

**Economic and Social Council**

Distr.: General

Original: English

ADVANCED UNEDITED VERSION**Word count: 11,739****Substantive session of 2012**

New York, 2 – 27 July 2012

Item 2 (c) of the provisional agenda*

Annual ministerial review

“Promoting productive capacity, employment and decent work to eradicate poverty in the context of inclusive, sustainable and equitable economic growth at all levels for achieving the Millennium Development Goals”

Report of the Secretary-General*Summary*

Policies to boost productive capacities and decent jobs are critical both in the short-term, to curb the dramatic effects of a prolonged jobs crisis, and in the longer term, to make economic growth more sustainable, inclusive and equitable. The present report examines global labour market trends, providing an assessment of progress towards meeting employment and decent work-related goals and commitments. It highlights measures and institutions that have proved effective in encouraging job and enterprise creation, in boosting skills and productive inclusion, in supporting successful labour market transitions and ensuring workers have adequate social protection and a fair sharing of

earnings. The report underlines the inter-linkages between those measures and the progress towards poverty eradication and other internationally agreed development goals. It argues the need for immediate, coherent and globally coordinated macroeconomic policies to boost output, quality jobs and incomes, in line with the principles and objectives of the Global Jobs Pact. It also calls for distinctive initiatives to address the special labour market vulnerabilities of young women and men, to build nationally defined social protection floors for social and economic resilience, and to support a just transition to a greener economy. UN agencies, international institutions and donors can play an important role assisting governments in designing and implementing realistic and cost-effective measures in a coordinated manner, while engaging business, civil society and trade unions.

This report should be read in conjunction with the report of the Secretary-General on “Macroeconomic policies for productive capacity, employment creation, sustainable development and the achievement of the Millennium Development Goals, in the context of sustained, inclusive and equitable economic growth in pursuit of poverty eradication”.

* E/2012/100

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I. Introduction

1. A prolonged jobs deficit is damaging the economic and social fabric of countries around the world. Action is urgently needed to boost productive capacities, investment and decent jobs and to sustain the incomes of working families, the poor and the vulnerable. While critical for stronger economic recovery, such measures should also strengthen the foundations for reforms to make growth and development more sustainable, inclusive and equitable.

2. The financial and economic crisis of 2008-2009 has exacerbated the jobs crisis. Global unemployment is estimated to have increased from 170 million in 2007 to 197 million in 2011, reaching an unprecedented high. Falling labour force participation over the same period (29 million) masked an even worse unemployment scenario. Many people are so discouraged they have stopped looking for work.

3. Due to the recent slowdown in growth, the world economy is likely to create only half of the 80 million jobs needed over the next two years to reach the pre-crisis employment rates. ILO baseline projections suggest a further increase in global unemployment up to 200 million in 2012 (of which about 75 million youth and 84 million female) and 206 million in 2016. As joblessness persists, the scars it leaves on individuals, families and the cohesion of societies deepen.

4. Unemployment is the most visible, but not the only manifestation of widespread distress in the labour market. The quality of jobs is under threat. Underemployment, informal and casual work are expanding, with the risk of undermining labour standards and exposing workers to greater insecurity. While there has been a rise in precarious jobs¹ due to increased casualization and outsourcing, even before the crisis, the ILO estimates that the overall share of workers in vulnerable employment has reached 1.53 billion, equivalent to over half (50.1 per cent) of the world's labour force. The number of women and men in vulnerable employment is estimated to have increased in 2009 by as much as 110 million compared to 2008. This precarious jobs situation is exacerbated by the uncertain nature and pace of economic recovery.²

5. Women are disproportionately represented in precarious work situations. Around the world, women face the risks of short hours, low pay and limited access to benefits. Precarious work is a key factor contributing to the global pay gap between men and women.

6. Precarious work shifts social risks away from employers and governments, and on to individual workers and their families. These risks affect not only vulnerable workers, but also their families and society at large. Precarious work is, in short, creating “greater economic inequality, insecurity, and instability”.

¹ Precarious work refers to forms of work characterized by atypical employment contracts, limited or no social benefits and statutory entitlements, high degrees of job insecurity, uncertain job tenure, low wages and high risks of occupational injury and disease.

² ILO, *Global Employment Trends 2012*.

7. In many countries, real wages for working people are falling or remain stagnant despite increases in labour productivity.³ Excluding China and adjusting for inflation, global wage growth slowed from 2.2% in 2007 to only 0.7% in 2009. While world averages remain slightly positive, real wages actually decreased in many countries.⁴ As working families are confronted with increased hardship, they cut spending for goods and services, further depressing economic activity and business confidence.

