

# TST Issues Brief: EMPLOYMENT AND DECENT WORK<sup>1</sup>

## I. Stocktaking

Widespread concern for the lack of quality job opportunities was one of the key issues that emerged from the national and thematic consultations on the post-2015 agenda organized by the UN. Better job opportunities also ranked among the top four development priorities in the UN 'My World' global survey in over 190 countries. **Jobs were a concern for people of all ages in all countries.** This is not surprising given current trends and prospects in the global labour market.

A series of crises – food, fuel, financial – have exacerbated an already precarious jobs situation. Global unemployment is estimated to have increased by 28 million as a result of the global economic crisis, reaching a total of almost 200 million in 2012. This figure is projected to grow further in the near term. Moreover, some 39 million people have dropped out of the labour market largely from discouragement, **opening a 67 million global jobs gap since 2007.**<sup>2</sup>

**Unemployment and inactivity increased sharply in the advanced economies.** Although it accounts for less than 16 per cent of the global workforce, the Developed Economies and European Union region contributed to more than half of the total global increase in unemployment over the past five years and it experienced a drop of 2.3 percentage points in the share of its economically active population. In the developing world, the impact of the economic crisis was less visible at least in terms of the numbers of those who are registered as unemployed. This divergence reflects economic resilience and the adoption of more effective labour-oriented stimulus packages, but also structural features of labour markets in poor countries that make existing statistics on unemployment an inadequate indicator of labour market distress.

Despite much progress in the quality of life over the past decades, **the majority of workers in the developing countries remain trapped in informal and vulnerable jobs with meagre incomes, uncertain prospects and limited protection from social, economic and environmental risks.** The opportunities for full-time regular wage employment are limited and most people have few options other than subsistence farming, unpaid work or unpredictable casual work at a daily wage. This is often especially true for women, who are underrepresented in wage employment in most regions<sup>3</sup> and further bear the burden of unpaid care work and other social restrictions. In 2012, own-account or contributing family workers accounted for 56 per cent of all workers in the developing world - 1.49 billion people - down from 62 per cent registered in 2000, but still quite high. Landless casual labourers are prevalent in many rural areas and are among the most vulnerable group of workers.

**A positive development over the past decade has been the sharp decline in the relative number of the working poor,** defined as those people who are in employment but belong to households living below the \$2 a day poverty line. From 55.2 per cent in 2000, the share of the working poor over total

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<sup>1</sup> The Technical Support Team (TST) is co-chaired by the Department of Economic and Social Affairs and the United Nations Development Programme. This Issues Brief has been prepared by the ILO, DESA, ESCAP, IFAD, IOM, UNDP, UNFPA, UNIDO, and UNWOMEN. Decent work combines access to full and productive employment with rights at work, social protection and the promotion of social dialogue, with gender equality as a cross-cutting issue.

<sup>2</sup> ILO, *Global Employment Trends (GET) 2013: Recovering from a second jobs dip*, Geneva, January 2013.

<sup>3</sup> World Bank, *World Development Report 2013*.

employment in the developing world has declined to 32.1 per cent in 2012, but it remained at nearly 60 per cent in the LDCs in 2009. Progress has been uneven across regions, with more than 87 per cent of the reduction occurring in East Asia.<sup>4</sup> The pace of reduction, moreover, has slowed down recently as a consequence of the economic crisis. A parallel positive trend has been the rapid increase in the numbers of the developing world's "middle-class and above" workers, i.e., those workers living with their families on above US\$4 a day.<sup>5</sup> This is a significant development as it opens up opportunities for consumption and investment and it could contribute to raise workers' productivity and foster citizens' voice. A significant 15 per cent of the developing world's total workforce, however, is still living in extreme poverty, i.e., below \$1.25 a day - nearly 400 million workers, two thirds in South Asia and Sub Saharan Africa - mainly engaged in hazardous and precarious work in agriculture.<sup>6</sup>

Globally, a large portion of the unemployed, about 75 million, are young women and men. **Youth unemployment is reaching alarmingly high levels in the developed world.** By the second quarter of 2012, the youth unemployment rate exceeded 15 per cent in two thirds of the advanced economies, with peaks of over 50 per cent in some countries.<sup>7</sup> This was accompanied with longer unemployment spells and strong signs of retreat from the active search for work. In the OECD countries, around one in six young people belong to the NEET group, i.e., they are neither in employment nor in education or training. Even among those who are employed, non-standard and less stable jobs, including temporary and part-time employment, are increasingly the norm.

