

ECOSOC Annual Ministerial Review

Global Preparatory Meeting

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Promoting the implementation of the Global Jobs Pact

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Chairperson,

Distinguished Delegates,

Dear Colleagues,

This year, at the Annual Ministerial Review in July, we have an incredible opportunity for a genuine policy dialogue to shape a new and stronger development agenda, an agenda cast around robust interconnections between productive capacities, decent jobs and the objective of sustainable, inclusive and equitable growth.

I will concentrate my remarks on three issues: (i) a quick outlook of the global employment situation, (ii) a set of suggestions for international and national policies to address the protracted jobs crisis, and (iii) some review of the role that could be played by the UN system.

A prolonged jobs deficit

Let me start with the employment outlook. Recent ILO estimates set the global number of unemployed people at a peak of some 200 million in 2012, projected to grow up to 206 million by 2016.

A large portion - about 75 million - are young women and men. The financial and economic crisis has hit the youth particularly hard. Youth unemployment rates are alarmingly high: almost 50% in Spain and Greece, around 30% in Slovakia, Ireland, Portugal and Italy, 16% in the United States.

In the developing world, underemployment, casual work and vulnerable employment remain widespread. One out of three workers in the world are still living with their families below the US\$2 a day poverty line.

As a matter of fact, in spite of relatively high rates of economic growth in the past years, the structure of the labour market in most developing countries has not changed. Good stable

jobs in modern sectors are rare and severely rationed. Precarious and informal employment remains the norm, preventing most people from taking advantage of market opportunities to develop their skills and enhance their productivity, their purchasing power and their savings. The convergence between the industrial and the developing world, of which some are talking about, has its peculiar translation in the labour market: it is a convergence down towards more precarious work in both worlds.

This concern for the jobs recession is made more alarming by a number of trends.

The perspective of economic stagnation in the Eurozone and declining rates of growth in the emerging economies. Demographic pressures, with a growing divide between countries experiencing rapid ageing of the population and those where fertility rates are unsustainably high. New pockets of poverty as a result of climate change. And, most important, a structural drift towards widening inequality, growing urban-rural imbalances and income polarization, which make the economic and political fabric of our societies more fragile. The protests that have unfolded in some 1,000 cities and 82 countries in recent months are a clear pointer to the demand for policy.

A jobs-centred policy agenda

If unemployment and underemployment are urgent global challenges, what can be done? Are there solutions?

The country responses to the lingering global economic crisis offer a wealth of experiences and lessons. Countries did act with success to manage aggregate demand, to facilitate job creation and to sustain the incomes of workers and their families. The global jobs pact offered a framework to encourage coherent packaging of those responses.

Let me share with you four policy actions the ILO considers of paramount importance in the current situation.

The policy initiative number one is global coordination for raising global aggregate demand. The call is coming from many quarters and most recently from the head of the IMF, Mrs. Christine Lagarde, who in a recent speech called about QUOTE: “... *avoiding a 1930s moment, in which inaction, insularity, and rigid ideology combine to cause a collapse in global demand.*” UNQUOTE.

Clearly, the scope for action differs across countries. Deficit countries can only manage - within a balanced budget - to match tax increases with public spending and incentives to private investment in plants, equipment and jobs. Surplus countries have more room for manouvering, but not any one country is big enough to bear the burden alone. Yet, a series of modest simultaneous measures for employment creation in more than one country could

generate multiplier effects to help restore confidence and thus sustain global consumption and investment drivers.

The Economic and Social Council - because it has a global vision and because it has central position within the international system – has an opportunity and a responsibility to strengthen its advocacy for coordinated global action for investment and jobs.

A second policy action is to devise new discretionary measures not just for countercyclical purposes but as a critical tool to build future productive capacities and trigger long-term broad-based economic transformation. A policy agenda centred on productive capacities and decent jobs has positive short term and long term effects in addressing labour market vulnerabilities and inadequate patterns of growth and development.

This can be particularly important for the large emerging economies that are acquiring greater economic autonomy but still have gaps in their economic and social infrastructure as well as in their labour markets.

The portfolio of options is broad. It includes infrastructure projects and increased expenditure on housing, education and health which in response to the crisis were used by many countries to sustain production and incomes while generating jobs. Indonesia, for instance, combined a reduction of income taxes to sustain household demand with the strengthening of infrastructure investment, in particular community-based employment-intensive programmes that benefited local rural businesses.

It includes support to small enterprises through greater access to credit - as done in Vietnam; support to local clustering - as in Thailand; integrated business services – as in Costa Rica; or temporary reductions in non-wage labour costs or in tax rates.

