

## Working for decent work for all everywhere

by Juan Somavia

The global crisis has, once again, illustrated how central decent work is to the lives of women and men everywhere, to the stability of families and peace of communities. Encouragingly the crisis has also set off bold and decisive decisions to counter the downturn. Useful lessons can be drawn from the last 18 months during which the prevailing economic consensus was turned on its head. Rising to the challenge of the global jobs crisis requires a thorough rethink of the relationships between economic growth and employment. A high level of productive employment should be an objective of the same order as low and stable inflation and sound public finances.

### *A global employment challenge*

Today, half of the world's labour force of 3.2 billion is in various forms of vulnerable employment. Some 1.2 billion persons work and live in poverty. Out of every 10 persons, 2 have access to basic social protection. This crisis existed before the last global crisis.

During the Great Recession, employment dropped by approximately one per cent. Globally 212 million persons are unemployed and looking for work. Two unemployed persons in 5 are young women and men aged 15-24 years. In many countries the number of unemployed workers discouraged from active job search, and those working involuntarily in part time occupations, has risen dramatically. In emerging and developing countries lost wage employment is replaced by lower quality informal employment. In all countries the rate of growth of real wages has slowed considerably, or wages have stagnated or fallen.

The outlook for tomorrow: the world will require some 440 million new jobs over the next ten years just to keep up with the growth in the labour force.

Pulling these strands together, the world is facing a momentous employment challenge.

### *Encouraging initial responses to the crisis*

Fiscal and monetary policies have been used decisively to counter the fall in economic activity as of late 2008. The recommendation of the IMF to invest 2 per cent of GDP in counter-cyclical fiscal spending has been by and large heeded by governments. This additional funding is tapering off in 2010.

In June 2009 the International Labour Conference adopted a Global Jobs Pact with strong backing from governments, employers and trade unions from ILO member States. The Pact is essentially a template for employment, labour and social policies, based on the Decent Work Agenda, to counter the crisis. It has inspired and continues to inspire many countries. The central purpose of the Pact is to shorten as much as possible the lag, observed in many previous crises, between economic recovery and recovery of employment.

The G20 has given strong impetus to international coordination. During 2009, in London and in Pittsburgh, G20 Leaders recognized the significant impact of the crisis on employment. Leaders committed to "restoring the global economy to full health" so that "hard-working families the world over can find decent jobs". To that end they called for "an employment-oriented framework for future economic growth" pledging to put "quality jobs at the heart of the recovery".

Crisis responses included extension of unemployment benefits, broader coverage of social protection programmes, additional spending on infrastructure, support for small enterprises, and a range of measures, from working time adjustments to employment subsidies, to cushion the impact of the downturn on employment.

The ILO has estimated that the extraordinary fiscal stimulus and automatic stabilizers have saved or generated 21 million jobs across G20 countries in 2009 and 2010, equivalent to one per cent of total employment in these countries.

### *Accelerating recovery in employment*

Two years on from the collapse of Lehman Brothers, the world is gradually recovering from the recession, but at very different speeds across regions, and in the midst of heightened risks of an overall weak recovery in employment. Accelerating recovery in employment remains the overriding priority.

Emerging and developing countries are recovering more quickly, and employment growth is close to pre-crisis levels in the third quarter of 2010. These economies, and a few industrialized countries, are benefitting from strong growth in China. By and large they have avoided a financial crisis with

bank lending being a key counter-cyclical instrument. Brazil, China and India are facing shortages of skilled labour, calling for better policies to link vocational education and training to the needs of enterprises. The key challenge for these countries, to sustain their growth, is the gradual raising of the quality of labour, the most direct route to expand domestic consumption. This requires a range of measures from labour market policies to broader social protection and better pass through of productivity gains to wages.

In the United States, Japan and Europe in 2010 and the next few years, growth is likely to be too weak for employment to recover rapidly. Although unemployment may have peaked, it is likely to remain high for some years. There is a real risk of long term unemployment leaving permanent scars on persons. Measures specifically targeted at employment can help, such as targeted subsidies, skills development and job search assistance. Even in countries with fiscal constraints, such measures are cost effective.

One of the reasons why the crisis was more short lived in emerging countries than in higher income countries is the functioning of credit markets, which expanded in the former and dried up in the latter. Still today bank credit to the real economy is well below pre-crisis levels in advanced countries, constraining job growth in small enterprises.

### ***Thinking differently about economic growth and employment and decent work***

The global employment challenge is with us. The ILO is playing its role, in close cooperation with employers' organisations and the trade union movement, and with other global institutions, such as the IMF, UNDP, WHO, and WTO, to alert and mobilize governments on the central role of balanced responses combining employment, investment, sustainable enterprises, labour market institutions, social dialogue and social protection.

For a number of objective reasons, linked to the severe social impact of this crisis, the unsustainable pattern of globalization, the changing geography of world output, the support for the Decent Work Agenda is being reinforced at the highest political levels, among global, regional and national institutions and across public opinion. This broad and encouraging acceptance is increasingly translated into tangible policy shifts. Much more is needed.

For the world to tackle the global employment challenge, it must think differently about how macroeconomic policy addresses employment. A high level of productive employment and decent work must become a national priority, and benefit from the same consensus, across all government policies (central bank included)

as low inflation and sound public finances. Employment policies are cost effective as they tend to raise the potential output level, reduce compensatory social expenditure and maintain social stability.

Thinking differently is a responsibility of all, especially the readers of this column. Several critical and protracted issues need to be addressed in a different way if the world is not to return to the same unsustainable pattern of globalization as before the crisis.

Let me mention a few of these issues. In a world awash in liquidity, productive investment is far too low. Aggregate demand is deficient. The financialization of the economy is distorting the real economy. Investment and employment are suffering from these distortions. Rising inequality and weakened middle classes have been identified as one of the proximate causes of the crisis. The share of wages in total income is declining globally, with wages trailing productivity increases. Tax policies have become less progressive. Together these trends are weakening aggregate demand and hence future growth. Small enterprises are the engine of employment generation, but struggle to provide decent conditions of work. Institutions for social dialogue vary greatly in their contribution to decent work outcomes. A universal floor of basic social protection is an achievable objective. Holders of public purses must be convinced of the multiple benefits deriving from it, from lower poverty to less consumption volatility and empowerment of persons. Incentives and investments in green jobs and in a just transition to greater energy efficiency are the seeds of future sustainable growth.

At the ILO, a fair globalization providing opportunities for all is a better path to sustained global growth and stability. Recent discussions at the International Labour Conference are profiling the ILO as a major source of "thinking differently" whilst remaining true to our values balancing economic and social advancement. Let us deepen and broaden our analysis and discussions.

***Juan Somavia is Director-General of the International Labour Organisation (ILO).***