8. The poor and the vulnerable suffer most from a faltering world economy. Overall, one in every three workers in the world is living with their families below the US\$2 poverty line. High food prices and increasing food price volatility, together with the growing intensity of climate hazards, pose additional challenges to the jobs situation. Despite progress in reducing extreme poverty in parts of Asia, the number of the working poor is expanding in several regions, including Sub-Saharan Africa, North Africa, South Asia and the Middle East. This casts doubts on the possibility to meet the MDGs in those regions. The prospects of the Least Developed Countries (LDCs) to achieve MDG1 on poverty reduction are especially uncertain.

9. Globally, the impact of the crisis was particularly harsh on youth. The lack of quality job opportunities for young people in the richest economies, as well as in the poorest countries where labour force growth is higher, is striking. In some industrialized countries, youth unemployment rates have reached 50 per cent. Joblessness, combined with vast inequalities in income and productivity within and across countries, intensifies

³ ILO, *World of Work 2011*

⁴ "Living with economic insecurity: women in precarious work", ITUC Report, March 2011.

social distress, illicit activities and economic migration. In the globalizing labour markets of today, as ever before, poverty anywhere is a threat to prosperity everywhere.

10. International migration and remittance flows represent significant factors in the global unemployment discourse. Migrants were estimated at 214 million in 2010, 60 per cent of which moved to developed countries, although their flows into developed countries have been falling since 2008, while their unemployment rates have risen more sharply than those of citizens.

11. In this uncertain global scenario, the UN commitment to the promotion of productive capacity, employment and decent work is as significant as ever. There is a need to reaffirm the ILO's Philadelphia Declaration that "labour is not a commodity".

12. The MDG framework recognizes that employment – if it brings adequate remuneration, income security and protection under international labour standards – is a crucial driver of sustainable, inclusive and equitable economic growth and essential to poverty reduction. International development cooperation can make a significant contribution to national efforts to promote productive capacities, decent work and social protection floors.

13. In 2005, countries committed at the World Summit to make full and productive employment and decent work for all, including for women and young people, a central objective of national development strategies and international policies. This commitment

was reaffirmed in 2006 at the High Level Segment of ECOSOC and in 2007 at ECOSOC Coordination Segment (E/2007/L.14) and with the launch of the Second Decade for the Eradication of Poverty. In 2009, in the wake of the global financial and economic crisis, ECOSOC endorsed the Global Jobs Pact acknowledging that the decent work agenda provided the foundation for policy effort to mitigate the social impacts and boost economic recovery. In its Resolution E/2009/L.24, ECOSOC encouraged Member States to take on key elements of the Pact's policy framework in their efforts to address job growth. The 2010 Development Cooperation Forum (DCF) highlighted the role of aid in bolstering employment creation and poverty eradication. Subsequently, the Istanbul Programme of Action underscored a clear commitment to increase investment in infrastructure, agriculture and technology transfer to generate employment in LDCs.

14. This report considers country experiences with investment, employment and labour market policies. It reviews implementation of the Global Jobs Pact by UN agencies -- as requested by ECOSOC Resolution E/2011/L.21/Rev.1. It stresses that a comprehensive enabling international environment for a fairer globalization plays a decisive role for sustainable growth, employment and decent work.

II. Inclusive, sustainable and equitable economic growth: the jobs nexus

15. A fair chance for a decent job is critical for the majority of individuals and their families. For households, the productivity and the quality of work are major determinants of life quality, affecting nutrition, health and education. For society, an adequate supply of opportunities for productive and decent work -- safe and productive employment,

social protection, fair treatment and respect for rights at work -- guarantees inclusion and cohesion. Work is particularly important for the poor, whose labour is often their only asset and a primary route to poverty eradication.

16. However, economic policy in recent decades has emphasized short-term macroeconomic stability, defined as low inflation (usually below 5%) and low budget deficits (usually below 3% of GDP), assuming employment would follow and viewing labour standards and policies and regulations concerned with work quality and job security as potential hindrances to competitiveness.

17. In the aftermath of the global financial crisis, employment has re-emerged as a top political priority. . However, the assumption that greater labour market flexibility will improve the gloomy job situation and stem rising unemployment levels still seems to enjoy wide-spread support.⁵

18. However, the uncritical embrace of labour market flexibility overlooks two key considerations. First, countries with 'labour-friendly' regulations seem to be associated with lower wage inequality. Second, labour market flexibility runs the risk of impairing longer-term growth if the changes lead to a 'low pay-low productivity trap'.