**Young people in the developing world account for 90 per cent of global youth.** Their situation is equally difficult, if not more. Unemployment figures vary across regions. They are the highest in the Middle East and North Africa, where more than one in five young economically active people are unemployed.<sup>8</sup> Unlike advanced economies, unemployment rates may be higher for young people with secondary rather than primary or no education. Unemployment rates are also usually higher for vulnerable groups and for females than males, although the most pronounced gender differences occur with respect to labour market participation.

**The most critical challenge for the youth in developing countries is the high number of those who are engaged in irregular work** instead of attending school. In six of ten developing countries surveyed, over 60 per cent of young people were either unemployed, working but in low quality, irregular, low wage jobs, often in the informal economy, or neither in the labour force nor in education or training. This percentage is a better indicator of the scope of potential problems in the youth labour market than the traditional unemployment rate.<sup>9</sup> The lack of jobs is an acute problem especially for the youth in fragile situations and post-conflict or conflict-affected countries, where it fuels unrest and instability<sup>10</sup> and it requires specially targeted promotion measures.

The quality of jobs and livelihoods is a concern for all workers, not only for women, youth and other groups at disadvantage in the labour market – ethnic groups, migrants, people with disabilities. **The**

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<sup>4</sup> GET, 2013, Table 14b.

<sup>5</sup> GET, 2013, Box 3.

<sup>6</sup> GET, 2013, Table 15a.

<sup>7</sup> ILO, *Global Employment Trends for Youth (GETY): A generation at risk*, May 2013.

<sup>8</sup> GETY, 2013, Table A2.

<sup>9</sup> GETY, 2013, chs. 4 and 5. The school-to-work transition surveys, launched in 2012, go beyond regular labour force surveys and look at issues such as non-standard employment, job quality and labour market transitions of young people.

<sup>10</sup> World Bank, *World Development Report 2011*

**growth in real average wages has fallen behind increases in labour productivity in both developed and developing economies over the past two decades.** In most countries, the workers' share of national income has been shrinking, with implications on aggregate demand and the sustainability of household debts.<sup>11</sup> Trends in cumulative real wage growth since 2000 show a decline in the Middle East, stagnation in the developed economies and an increase around 20 per cent in Latin America and Africa. The global average was raised by Asia, where wages almost doubled.<sup>12</sup> There remain however considerable absolute differences in wage levels across regions.<sup>13</sup>

**Differences in pay are just one aspect of the differences that exist in the conditions of work and employment across countries.** The majority of workers and their families in developing countries have no or very limited access to basic social protection.<sup>14</sup> Work is often precarious and informal and simple measures of safety and health at the workplace are neglected, in some cases even in those production units that cater to branded global value chains. As a result of the economic crisis, collective bargaining and other internationally recognized labour standards are increasingly under threat while there remain many cases where trade union democratic rights are severely restricted or utterly suppressed.<sup>15</sup>

**The quantity and quality of jobs will remain major development challenges well beyond 2015.** Job deficits and dislocations across countries and sectors will occur as a result of recurring instability and cyclical fluctuations in the global economy, compounded by structural changes - demographic trends, labour-saving technological innovation, the geographical reshuffling of global supply chains, urbanization and the transition to environmental sustainability. The failure to address the labour market gaps generated by those factors might have a bearing on the social and political conditions conducive to economic growth and development.

