



International Monetary and Financial Committee

Thirty-Ninth Meeting
April 12–13, 2019

Statement No. 39-15

**Statement by Mr. Ryder
International Labour Organization**



**Statement by Mr Guy Ryder, Director-General, International Labour Organization
to the International Monetary and Financial Committee
Washington D.C., 13 April 2019**

Summary

Significant improvements in people's livelihoods and in reducing inequalities will require more intensive and coordinated efforts to create decent jobs:

- With global growth set to moderate in the near term, employment growth is projected to match labour force growth for the coming years, stabilizing the global unemployment rate. This follows a period of economic expansion during which the global unemployment rate declined as employment growth outpaced labour force growth.
- By 2018, the global unemployment rate had once again reached 5.0 per cent, a level last seen in 2008. However, it took a full 9 years for the unemployment rate to recover after the shock of the global financial crisis.
- The number of unemployed is estimated at 172 million in 2018, which, in combination with the 140 million people in the potential labour force, raises the global headcount of underutilized labour to 312 million people.
- More than one in five young person worldwide was not in employment, education or training in 2018, a level that has failed to decrease substantially in all regions.
- Progress in reducing child labour slowed during 2012 to 2016. A total of 152 million children are still in child labour globally, accounting for almost one in ten of all children worldwide.
- Little progress has been made in achieving formalization of jobs. Nearly 90 per cent of workers in low income countries, and roughly 84 per cent of workers in lower-middle income countries, remain in informal work while the recent rapid expansion of low-quality non-standard forms of work in advanced economies threatens to bring about an increase in informality there as well.
- Average wages have failed to maintain pace with aggregate productivity developments.
- Progress in closing gender gaps has stalled. The gender employment gap has shrunk by less than 2 per cent over the last 27 years and the gender pay gap stands at close to 20 per cent.
- Productivity benefits of Global Supply Chain (GSC) participation are not fully translated into higher wages: the 5 per cent wage premium paid by exporters in GSCs compared to other exporters is considerably smaller than the 11 per cent labour productivity premium in GSCs.
- Creating fiscal space to extend social protection and ensure sustainable domestic financing is crucial, and the ILO estimates the cost of social protection floor cash benefits to be on average 4.2 per cent of GDP across a range of low and lower-middle income countries.
- Sustainable enterprises that invest in their workforces through on-the-job training, promoting equity in employment opportunities and securing worker protections, play a central role in achieving productive and equitable growth.

Introduction

1. Reducing inequalities and addressing the crisis of multilateralism call for policy approaches that promote well-being, equality, sustainability and inclusiveness. Slow progress toward full and productive employment and decent work, reducing inequalities and climate transition demonstrates the need to implement a human-centred agenda of investments in individuals, institutions and the real economy. Urgent and coordinated action is required across a broad spectrum of social, environmental and economic policies to reverse current trends.

Decent jobs must grow at a stronger pace to make real improvement in people's livelihoods.

2. Achieving Sustainable Development Goal 8, “sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, remains elusive on the eve of the UN High-Level Political Forum in July, with many indicators demonstrating slow progress worldwide.

Sustained, inclusive and sustainable economic growth

3. Per capita economic growth, the environmental pattern of growth (relating to resource efficiency in consumption and production) and productivity performance in most parts of the world have all fallen short of internationally-agreed objectives over recent years.
4. First, economic convergence between advanced and developing economies is not proceeding in the manner envisaged in the SDGs. Least developed countries (LDCs) experienced average annual GDP growth of just 4.8 per cent over the period 2011 to 2018, compared to the 7 per cent annual growth target established under SDG 8.1. Second, indicators concerning the transformation to a low carbon output and consumption mix suggest that recent outcomes are going in the wrong direction. As a result of higher energy consumption, CO₂ emissions rose 1.7 per cent in 2018 and hit a new record.
5. Third, evidence shows greater convergence of productivity between middle income economies and advanced economies, but this results from the deteriorating performance in the latter. In addition, lower income countries continue to slip further behind advanced economies. Labour productivity – real output per worker – has slowed markedly since the global financial crisis, both in advanced and emerging economies. Despite the apparent acceleration of technological progress, not least due to the development of artificial intelligence, productivity growth in general has slowed since 2010. Labour productivity growth has generally halved since the 1996-2004 period across major OECD economies and significantly declined in emerging economies such as Brazil, China, India and the Russian Federation.