⁵ See, World Bank (2009), "How Should Labor Market Policy Respond to the Financial Crisis?", HD and PREM Labor Market Teams, April 2009. 1. In a lead article, *The Economist* has pinned its hopes on a renewed commitment to a global agenda of labour market flexibility in order to cope with world-wide job losses and enact an employment-led recovery. *The Economist*, "When Jobs Disappear", March 19, 2009

19. Therefore, employment creation with rising real wage should be associated with investment in productive capacities and growth of aggregate demand. Accelerating employment creation would require a combination of macroeconomic policies that foster stable patterns of investment and consumption together with sound social and labour market policies. Such policies should aim for equal productive opportunities for all; addressing social and income inequalities as obstacles to sustained economic growth and improved social outcomes; and maintaining social cohesion and stability.

20. Experience with the MDGs demonstrated the need to go beyond a singular focus on basic social services for the poorest in the fight against poverty. Countries that have made major advances – for instance in Asia and Latin America - endeavoured to address the structural factors underlying poverty by incorporating such objectives into their economic strategies. They combined extensive social programmes with proactive strategies to expand and diversify production. This was supported by macroeconomic policies that fostered structural change, investment and job creation, such as reducing capital flows and exchange rate volatility, providing inclusive access to finance and absorbing business cycle fluctuations.⁶ ECOSOC, particularly the DCF, can help promote knowledge exchange, experience-sharing and peer learning in those areas among governments and other stakeholders.

21. Enterprise creation and the generation of opportunities for productive inclusion across all segments of the labour market are key drivers of success. As productivity

⁶ The preamble of the IMF's Article IV states the objective of monetary policy as "reasonable price stability to foster orderly economic growth with due regard for country specific circumstances".

increases in modern sectors, it is essential to strengthen labour market policies and institutions (e.g. skills development, minimum wages and employment protection legislation) in order to ensure fair distribution of opportunities and benefits. In some countries, for instance Brazil, strategies to progressively integrate all workers into a formal system of social protection, benefits and taxes, combined with transfers that supported the purchasing power of the poorest, paved the way to a gradual transition out of the informal economy. Such experiences underline the importance of an integrated development agenda centred on productive capacities, employment and decent work and synergies from interrelated policy actions. The world's difficult labour market situation makes it urgent to accelerate those efforts.

BOX 1 The recent growth pattern of Brazil is in part attributable to a reduction of informality, inequality, poverty and hunger. A combination of measures to raise minimum wages and to increase the scope and coverage of income transfers helped support the purchasing power of the lower and middle classes, reducing historically high levels of inequality. SMEs were aided by simplified business registration and lower taxation. About 1.3 million jobs are estimated to have been created or saved as a result of enhanced social transfers. Labour inspection and increased awareness of workers' rights also raised labour standards and supported the generation of decent jobs. The capacity of the domestic manufacturing sector to take advantage of increased local demand, the role of public banks, and high commodity export prices were other factors behind Brazil's strong and fast recovery.

BOX 2 China's spectacular economic growth was accompanied by policy initiatives to balance the opening of the economy with domestic labour and social developments. Since 1986, the reform of the employment system in State Owned Enterprises had introduced rules for recruitment, dismissals and unemployment insurance, together with re-employment schemes and social protection for laid-off workers. The Active Employment Policy (AEP-2002) evolved from the initial concern with SOE laid-off workers to a comprehensive range of policies to contain unemployment and extend social protection nation-wide. Main elements included re-employment funds, job placement and vocational training, incentives for business start-ups, microcredit guarantees, and social insurance subsidies. Employment policies that proved effective and feasible were considered for upgrading through the enactment of the Employment Promotion Law (EPL) in 2008, which set principles for the promotion of fair employment and obligations and responsibilities of Government towards full employment. The EPL implementation mechanisms helped China cushion the adverse employment effects of the global crisis and facilitate dealing with the challenges of changing labour relations and the extension of social protection to a rapidly ageing population.

The global jobs challenge

22. The recent economic slowdown has exacerbated an existing global decent work deficit. In all regions, the crisis produced a marked slowdown in the pace of employment growth. The absolute number of workers grew but at a slower rate than the rate of increase in world population. The global *employment-to-population ratio* (EPR)⁷

⁷ The number of the employed over the working age population (15 and above)

registered an unprecedented decline from 61.2 per cent in 2007 to 60.2 per cent in 2010 (from 48.9 to 47.8 per cent for females). Despite an upturn in world output, the global EPR remains well below its pre-crisis level and may double-dip if the global economic situation deteriorates.