The effects of demographic growth can reasonably be projected. Currently, the world labour force is increasing by over 40 million per year. The rate of increase is gradually declining and by 2020 will be about 37 million. Projecting to 2030, the annual increase is likely to average around 31 million per year. To keep pace with the growth of the world's labour force, **some 470 million new jobs will be needed over the fifteen-year period from 2016 to 2030.** Were participation rates to improve, for example due to increased female participation, the number of jobs needed would be higher. A major policy effort will be required to ensure those jobs are decent and contribute to inclusive growth and sustainable development.

**Differences in population dynamics are likely to add to labour market pressures.** The population of the least developed countries, about 60 per cent of which is now under the age of 25, is projected to double to 1.67 billion by 2050, with about 15 million entering the working age population every year.<sup>16</sup> At the other end of the spectrum, the population of some developed and emerging economies is rapidly ageing, exerting growing pressure on their social security systems and generating labour and skills

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<sup>11</sup> ILO, *Global Wage Report 2012-2013*, 2013.

<sup>12</sup> ILO, *Global Wage Report 2012-2013*, Table 1; gender wage gaps have declined in most countries between 1999-2007 and 2008-2011 but it is not clear whether this is a sign of improvement or the effect of sectoral adjustments to the crisis.

<sup>13</sup> ILO, *Global Wage Report 2012-2013*, figure 8.

<sup>14</sup> See TST Issues Brief on Social Protection.

<sup>15</sup> ITUC Survey 2012, *Trade unions rights and violations around the world in 2011* (<http://survey.ituc-csi.org>)

<sup>16</sup> UNFPA, *Population Dynamics in the Least Developed Countries*, New York, 2011.

shortages. Managing the migratory pressures that might result and ensuring that migrant workers are adequately protected and their rights recognized will be a main task for the international community.

## II. Overview of goals proposed so far

Several proposals have been made to integrate employment and decent work into a new generation of goals - sustainable development goals (SDGs).<sup>17</sup> They fall into three broad categories.

The first category includes proposals where employment and decent work are built-in as a **stand-alone goal**, usually encompassing targets for priority areas relating to main economic, social and environmental dimensions. For instance, the concept note on SDGs submitted by the Governments of Colombia, Peru, and United Arab Emirates suggested an “Enhanced Employment and Livelihood Security” goal as one of a total of eight SDGs. Such a stand-alone employment and livelihood goal would cover four potential issue areas: economic, social and environmental policies for employment generation; entrepreneurship and enterprise development; women and youth participation in labour markets; and social protection.<sup>18</sup> The Governing Body of the International Labour Organization also called for adopting full and productive employment and decent work as an explicit goal of the global development agenda beyond 2015, including a reference to the need for social protection floors.<sup>19</sup> Other proponents of a stand-alone goal on full employment and decent work include the International Trade Union Confederation (ITUC),<sup>20</sup> NGOs, research institutes and experts.<sup>21</sup> Finally, in their final report the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda proposed a candidate goal 8 (out of 12) on “Create jobs, sustainable livelihoods and equitable growth”, with a set of targets and indicators on good and decent jobs and livelihoods, youth, productive capacity and business development.<sup>22</sup>

The second category includes proposals where **employment and decent work sit alongside other targets as a way of fostering an integrated approach to achieve one higher-order goal** such as poverty eradication (as was already the case for MDG1), inclusive growth or human development. In its proposition to end extreme poverty by 2030, the World Bank makes a reference to job creation as a key enabler, needed to ensure that economic growth translates into poverty reduction. In a similar vein, the NGO Save the Children suggests to include the goal of “eradicating extreme income poverty through inclusive growth and decent work” as the first in a set of ten goals aimed at providing the foundations of human development.<sup>23</sup> Other proposals in this category suggest to prioritize employment creation in promoting transformation and sustainable growth in Africa,<sup>24</sup> or as one pillar of a candidate goal 1 on

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<sup>17</sup> For a comprehensive list see ODI (<http://tracker.post2015.org/>), the Canadian International Development Platform (<http://cidpnsi.ca/blog/portfolio/tracking-post-2015/>), and the Stakeholder Forum

