



International Monetary and Financial Committee

Twenty-Seventh Meeting
April 20, 2013

Statement by Guy Ryder, Director General, International Labour Organization

On behalf of International Labour Organization



Putting jobs at the centre of recovery and sustainable development

Statement by Mr Guy Ryder, Director-General

International Labour Organization

International Monetary and Financial Committee and Development Committee

Washington D.C., 20 April 2013

Summary

- Five years after the onset of the financial crisis the global economy is not yet growing at a pace that will create enough decent employment opportunities to restore pre-crisis employment levels and accelerate the reduction of extreme poverty. Worse, the pace of growth appears to be slowing further.
- Improved jobs and livelihoods are an indispensable means to eradicate poverty and establish a virtuous circle of expanding and inclusive economic growth. The World Bank and the IMF have recently given increased recognition to the centrality of jobs to recovery and development. The ILO is exploring increased cooperation with both institutions across a range of issues, from data collection through research-based policy development to cooperation at country level. This is welcome.
- Concern about a drift into prolonged slow growth is not currently matched by a convincing internationally-coordinated policy response. In the highly integrated global economy more effective international policy coordination will be indispensable to correct the current deficits of decent work opportunities in countries at different levels of development.
- Policy initiatives relevant to a large number of countries include: increased infrastructure investment with an emphasis on employment intensive options; easing of lending conditions to small and medium-sized enterprises; strengthening social protection floors; introducing or raising minimum wages and allowing wages to grow in line with productivity; and increasing training opportunities especially for youth.
- A jobs-oriented recovery strategy undertaken by a significant number of countries at the same time will also ease pressure on public finances by leading to increased tax revenues and reduced recession-related expenditures. Positive multiplier effects at country level would also have spillover benefits to the global economy.
- Increased employment opportunities, improving real wages and strengthened social protection are practical and achievable policy goals that will help fill the global aggregate demand gap widely recognized as the main cause of the slow recovery. A pickup in consumer demand, driven by a focus on raising the living standards of those at the lower end of the income spectrum, as powerfully advocated by the President of the World Bank, will also improve business confidence and stimulate the investment in the real economy that is essential for sustainable recovery. Thus focusing on employment, incomes and social protection can help start a virtuous circle that gradually puts the global economy back on a sustained and sustainable growth path.
- The lively global debate about a post 2015 development agenda initiated by UN Secretary-General Ban- Ki-moon is deepening our understanding of what might be done through a framework for international support to national action. That debate has shown job creation to be a top priority in almost all countries. With the global labour force set to grow by 470 million between 2015 and 2030 and some 870 million women and men unable to earn enough to lift themselves and their families above a \$2 a day poverty line, jobs are truly an urgent global concern.

Weak employment and wage development widens social gaps and brakes recovery

1. Nearly five years after the fall of Lehman Brothers, the global economic and employment picture is still disappointing, with growth in some emerging countries but a grim outlook in Europe and below trend growth in the US and Japan. Creating enough jobs is a major worry virtually worldwide. In most developing countries the challenge is to grow fast enough to stay ahead of a growing work force.
2. Some 870 million women and men are not earning enough to lift themselves out of poverty as measured by the \$2 a day per person line. Since 2007, unemployment has increased by 28 million and some 39 million people have dropped out of the labour market opening up a 67 million jobs gap. Young women and men make up 74 million of the 198 million unemployed globally. Youth unemployment rates are tragically high in a number of southern European and Middle East and North African countries.
3. Real wages have been stagnant in many developed countries, in some cases for decades. By contrast, in China wages are rising rapidly and a number of other developing and emerging economies have recently decided to adopt policies for wage growth to address both domestic inequalities and to compensate for flagging export demand.
4. Overall, wages lag behind productivity in most countries, leading to a shift in favour of profits in aggregate income. This has contributed to rising income inequality in most countries. Despite the increase in the profit share this has not led to an investment led recovery in many economies, in part because of excess capacity and in part because of low household and business confidence.
5. The slow pickup forecast by the IMF for 2014 depends to a large extent on the emerging and developing half of the global economy continuing to grow. With the advanced economies growing slowly or contracting and export markets therefore weak consumption and investment will need to sustain growth and development.
6. In this regard, Africa's growth is high but is still overly dependent on commodity exports, the revenues of which have not yet been translated into more diversified economies and inclusive societies. Latin America has made significant social progress along with its faster growth. Many governments in the region strengthened social protection systems and increased minimum wages to get onto a more inclusive development path. Growth in East and South East Asia has slackened somewhat but important policy shifts in a number of countries towards a more domestic demand-led growth strategy have helped to balance and sustain growth. Wages and social protection are gradually filling demand gaps from weaker exports. In South Asia India is building out its social protection system and focusing on infrastructure needed to overcome barriers to development. In the Middle-East and North Africa many economies are facing weak job creation, entrenched inequalities and post-Arab Spring policy shifts which have not yet addressed the underlying weaknesses.¹
7. Recession in Europe is pushing unemployment in some countries to levels not seen in generations and poverty is growing in countries most exposed to the crisis. Data for 2011 show an increase in the number of European households at risk of poverty.²
8. Unemployment and underemployment affects 13.8 per cent of the US workforce and is slowly trending down.³ As in a number of European countries, long term unemployment rates are high in the US. Fifteen per cent of Americans, 46.2 million people, live below the poverty line of about \$23,000 for a family of four. The top 5 per cent of earners saw their incomes increase 4.9 per cent, while, the middle-income quintiles fell between 1 per cent and 1.9 per cent each.⁴