Table 1: Employment and labour productivity growth

	Average Annual Employment Growth (%)		Average Annual Labour Productivity Growth (%)	
	2002-2007	2008-2011	2002-2007	2008-2011
World	1.8	1.1	2.5	1.6
Developed Economies and EU	1	-0.3	1.4	0.5
CSEE (non-EU) & CIS	1.1	0.8	6.1	1.1
East Asia	1.2	0.6	8.6	7.8
South-East Asia & the Pacific	1.8	1.9	4.1	2.6
South Asia	2.2	1	5.4	6.1
Latin America & the Caribbean	2.5	1.9	1.4	1
Middle East	4.5	3.2	0.9	0.9
North Africa	3.4	2	1.4	1.8
Sub-Saharan Africa	3.1	2.8	2.5	1.5

Note: 2011 are preliminary estimates

Source: GET 2012.

23. The employment impacts were particularly strong in developed economies, where jobs growth turned negative. All developing regions maintained positive employment growth, but the pace dropped significantly compared to the pre-crisis period. Worldwide, labour productivity growth (output per worker) decelerated in 2008-2011 relative to the average for 2002-2007 (see Table 1). This means that the decline in employment growth cannot be attributed to faster productivity growth. Rather, both are the results of declines in aggregate demand

Table 2: Labour productivity (output per worker) as a percentage of productivity levels in developed economies, by region, 1991 and 2011

	1991	2011
Middle East	64%	53%
CSEE (non-EU) & CIS	38%	35%
Latin America & Caribbean	37%	32%
North Africa	27%	25%
East Asia	6%	20%
South-East Asia & Pacific	10%	14%
South Asia	6%	11%
Sub-Saharan Africa	9%	8%

Source: ILO Trends Econometric Models, October 2011; World Bank, World Development Indicators 2011

24. In most developing regions, a modern sector with relatively high productivity and quality employment coexists with a sluggish traditional sector. Even with rapid expansion, the modern sector is often too small to absorb surplus labour and new entrants to the formal labour market. The persistence of low average levels of productivity (Table 2) reflects the large number of people who remain trapped in casual work and subsistence activities in agriculture, the urban informal economy or informal self-employment. Therefore, transition to more modern activities is critical in order to generate regular increases in productivity and growth, hence sustaining poverty reduction (see Section IV).

25. Two indicators help gauge the extent of vulnerability in developing countries' labour markets. The *working poor* are defined as those who are employed but subsist on less than an international poverty line. According to new ILO estimates for 2011, 456 million workers were living below the US\$1.25 poverty line and over 910 million below

the US\$2 poverty line. Those numbers were significantly lower than in 2000, in particular for the former group. The near doubling of the number of working poor when a \$2 a day measure is used reflects the large number of people living very close to the poverty line who can be pushed to poverty by even minor shocks.

26. The share of *vulnerable employment* in total employment is another indicator of the poor quality of jobs in a developing country. The number of workers in vulnerable employment worldwide - defined as the sum of own-account workers and contributing family workers - is estimated to range around 1.5 billion. The incidence of vulnerable employment remains very high in South Asia (at 77.7 per cent), Sub-Saharan Africa (76.6 per cent) and South-East Asia and the Pacific (61.6 per cent), with a strong prevalence of women. Vulnerable employment accounted for a large portion of the jobs generated in those regions since 2007, masking the true employment impact of the crisis in these countries.

27. Lack of employment and of access to decent employment causes persons with disabilities regularly to have lower incomes. They spend a significant percentage of their incomes and resources to cover additional costs related to disability. Meaningful employment can create conditions for persons with disabilities to become active contributors, instead of passive recipients, and thus reduce the overall costs of poverty reduction programmes.

28. The crisis hit young people particularly hard. Between 2007 and 2011, the number of unemployed youth (15-24) worldwide increased by an unprecedented 4.5 million. A quarter or more of young people in Western Asia and North Africa and one fifth of those in the economies in transition are unemployed. In other developing regions, youth unemployment has increased more than for other age groups. Young people also often face precarious working conditions and are overrepresented among the working poor: they account for 23.5 per cent of poor workers in countries with available data, against 18.6 per cent of non-poor workers.⁸

29. This large stock of poor young workers exists alongside strong demographic growth. According to ILO projections, about 400 million new jobs will be needed over the next 10 years just to keep pace with the increase in the labour force worldwide. Demographic pressures are more significant in the poorest countries. In the LDCs, where 60 per cent of the population is under the age of 25, about 15 million new jobseekers per year are estimated to enter the labour market between now and 2050. A large and growing young population can be a driver for economic growth and social progress provided they enjoy education, health and decent employment, without which, many young people will not be able to escape poverty and vulnerability. The disenchantment of youth facing unemployment and exclusion is reflected in many ways, not least through the protests that have unfolded in countless cities and countries in recent months.