<http://www.sustainabledevelopment2015.org/einventory/>

<sup>18</sup> <http://post2015.files.wordpress.com/2013/01/indicative-sustainable-development-goals.pdf>

<sup>19</sup> See ILO post-2015 concept notes 1, *Jobs and livelihoods at heart of the post 2015 development agenda*, [http://www.ilo.org/global/topics/post-2015/documents/WCMS\\_193483/lang-en/index.htm](http://www.ilo.org/global/topics/post-2015/documents/WCMS_193483/lang-en/index.htm)

<sup>20</sup> [http://www.ituc-csi.org/IMG/pdf/ituc\\_briefing\\_paper\\_on\\_decent\\_work\\_in\\_the\\_post-2015\\_agenda.pdf](http://www.ituc-csi.org/IMG/pdf/ituc_briefing_paper_on_decent_work_in_the_post-2015_agenda.pdf)

<sup>21</sup> See for instance “A Post-2015 Jobs Goal: 500 Million New Paid Jobs by 2030”, [http://international.cgdev.org/blog/post-2015-jobs-goal-500-million-new-paid-jobs-2030?utm\\_](http://international.cgdev.org/blog/post-2015-jobs-goal-500-million-new-paid-jobs-2030?utm_)

<sup>22</sup> *A new Global Partnership*, Annex II, 2013 at <http://www.post2015hlp.org/>

<sup>23</sup> [http://www.savethechildren.org.uk/sites/default/files/images/Ending\\_Poverty\\_in\\_Our\\_Generation\\_Africa.pdf](http://www.savethechildren.org.uk/sites/default/files/images/Ending_Poverty_in_Our_Generation_Africa.pdf)

<sup>24</sup> <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/MDGReport2012%20Sect%203.pdf>

“inclusive economic growth for dignified livelihoods and adequate standards of living”, as in the so-called Bellagio goals.<sup>25</sup>

The third category considers the topic of employment as a **cross-cutting issue to be mainstreamed in other goals**. The main example so far is in the Action Agenda for Sustainable Development formulated by the Sustainable Development Solutions Network (SDSN). Recognizing that reducing youth unemployment is a core priority for most countries, the SDSN proposal includes targets for youth employment and refers to rural employment and urban employment respectively under its proposed goal 3 on education and learning, goal 7 on agriculture and goal 7 on cities.<sup>26</sup>

### III. Recommendations for a possible way forward

The international community has repeatedly endorsed the goals of full employment and decent work for all – the aspiration to quality jobs for people in both developing and developed economies. Both goals were recognized as desirable outcomes in the MDG framework, but were integrated late and only as a target in achieving MDG1.

The challenge in setting the SDGs is to identify which priorities and key drivers behind the generation of better job opportunities should be encapsulated into a practical agenda for action, where progress can be adequately measured and monitored. Five considerations should be taken into account.

- 1. Improving labour market statistical information.** Current data do not fully account for the reality of labour markets in developing countries. As most people cannot afford not to work even if the job provides only a subsistence income, variations in the total number of the unemployed and the employed, as currently counted, are poor benchmarks for targeting and monitoring progress on job creation, poverty reduction and development. Gender-disaggregated data and information on the duration, security and quality of employment and the level of wages and earnings are especially lacking. A concerted global effort to revise the scope and improve the national collection of statistics would produce valuable results with a minimum input.
- 2. Focus on productive capacities and the quality of jobs.** National action is the primary mechanism to formulate the strategies for productive transformation and private sector development that constitute the backbone of sustainable employment generation. Setting job creation as either goal or a target under a set of SDGs should help mobilize new partnerships among different national stakeholders: the unemployed, women, youth, minorities, potential employees in sunrise industries but also the main actors in the economy - private sector and trade unions.