¹ Rethinking Economic Growth: Towards Productive and Inclusive Arab Societies, ILO/UNDP, February 2013

² Employment and Social Developments in Europe 2012, European Commission, 2013

³ See BLS Employment Situation Summary, April 5, 2013, Table A 15 of the Alternative measures of labor underutilization

⁴ US Census Bureau September 2012

Building consensus around people's priority: opportunities for decent jobs

9. Creating more jobs ranks high on all popular opinion surveys and addressing the jobs challenge is a political priority for world leaders in 2013. However the popular and political concerns have not been matched by a convincing internationally-coordinated policy response. Current policies are not stemming the rise of unemployment in advanced countries and are holding back the rapid growth emerging and developing countries need to keep pace with their growing young labour force.
10. The inherent difficulties of blending policies appropriate to differing national circumstances into a coherent international strategy is compounded by major differences of view about the efficacy of fiscal and monetary policies. Yet it is essential that this policy impasse be overcome if the damaging economic, social and political consequences of weak and unbalanced growth are to be avoided.
11. A world economy suffering from deficient aggregate demand needs policy measures to boost employment and incomes in both the developing and developed world. Coordinated action could turn the current negative feedback loops, in which unemployment and income stagnation lower demand and discourage investment, into positive feedback loops that restart growth where needed and help to rebalance both domestic and global economies. Key policy areas relevant to a large number of developed and developing countries⁵ are:
 - Increased investment in infrastructure and its maintenance. The direct and indirect employment-creating potential of investment in infrastructure can be maximized by systematically considering options for the use of employment intensive techniques and small and medium-sized local contractors.
 - Easing of credit conditions for micro, small and medium-sized enterprises which are facing high interest rates and tough lending conditions in many countries.
 - Extension and strengthening of social protection systems. The ILO Social Protection Floors Recommendation, 2012 (No. 202), is particularly useful to a number of countries considering investments in strengthened income protection systems, child support, old-age pensions, basic health-care systems and labour-intensive infrastructure or other public employment programs. Further strengthening of systems is needed to enhance their automatic counter-cyclical effects in some countries. Protection of basic social protection in the crisis affected countries of Europe is important both to fight the growing incidence of poverty and to provide counter-cyclical support
 - Attention to wage policy is needed in countries where wage growth has fallen behind productivity growth, contributing to deficient demand and in some cases to unsustainable household debt. Introduction or upgrading of minimum wages and the promotion of collective bargaining systems that align wage developments and productivity could be appropriate policy measures in many countries.
 - Reinforcement of education and training systems, with a special focus on young women and men where they are facing disproportionate levels of exclusion, can increase the supply of skilled workers and address employers' needs in higher value-added industries and services. The scope for establishing or extending apprenticeship schemes has attracted interest in many countries.
 - The enhancement of active labour market policies can improve job matching, increase participation of women and focus support to vulnerable groups. Improved childcare arrangements create employment opportunities and increase employment participation rates of women.

⁵ The ILO Global Jobs Pact, which has attracted strong tripartite support in a series of regional and national policy-making forums, offers a framework for a range of measures that can be applied by countries in different situations.

Integrating employment and social policies into macroeconomic and development policies

12. The World Bank and the IMF are giving increased attention and recognition to the centrality of jobs to recovery and sustainable growth and development. The ILO has offered increased cooperation with these sister institutions across a range of issues from data collection and analysis, through evidence-based policy development to country technical assistance and capacity building. Cooperative work programs are currently under exploration and in some cases are underway.
13. The ILO has a distinctive mandate and expertise in the multilateral system as well as a unique governance structure that includes representatives of employers' organizations and trades unions. It brings a different way of approaching shared policy challenges that countries and other multilateral organizations can draw upon.
14. In addressing the challenges of the global economy the ILO's compass is its constitutional mandate to strive for social justice.⁶ Its aim is to promote the integration of decent work into the economic, social and environmental policies that will be needed to shape sustainable global development. Amongst its core values are Fundamental Principles and Rights at Work, which include the rights to freedom of association, the effective recognition of the right to collective bargaining and freedom from discrimination in employment. In building our partnership with the international financial institutions the ILO will seek to ensure that these basic human rights are well understood and respected.
15. The lively global debate about a post 2015 development agenda initiated by UN Secretary-General Ban- Ki-moon is deepening our understanding of what might be done through a framework for international support to national action. That debate has shown job creation to be a top priority in almost all countries. With the global labour force set to grow by 470 million between 2016 and 2030 and some 870 million women and men unable to earn enough to lift themselves and their families above a \$2 a day poverty line, jobs are truly an urgent global concern.

⁶ The ILO adopted a Declaration on Social Justice for a Fair Globalization in 2008 which aims to place full and productive employment at the centre of economic and social policies