⁸ “Working poverty in the world: Introducing new estimates using household survey data” in ILO, Key Indicators of the Labour Market 7th Edition, Geneva, 2011.

BOX 3 Three regional meetings were organized in support of the 2012 ECOSOC Annual Ministerial Review. Each meeting focused on the specific regional priorities pertaining to the AMR theme and brought together a diverse group of stakeholders, including Governments, private sector, civil society and UN system representatives. Although challenges vary across region, common priorities include the need for: (a) full and productive employment policies; (b) inclusive growth and development strategies; and (c) improved matching of education and training curricula with labour market needs.

On 7 December 2011, Kyoto hosted the meeting for Asia and the Pacific, themed “Promoting productive capacity, employment and decent work in Asia and the Pacific: a regional approach to sustained, inclusive and equitable growth and achieving the MDGs”. Issues discussed included: (a) integrating employment objectives into national development strategies; (b) overcoming gender gaps in labour force participation; and (c) increasing domestic demand for sustained growth.

Addis Ababa hosted the meeting for Africa, themed “Small and medium enterprises (SMEs) as drivers of productivity and job creation” and held on 25 March 2012. Issues discussed included: (a) making growth more inclusive; (b) creating an enabling environment for successful small and medium enterprise (SME) development; (c) promoting enterprise development that results in productivity gains and job creation.

A third regional meeting for Western Asia was held in Doha on 27-28 May 2012, themed “Rethinking policies toward youth unemployment: what have we learned?” Issues discussed included: (a) taking stock of the successes and shortcomings of youth-focused employment strategies in the region; (b) building capacity for inclusive employment; and

(c) increasing policy coherence for young people's access to education, skills development and quality jobs.

III. A global jobs pact

30. At the onset of the global financial crisis in 2008, most countries embarked on discretionary fiscal stimulus measures. Those actions - taken simultaneously - made a difference, boosting growth and jobs in the midst of a dramatic recession. Fiscal packages privileged support to the banking sector in order to avoid the risk of a financial meltdown, but also included measures to retain jobs and sustain incomes. Employment rebounded promptly in emerging economies, in part thanks to interventions that favoured public spending for infrastructure, social protection and access of productive enterprises to credit. Soon, however, priority shifted to fiscal consolidation and austerity measures.

31. The current outlook of sluggish global output calls for a new batch of coordinated policies to boost the real economy, jobs and incomes. Fiscal space may not be large, but a series of relatively modest simultaneous national measures to promote investment in decent jobs could go a long way in restoring confidence and - through multiplier effects - reinforcing the consumption and investment drivers needed to raise global economic growth.⁹

32. Action is needed in the developed economies, where growth is stagnant, as well as in the developing countries that are weathering the crisis relatively well, but where

⁹ According to DESA, a coordinated strategy for jobs could accelerate growth by between 1 and 2 per cent points in both developed and developing economies, helping employment rates return to their pre-crisis levels by 2016, see *World Economic Situation and Prospects 2012*, New York 2011.

poverty remains deep-seated and labour markets highly vulnerable. In particular, in the emerging economies that have gained greater economic autonomy in recent decades, new measures to favour investment provide an important opportunity for poverty eradication and future productivity, by addressing the needs of youth, extending social protection and preparing the transition to greener and more sustainable development. These countries, which often emerge as new partners in development cooperation, can share valuable lessons with other developing countries. South-South and triangular cooperation are expected to be drivers in all three pillars of sustainable development in future.

33. The specific circumstances, priorities and needs of each country and region differ, as does the scope for action. Countries that enjoy stronger debt and budgetary positions can afford expansionary fiscal policies. Countries running deficits might be able to moderate the pace of consolidation if they have the support of a global growth strategy. In each case, new fiscal space could be gained by reallocating current expenditures to those measures that have greater impact on employment generation and social protection, matching increases in spending with tax reforms to enhance revenue collection and eliminating inefficiencies and corruption.

34. While macroeconomic stability is crucial, increased budget allocations for agricultural and rural development are critical in countries with a young population and where agriculture is the mainstay of the economy and a major employment sector, but its performance is below potential. In such contexts, the macroeconomic framework should

pay attention to expanding productive capacity and mobilizing domestic resources, while aiming at medium-term fiscal sustainability.

35. The rationale for a global strategy is well established. No country or group of countries can act alone. Inaction, where countries have no incentive other than “each on its own” pursuing a strategy of export-led growth based on low wages, would lead to a race to the bottom. In developing countries, inaction would not create enough jobs to absorb the large amount of surplus labour, particularly in a situation where consumption growth in industrialized economies is no longer inflated by overvalued assets and cheap credit.