Full and productive employment

6. No clear evidence shows significant global progress towards “full and productive employment for all”. While trends in unemployment, underemployment, and informal employment vary significantly between regions and countries, the overall picture remains discouraging. Demographic trends, such as the slow-down in population growth and the generally aging population, reduced labour force growth to below 1 per cent in 2018. The number of unemployed is estimated to stand at 172 million in 2018 which, in combination with the 140 million people in the potential labour force, puts the global headcount of underutilized labour (defined as people looking for or being available for a job) to 312 million people. In the event of a stable economic outlook, employment growth would be projected to match labour force growth for the coming years, stabilizing the global unemployment rate at around 5.0 per cent.

7. Young people, and women and men with disabilities, are much more likely to be unemployed. Furthermore the proportion of young people not in employment, education or training (NEET) has failed to decrease substantially in any of the country income groups. In 2018, more than one in five of young people worldwide had NEET status. The NEET rate for young women (30.4 per cent) was more than double the rate for young men (12.7 per cent).

Decent work for all

8. Although SDG 8 places a high priority on decent work, analysis of trends in the quality of work and the implementation of labour rights demonstrates persistent challenges. Poor-quality employment – manifesting itself in a high incidence of in-work poverty, informal employment or involuntary temporary contracts, for example – remains a major concern throughout the world. Furthermore, indicators of the gender pay gap, forced labour, child labour and freedom of association show a lack of meaningful progress. The gender pay gap remained at 18.8 per cent in 2018¹, while 25 million persons were in forced labour of whom 71 per cent were women². In 2016, 152 million children were working, of whom 73 million were in hazardous work and although child labour decreased significantly between 2000 and 2016, progress has slowed. Even at the fastest rate of progress observed, between 2008 and 2012, more than 100 million children would still remain at work in 2025, the year envisioned by SDG target 8.7 for the eradication of child labour. And the partial information that exists about global trends in implementing other core labour rights, such as the right to freedom of association and the right to collective bargaining, indicates a very worrying picture.
9. The latest ILO estimates suggest that nearly 90 per cent of workers in low-income countries, and roughly 84 per cent of workers in lower-middle income countries, remain in informal jobs. A much stronger emphasis is therefore required on policies that will foster the expansion of wage and salary jobs, expand the scope of labour laws and social protection to all workers and foster enterprise formalization.
10. The rapid recent expansion of non-standard forms of work in advanced economies, ranging from platform work to disguised self-employment, risks to undermine wage and employment conditions established through law or collective bargaining, facilitate the avoidance of tax payments and social security contributions and weaken labour institutions such as trade unions. These trends have detrimental economic as well as social consequences, including adverse consequences for fiscal stability and the long term sustainability of social security systems.
11. In that context, ILO research about the contribution of enterprises to decent work and economic growth is all the more important, finding that firms that invest in the sustainability of their workforce and decent work - through on-the-job training, promoting equity in employment opportunities and securing worker protections – and also invest in other important factors of production such as innovation, and engage in external markets, can be highly competitive. These findings highlight the central role that sustainable enterprises play in productive and equitable growth, as highlighted in the UN 2030 Agenda for Sustainable Development.

¹ ILO. 2018. Global Wage Report 2018/19: What lies behind gender pay gaps? (Geneva: ILO).

² ILO. 2017. Global estimates of child labour: Results and trends, 2012-2016. (Geneva: ILO) and ILO. 2017. Global estimates of modern slavery: Forced labour and forced marriage. (Geneva: ILO)

A human-centred agenda could address many of the failures of current economic and social policies to reduce inequalities.

12. SDG 10 calls for the international community to “reduce inequality within and among countries”. However current economic development policies have not delivered a convergent trend of rising incomes among the world’s workforce. Indeed, the overall international evidence on inequality points to significant distributive failure. Wealth is increasingly concentrated, the gap between richest and poorest is widening, the wage share of national income is declining, gender inequalities are persistent, inter-generational inequalities are accumulating, and large portions of the world’s workforce (in both high and low income countries) have experienced real wage stagnation.