**A central task of development strategies will be to maximize the potential of structural economic change in sustaining increases in employment and productivity.** Structural change in the form of movements of workers out of agriculture into activities with higher productivity in industry and services has been a main driver behind sustained growth, employment and poverty reduction in developing countries in the past decades. There are signs that those sectoral reallocations are slowing down in several regions as a result of the economic crisis and the decline in global investment. Policies to promote productive transformation and structural change will have to be a key part of the policy packages to promote employment and decent work, in line with the

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<sup>25</sup> [http://www.cigionline.org/sites/default/files/MDG\\_Post\\_2015v3.pdf](http://www.cigionline.org/sites/default/files/MDG_Post_2015v3.pdf)

<sup>26</sup> <http://unsdsn.org/2013/05/07/draft-sdsn-report-available-for-public-consultation/>

opportunities, resources and needs of each country. Some poor countries may wish to reposition their economies to attract simple manufacturing production, at the same time as avoiding the risk of falling into a low wage,-low productivity trap or prompting a race to the bottom in terms of labour standards and working conditions. Others might benefit from the new opportunities to relocate services opened up by technological developments. Where poverty is widespread, special attention will have to be paid to enhancing productivity and earnings in agriculture, a sector which accounts for large numbers of jobs, especially for women, and where decent work deficits are widely recognized. The scope of development and sectoral strategies would be different from country to country. In each country and sector, however, monitoring progress in the quality of the jobs generated in terms of productivity, income, status and security would provide a yardstick to assess whether positive transformation is actually being achieved and sustained.

**One main lesson of the MDG experience for the design of the new agenda is that employment and decent work are not an automatic outcome of policies targeting only economic growth.** The fundamental driver of long-term sustainable employment is the expansion of productive activity arising from investment and entrepreneurial opportunities, with sound government institutions committed to the rule of law, human rights and property rights. Achieving decent work is a dynamic process of successive improvements in wages, working conditions, labour institutions and standards of employment and social protection that is related to the structural transformation of an economy. Policies and institutions to prompt, broaden and consolidate those improvements play a role in driving the economics of structural transformation forward. In other words, productive employment and decent work are the outcomes of a judicious mix of economic and social measures, not a residual result of expanding output.

3. **A labour market perspective on environmental sustainability.** Climate change mitigation and adaptation will entail a process of structural change towards new technologies and more sustainable modes of consumption and production. **Significant steps toward sustainable and inclusive development will require a framework where the environmental and jobs dimensions are tackled simultaneously.** Without acting on urgent environmental problems, many jobs could be lost due to environmental degradation, resource depletion and disasters, with serious implications for the most vulnerable groups of the population. At the same time, new market opportunities could arise from the promotion of new sustainable industries provided incentive structures are in place and adequate investments are made, for instance through a shift to sustainable farming in rural areas where most poor people live. Policies should focus on promoting jobs, incomes and skills in new industries but also facilitating adjustment in traditional sectors. If the adjustment is properly managed and alternative jobs are available, job losses and associated costs and resistance in the conventional high emitting and polluting sectors could be minimized, making it easier to negotiate and reach agreement on how to move ahead.
4. **A holistic policy approach.** A job angle is critical to many aspects of development: poverty eradication, environmental sustainability, food security and nutrition, rural and urban development, health and population, gender equality, equity and peaceful societies. Employment and decent work targets could indeed be instrumental in achieving a variety of SDGs in those areas. Yet, employment and decent work are the outcome of a complex gamut of measures, which includes agricultural, industrial, labour and other policies and institutions; no single instrument or set of policies is likely to be sufficient. Should employment be tackled within the framework of an SDG on education, agriculture or the environment, it will be important to ensure that the implementation process brings on board other relevant line ministries and government agencies.

5. **A full international dimension** – The range of policies for employment and decent work encompass several complex cross-border issues. International frameworks for macroeconomic coordination, finance, trade, labour standards, migration and climate change are important enablers. The SDG framework should focus on a few, concrete and action-oriented objectives; it might not be able to cover all those enabling factors. Whether employment and decent work are built-in as a goal or a target, it will be important to build bridges, complementarities and synergies with existing relevant international frameworks and processes. Such goal or target should be seen as a way to stimulate steps forward in international policy coherence and coordination. It might even add momentum to addressing and overcoming bottlenecks that forestall progress in negotiations in some of those broad areas.