36. The call for action is coming from many different quarters. The G20 has reinforced its commitment to promoting growth and jobs through the action plan agreed in Cannes in November 2011. A framework for multilateral cooperation exists through the G20 Mutual Assessment Process (MAP). However, initiative on the fiscal front is hesitant and strategies for containing unemployment and underemployment reflect conventional thinking (e.g. liberalizing labour and product markets, developing human capital and reducing regulatory burdens). Given the scope of the global employment challenge, this approach is likely to fall short.

37. A much stronger approach, centred on the promotion of a job-rich and robust recovery is needed. In the words of the UN Secretary General: “The time has come to

write a new social contract for the 21st century. That contract must include a Global Jobs Pact.”

38. Adopted in June 2009 by the tripartite constituency of the ILO, the Global Jobs Pact provides a set of internationally agreed principles and policy measures aimed at supporting a rapid recovery sustained by investment, enterprise development, social protection, rights at work and social dialogue. Endorsed by the UN General Assembly and welcomed by the G20, the Pact calls for the rapid implementation of a coordinated set of measures including support of sustainable enterprises, building adequate social protection for all, enhancing the quality of public services and ensuring synergies between State action and the market. Countries have applied some of the measures suggested by the Pact in their stimulus plans, adapting them to their specific national circumstances and needs.

39. The Pact highlights the situation of vulnerable groups, in particular youth at risk, low-wage, low-skilled, informal economy and migrant workers. It recommends measures to retain employment and facilitate labour market transitions through the strengthening of skills development, quality training and education, public employment services and other labour market institutions. It warns against protectionist solutions as well as the damaging consequences of deflationary wage spirals and worsening working conditions. It underlines the need, at times of heightened social tensions, to ensure respect for international labour standards and to engage in meaningful social dialogue. Finally, it

recommends that short-term actions be coherent with economic, social and environmental sustainability.

BOX 4 The Indonesian Jobs Pact highlights four areas that are based on the National Medium Term Development Plan and the priorities of the social partners: employment creation; strengthening industrial relations; enhancing the quality and coverage of social protection; and improving labour productivity. Investment in infrastructure was both a countercyclical and a developmental policy. It combined strengthening of an existing project of infrastructure investment with reduction of income taxes to sustain household demand. Community-based infrastructure investment programmes had a large employment and growth multiplier at the local level, as well as contributed to vocational and entrepreneurial skills development, poverty reduction and inclusive growth - one million jobs were created, mostly by the fiscal stimulus.

IV. Productive capacity, investment and competitiveness

40. A sustained public effort to bring in private investment to address infrastructure gaps would rapidly contribute to enhancing productive capacities and generating much needed jobs in developing countries. It should be coupled with easier access to credit for productive enterprises - especially micro, small and medium-sized enterprises (MSMEs) - and reforms to foster technological change and productive diversification in line with the changing structure of the global economy and the transition to sustainable development.

41. UNCTAD defines productive capacities as the productive resources, entrepreneurial capabilities and production linkages which determine the capacity of a country to produce goods and services and enable it to grow and generate jobs. The development of a SME business sector is an essential component of productive capacity development. This is often the missing link in developing countries, where most enterprises are minuscule, operate in an informal setting without legal recognition or registration, have low productivity and are active mainly in markets where barriers to entry are very low and demand is local and saturated. While small firms could play an important role in creating employment and spurring growth, their competitiveness is undermined by inadequate infrastructure, limited access to financial and business services, poor public support to clustering and value chains and an uncertain business environment. This is particularly true for rural areas, as the potential role of MSMEs in promoting rural employment, especially for youth, is hampered by a wide range of constraints which reinforce each other.

42. Addressing gaps in infrastructure - with respect to transport, housing, energy, water, information and communication technologies and regional infrastructure - could open up markets and release constraints to MSME development, while providing public goods that improve workers' productivity over the long-term. The growth and employment multiplier of investment in infrastructure is strong.¹⁰ Indeed, mobilizing international and domestic resources for investment in infrastructure in the LDCs is one main priority of the Istanbul Programme of Action for the LDCs (2011-2020).

¹⁰ Lin. Justin Yifu and Doemeland, Doerte, "Beyond Keynesianism: Global Infrastructure Investments in Times of Crisis", World Bank Policy Research Working Paper 5940, January 2012.

43. Greater access to domestic financial resources on affordable terms is also essential for higher productive investment by MSMEs in developing countries. Many developing countries, following the advice of international financial institutions, deregulated their financial sector and discontinued specialized credit facilities for MSMEs. This has seen declines in MSMEs' access to affordable credit. This trend needs to be reversed and governments should ensure affordable credit to strategically important sectors and prevent excessive high bank lending rates. Provision of credit by public financial institutions and provision of guarantees for certain types of credit or joint public/private financing are possible measures, if properly managed, to exert such influence.