Real wage growth, labour productivity and inequality

13. Aggregate productivity growth masks large sub-national and inter-firm differences. While the most productive frontier firms – mostly in digital services and innovative manufacturing – have experienced high (cumulative) productivity growth, the rest have seen little, if any, productivity growth over recent years. Similar differences in productivity growth exist between regions, and more productive regions – mostly urban centres – have experienced faster productivity growth, thereby widening disparities between rural and urban areas.
14. These disparate outcomes have resulted in a failure of average wages to maintain pace with aggregate productivity. As benefits of productivity gains are concentrated among certain capital-intensive companies in urban centres, incomes for the vast majority of wage earners have failed to grow at similar rates. In global supply chains (GSCs) too, productivity benefits are not being fully translated into higher wages³. Although participation in GSCs is associated with higher productivity and higher wages when compared with other exporters - GSC input suppliers pay on average 5 per cent higher wages than other exporters - the wage premium is considerably smaller than the labour productivity premium, which is estimated to be above 11 per cent.⁴ Creating stronger labour market institutions, investing in education and training and implementing policies geared towards internal mobility would all assist workers to take advantage of new technological developments in the form of higher wage growth.

Gender inequalities

15. Progress in closing gender gaps has stalled, as gaps with respect to key labour market indicators have not narrowed meaningfully for over 20 years. For example, the gender employment gap has shrunk by less than 2 per cent over the last 27 years.⁵ Reducing gender inequalities will entail redressing discrimination and disadvantage and overcoming entrenched stereotypes relating to women in society, the value of their work and their position in the labour market. Responsible public investment in the care economy would go a long way in closing the gender gaps.

Reducing inequality through social protection

16. National governments and the international community have reaffirmed through SDG 1.3 their longstanding commitment to universal social protection. Despite significant progress in many

³ See World Bank, World Development Report 2020, forthcoming.

⁴ ILO, 2017. World Employment and Social Outlook : Sustainable enterprises and jobs : Formal sector enterprises and decent work (Geneva) https://www.ilo.org/global/publications/books/WCMS_579893/lang--en/index.htm

⁵ ILO. 2019. A quantum leap for gender equality.

- parts of the world, the right to social security is not yet a reality for the large majority of the global population. Fifty five per cent of the world's population is left without any form of social protection.
17. Social protection and fiscal and wage policies play an important role in reducing inequality within and among countries, and indeed the IMF now defines income and gender inequality as 'macro-critical' issues. As SDG 10 is being reviewed at the HLPF next July, greater policy coherence among international organisations on these issues would be welcome, and opportunities for joint activities among institutions with genuine expertise on social protection and those that influence budget applications and expenditure priorities need to be enhanced.
 18. Efficient, effective and coordinated support is needed to improve the design and operation of social protection systems worldwide. As coverage gaps are associated with a significant underinvestment in social protection and are largely determined by limited resources, the importance of creating fiscal space to extend social protection and ensure sustainable domestic financing is crucial. Although balancing the objective of universal social protection with available financial resources remains a key challenge, even in the poorest countries, a variety of options to expand fiscal space and generate resources for social protection exist. They include reallocating public expenditures, increasing tax revenues, expanding social security coverage and contributory revenues, and eliminating illicit financial flows. The ILO estimates that the cost of a set of social protection floor cash benefits (for children 0-5 years of age, all women with new-borns, all persons with severe disabilities, older persons) for low and lower-middle income countries ranges from 0.3 (Mongolia) to 9.8 per cent of GDP (Sierra Leone) and is on average 4.2 per cent across 57 countries⁶.
 19. Achieving reductions in inequality to meet SDG 10 will require policy coherence linking enhanced social protection with coordinated fiscal and wage policies.

⁶ Ortiz, I., F. Durán-Valverde, K. Pal, C. Behrendt, A. Acuña-Ulate. Universal Social Protection Floors: Costing Estimates and Affordability in 57 Lower Income Countries. *Extension of Social Security Series No. 58*. Geneva: ILO.