Addressing youth unemployment is another kind of investment in future productive capacities. Stronger education and vocational training has been a priority in many countries. India's national policy on skill development is focusing on combining school-based training with workplace training, involving social partners and paying special attention to sectoral needs.

Stronger public employment services have provided a hub for well- designed labour market programmes to improve and preserve the employability of workers, including for the job-seekers. Effective programmes combined a range of services, for instance training, retraining, placement and search services together with tax benefits and even community services and local development projects. Examples range from the Kurzarbeit scheme in Germany, combining work-sharing programmes with partial unemployment benefits, to the Jobs and Training Compact in Australia and to the employment laws recently introduced in China and Vietnam.

Labour market interventions, of course, have to be adapted to the local realities. The ILO is piloting projects to upgrade informal apprenticeship, which is the largest provider of skills for poor countries in Africa and South Asia. We are also working with international donors to introduce innovative public employment schemes in countries such as Kenya, Ethiopia, Ghana and Tunisia.

As I mentioned labour market policies, let me go to the third policy action. The social dimension should not be an afterthought. Attention to the quality of jobs is fundamental for growth that is more inclusive and more sustainable. We have to consider labour market policies and institutions in new ways.

It is now a given that well-designed social protection mechanisms worked as economic stabilizers of the impact of the great recession of 2008–09 and provided in-built support to the incomes of weaker population groups. But countries also managed their minimum wage policies, in some cases decreasing the minimum wage, as in Indonesia, in other cases increasing it significantly in real terms as in Australia, Brazil and Canada. In other words, the issues surrounding the functional distribution of income cannot be any longer neglected.

The recent growth pattern of Brazil and its resilience to the crisis can be attributed in part to a reduction of informality, inequality and poverty. Increase in minimum wage and vast programme of social transfers supported domestic demand and created opportunities for SMEs which were aided by simplified business registration and lower taxation. Labour inspection was also instrumental in raising labour standards and supporting a gradual transition of small enterprises out of informality. In short, as never before in the developing world, social inclusion and sustainability of growth can go hand in hand.

The fourth policy action concerns coherence and coordination. Underlying the Global Jobs Pact approach is the notion that a combination of measures tends to produce better results. Many of the examples mentioned earlier were designed and managed so that the secondary effects of a policy measure would reinforce the effects of measures in other areas.

In fact, there is no one single solution to the challenge of employment. A sustained generation of decent and productive jobs can be achieved only through macroeconomic and labour market policies working together, with trade, sectoral and financial policies playing important roles in fostering innovation and technological progress. Examples from Costa Rica, Korea and New Zealand show also that success in a given area, such as skills development, requires a “virtuous circle” of coordinated policies linking education systems, skills formation, employment, sectoral and technological policies, with involvement of workers and the private sector at each step.

The UN commitment to implementation

Coherence is as important as it is difficult to achieve. The UN system could play a supportive role in this regard but we need to do more.

Important steps ahead have been made in the wake of the crisis. We will hear about FAO and UNDP in this panel. I should mention other agencies and programmes that made efforts, each on their own, to better assist countries struggling with unemployment and underemployment: UNCTAD, UNICEF, UNIDO, UNFPA, UNWTO, UNESCO, IFAD and lastly the World Bank.

Interagency initiatives on issues relating to productive capacities and decent work have also multiplied, prompted by the UN Chief Executive Board and to some extent by the G20. Important ones are the UN cluster on the social protection floor; the green jobs initiative linking UNEP, ILO, business and trade unions: the G20 task force on employment and other initiatives on youth employment. The ILO and the IMF launched a path-breaking dialogue on the challenges of growth, employment and social cohesion and have started collaborating in a few pilot countries.

These are promising steps. We can build upon them. But there remain obstacles, fragmentation and a silos attitude. The capacity of the UN system to respond as a system to systemic economic crises with comprehensive policy package like the global jobs pact must be developed further.

Here is a task for the AMR in July. To think in creative terms and use its convening authority to craft a global initiative up to the scope of the global employment challenge. Some agenda items are compelling:

- To strengthen the collection of good practice and disseminate knowledge of what works and what does not work in achieving employment goals, in order to set better foundations for policy design and implementation in all member countries.
- To stimulate a frank and open global policy dialogue on “why” policies succeed, in order to crystalize the lessons from good practice in new solid understanding, beyond ideology, of the boundaries of markets and state. We need for instance a rigorous rethinking of what are good macroeconomic and financial policies in light of their impact on people, society and the environment.
- Finally, to strengthen dialogue, partnership and collaboration across the UN system and the international financial institutions to make the multilateral actors better able to assist governments in their need for capacity building; for coherent strategic

design; for policy assessment and impact; and for better accountability, transparency and participation in policy-making through social dialogue and outreach to private sector and civil society.

Thank you.