44. The long-standing neglect of agriculture in many developing countries should be reversed, especially in African LDCs. There are significant investment opportunities with the potential to increase productivity and earnings in rural areas, helping poor countries cope with climate change and ensure domestic supply of food vis-à-vis volatile international prices. However, governments should be extremely cautious in opening up the agriculture sector to foreign investment. There are concerns that land grabs by foreign investors may not necessarily improve domestic food security. Instead, governments should support smallholder farming and production of local food crops. The economic and employment multiplier effects of smallholder farming are well-known.

45. Parallel to an intensification of environmentally sustainable agriculture, it is essential to promote an increase in non-farm wage employment, self-employment and entrepreneurship in order to absorb the large numbers of the underemployed and the new entrants to the labour market (especially youth and women). Investing in agriculture and rural development in order to achieve a well-integrated domestic economy, with strong inter-sectoral and rural-urban linkages, will set developing countries on a higher path of sustainable and job-rich growth.

BOX 5 - Through the Comprehensive Africa Agriculture Development Programme (CAADP) implementation process, African countries are committing to the targets of raising agricultural productivity by at least 6% per annum and public investment in agriculture by 10%. CAADP focuses on improving food security, nutrition and increasing incomes in Africa's largely farm-based economies. It serves as policy framework for national and regional programmes for investment and action in pursuing increased and sustainable productivity in agriculture, forestry, fisheries and livestock management. CAADP has the potential to integrate objective and evidence-based mechanisms and programmes to address decent employment in a gender sensitive manner.

46. The array of constraints to business remains large in poorer settings, as they include lack of skills and limited access to information, social networks, value chains and technology. Policymakers can help small firms to integrate in, and reap more benefits from local and international value chains, by facilitating the formation of cooperatives which combine micro and small producers into larger aggregates and can capitalize on

economies of scale. Providing business services and strengthening capacities to understand adapt and use technology remains paramount.

47. An important policy question is how to address the constraints which affect the capacity to grow and generate earnings of household and micro enterprises, very often informal, that operate in traditional sectors and account for the bulk of jobs in developing countries. This can only be achieved gradually, as the drivers of informality are multiple and deeply rooted in long-standing development gaps and weaknesses. Tackling informality requires integrated approaches including access to markets, entrepreneurial skills, finance, business services and local development strategies. Strengthening the organization and representation of informal economy workers (employees and self-employed) as well as improvements in regulations and assistance with compliance are also essential requirements. Extending the coverage of social insurance can be very important to provide some immediate relief to subsistence enterprises while waiting for the effects of reforms (see section VII).

48. Redistributive policies financed out of tax revenues collected in the modern sector might be needed to sustain incomes and local purchasing power and ensure some accumulation of skills and other productive assets in the traditional sector. Successful domestic revenue mobilization, on which this policy of redistribution depends, requires reforms to enhance the effectiveness of tax administration, close off loopholes and strengthen compliance without overtaxing the modern sector. The role of aid as a catalyst to support strengthened tax systems and good practice standards for such support

have been well documented and have gained increasing attention in the international debate recently.

V. Strengthening skills and labour markets for inclusive and equitable growth

49. A wide range of policies and regulations can be used to improve labour market opportunities for individuals by helping them obtain necessary skills and facilitating labour market transitions – from school to work, out of unemployment or between jobs - while ensuring protection from discrimination and unfair treatment, including on grounds related to gender and health. Countries that have been most successful in skills development (for instance Costa Rica, New Zealand and South Korea,) were able to sustain a “virtuous circle” of coordinated policies linking education systems, skills formation, employment and decent work. They made quality education broadly available and introduced mechanisms to match supply to the current demand for skills, often by means of linking training providers and employers at sector and local levels. They helped workers and enterprises adjust to change and used skills strategically as a core element of industrial, technology and trade policies to move from lower to higher productivity activities and facilitate investment in new industries. Involving workers and the private sector was a main feature of this circle. Private sector investment in training and skills-building is indeed fundamental.

50. Although quality basic education remains a development imperative, after years of neglect, there is renewed emphasis on the employment spillovers of higher levels of education and technical training. Linking technical and vocational education and training (TVET) with on-the-job training and training-related active labour market policies

(ALMPs) - through apprenticeships and effective school-to-work programmes - is a powerful tool to enable people to acquire employable skills and generate income through wage-earning jobs or self-employment. Effective training systems worked with the private sector, facilitating demand-driven training in sectors and locations with high job growth potential, avoiding bottlenecks and improving employability. Solid labour market information and analysis added distinctive value. Training institutions were seen as true “service providers” and made accountable based on their impact on labour market outcomes.

