balanced and integrated labour market policies and

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4 Poverty and Shared Prosperity 2016: Taking on Inequality. Washington, DC, World Bank

(continued)
programmes to generate full and productive employment and decent work for all as envisioned in SDG 8.\(^5\)

**Gender inequality at work**

11. Inequality between women and men persists in global labour markets, in respect of opportunities, treatment and outcomes. Over the last two decades, women’s significant progress in educational achievements has not translated into a comparable improvement in their position at work. In many regions in the world, in comparison to men, women are more likely to become and remain unemployed, have fewer chances to participate in the labour force and – when they do – often have to accept lower quality jobs. Progress in surmounting these obstacles has been slow and is limited to a few regions across the world. The unequal distribution of unpaid care and household work between women and men and weaknesses in social care are important determinants of gender inequalities at work.\(^6\)

12. Gender inequality at work reduces the productive potential of economies and is a macro-critical issue. “Economic growth and stability are necessary to broaden women’s employment opportunities, but at the same time, their participation in the labour market is an important driver of growth and stability. In rapidly aging economies in particular, higher female labour force participation can mitigate the negative impact of a shrinking workforce on potential growth.”\(^7\)

13. In 2015, the global gender gap in the employment rate amounted to 25.5 percentage points in women’s disfavour, only 0.6 percentage points less than in 1995. Furthermore, women are over represented in low paid sectors and the informal economy. Among wage and salaried workers, substantial gender wage gaps are narrowing slowly. Among 37 countries and territories with data for two periods between 1999 and 2013, the gender wage gap has declined from 21.7 to 19.8 per cent. Without targeted action, at the current rate of decline, pay equity between women and men will not be achieved before 2086.

14. A job that prevents workers from balancing their work commitments with the need to care for their family members is not a decent job. A 2016 global survey as part of the ILO’s Women at Work Centenary Initiative of perceptions about women and work found that 70 per cent of women and 66 per cent of men would prefer that women work at paid jobs. This view notably includes a majority of women who are not currently in the workforce and holds true in almost all regions worldwide, including several regions where women’s labour force participation is traditionally low, such as the Arab States. People in the vast majority of countries mention “balance between work and family” as one of the top challenges facing women who work at paid jobs. Affordable and accessible child and elder care is essential for working women and men with family responsibilities and makes an important contribution to the performance of the economy.

**Social protection strategies for inclusive development**

15. The ILO and the World Bank’s shared objective is to increase the number of countries that can provide universal social protection, supporting countries to design and implement universal and sustainable social protection systems. Universal social protection refers to the integrated set of policies designed to ensure income security and support to all people across the life cycle – paying particular attention to the poor and the vulnerable.

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\(^5\) Balancing regulations to promote jobs: From employment contracts to unemployment benefits, World Bank 2015. The report reflects a shared vision between the ILO and the World Bank Group to promote policies that encourage job creation and protect workers.


\(^7\) Women, work, and economic growth: leveling the playing field, edited by Kalpana Kochhar, Sonali Jain-Chandra, and Monique Newiak. International Monetary Fund, 2016. (page 3)
16. Universal social protection includes adequate cash transfers for all who need it – families with children; people of working age in case of maternity, disability, work injury or for those without jobs; and all older persons. This protection can be provided through social insurance, pensions, tax-funded social benefits, social assistance services, public works programs and other schemes guaranteeing basic income security.

17. Research shows that well-designed and implemented social protection systems are affordable, efficient, effective and equitable and the foundation for sustained social and economic development – for individuals, communities, nations and societies. They prevent and reduce poverty, promote social inclusion and dignity of vulnerable populations. By raising incomes they increase consumption, savings and investment at the household level, contributing to increased demand and economic growth. Such systems also facilitate access to nutrition and education, thus resulting in better health outcomes, higher school enrolment rates, reduced school drop-out rates, a decline in child labour which in turn increases productivity and employability.

18. Universal social protection protects individuals and families against losses due to shocks, whether they be pandemics, natural disasters, or economic downturns. Especially during a time of rapid economic change and turbulence, universal social protection helps reduce inequalities and build political stability and social cohesion. It is a human right that everyone, as a member of society, should enjoy, including children, mothers, persons with disabilities, workers, older persons, migrants, indigenous peoples and minorities.

19. As pledged in SDG Goal 1.3 more countries are expected to adopt these systems as part of their national development strategies. The ILO’s Social Protection Floors Recommendation 2012 (No 202) gives guidance on introducing or maintaining social security floors and on implementing social protection floors as part of strategies to extend higher levels of social security to as many people as possible.

**Addressing discontent with globalization through decent work and reduced inequality**

20. People’s perceptions of the fairness of globalization are closely connected to the realities of job prospects. The weakness of global labour markets and their failure to recover fully from the financial crisis has led to a widespread frustration with the seeming inability of “globalization” to offer a realistic chance of decent work for all.

21. Regardless of whether widening income inequality results from globalisation or technological change the most economically efficient and rapid way to counteract the recent widespread rejection of open economies and societies is by strengthening labour market institutions.

22. Enhanced employment and social policy packages can make growth and development more inclusive and stronger. They are key macroeconomic tools alongside fiscal and monetary policies especially at a time when cyclical and structural constraints are inhibiting a full recovery from the lingering effects of the global financial crisis. The agenda for national policy dialogues among governments, workers and employers on sustainable development strategies includes:

- Infrastructure investment, in water and sanitation, transport, energy, ICT connectivity and housing
- Integrated policies to facilitate transition by informal workers and enterprises to formality
- Strengthened social protection systems, including floors
- Improved access to health care
- Promotion of green jobs as part of efforts to reduce climate change
- Quality training and employment services
- Support for the development of sustainable Small and Medium-sized Enterprises
• Well-balanced labour laws which encourage stable employment relationships
• Counteracting gender and other forms of discrimination at work
• Affordable and accessible child and elder care
• Minimum wage setting systems and collective bargaining between strong and representative unions and employers
• Respect for fundamental principles and rights at work.

Opportunity to shape faster and more inclusive growth and development must not be missed

23. As the World Bank’s 2017 report on Global Economic Prospects outlined, there are signs that growth in emerging and developing economies could pick up in 2017 and gather some momentum but there are also risks and uncertainties that could lead to a prolonged slowdown. Grasping the opportunity to shape a global path to faster and more inclusive growth and development must not be missed. The ILO’s Future of Work Centenary Initiative is giving in-depth examination to the several drivers of change in the world of work and how to meet the global challenge of ensuring decent work for all women and men. A much stronger focus, nationally and internationally, on employment and social policies that address directly widespread concern about prospects for decent jobs and living standards is essential.

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