51. Expanding accessibility of quality training is a powerful instrument for empowerment and inclusion of women and disadvantaged groups: youth, rural dwellers, persons with disabilities. In some cases, apprenticeships in the informal economy can offer many young people an opportunity to learn a trade and enter the world of work. In the poorest countries, particularly in Africa and South Asia, informal or traditional apprenticeships are the largest provider of skills for the – mostly informal – labour market, far surpassing the output of formal education and training institutions.

52. Upgrading informal apprenticeship is most effective when it capitalizes on existing structures and addresses main deficits. Apprentices acquire the skills for a trade or craft in a micro- or small enterprise learning and working side by side with an experienced craftsperson; they learn technical skills and are inducted into a business culture and network which makes it easier for them to find jobs or start businesses when finishing their apprenticeship. A step-by-step approach combining different types of

interventions may be required to improve the quality of training and of skills acquired, working conditions, skills recognition beyond the local community, financial arrangements, and young women's access to non-traditional occupations. ILO is currently piloting this approach in Zimbabwe, Tanzania, Benin, Burkina Faso, and Bangladesh. Special attention should be paid to avoid infringements on decent work, including abuse in hours, pay, health and safety, as well as the persistence of gender stereotypes and occupational segregation.

53. Skills development is a popular response to the challenge of youth unemployment. Effective programmes usually involve packages of training-cum-labour-market-services. These aim at providing advisory services and career guidance, vocational counseling, job-search assistance and job placement, as well as access to different types of training, including combinations of learning and earning through apprenticeships or subsidized employment in return for on-the-job training. Successful entrepreneurship programmes involve providing basic business skills and linking would-be entrepreneurs to mentoring, finance and market opportunities. In the context of the global economic crisis, packages of training, job-search assistance and job placement have been introduced or expanded in countries including Argentina, Germany, Greece, Hungary, the Netherlands, Peru, the United Kingdom and the United States. These integrated approaches are needed to assist young people in their transition from school to work and to tackle the multiple constraints they face on the labour market. However, they can be expensive to fund and administer.

54. Clearly, the potential benefits of training are not realized without job-rich growth. The situation in North Africa and the Middle East, where many unemployed and discouraged youth are highly educated, suggests that investment in human capital is an absolute value but, alone, it is not sufficient to generate employment if conditions for the development of sustainable enterprises are absent. Similarly, to the extent that job creation is constrained by gaps in aggregate demand, active labour market policies that reduce information and search costs can have a limited impact in generating new jobs on a large scale or helping job seekers find new opportunities in alternative sectors or firms.

55. Expanding or introducing public employment schemes has been a common policy to respond to the global crisis, adopted by 34 out of a sample of 43 countries surveyed by the ILO and the World Bank (examples include Australia, Argentina, Bangladesh, Ghana, Jamaica, South Korea, Philippines, Serbia, Saudi Arabia, Uganda, United States and Uruguay).¹¹ Some recent innovative public programmes have proven effective in providing employment and social protection to youth living in poverty, while creating small-scale infrastructure to increase productivity in disadvantaged economies or adaptation to climate change (NREGA in India, and Expanded Public Works Programmes in South Africa, Ethiopia, Kenya and Mali). These programmes are mostly implemented in rural areas. Governments need to find similar innovative programmes for urban, especially educated youth.

¹¹ Florence Bonnet, Catherine Saget and Axel Weber, “Social protection and minimum wages responses to the 2008 financial and economic crisis: Findings from the ILO/World Bank Inventory”, Employment Working Paper No. 113, ILO, 2012.

56. Good institutions and regulations are essential to make the labour market work efficiently while ensuring inclusion and equity. Labour market regulations have a fundamental role in promoting worker protection, including provisions on issues such as minimum age, minimum salary, unfair dismissal, maximum hours and overtime, job benefits, occupational health and safety, and antidiscrimination policies to protect women, persons with disabilities, minorities, migrant workers. Those provisions not only protect the dignity and rights of the worker as embodied in the international labour standards, they also mitigate the costs of market failures to individuals and the economy in general. For instance, without severance pay employers would not internalize the social costs of dismissing a worker, such as the costs of unemployment borne by the individual as well as by the government. Official development assistance often serves as an incentive to promote accountability and transparency, government effectiveness, the rule of law and human rights – all relevant preconditions for a sound national labour policy.

57. The function of labour market institutions is a highly controversial issue that has been at the centre of policy debate for decades. Efforts to empirically assess their economic impact have brought mixed results, with most studies tending to neglect the wider benefits of protection and focusing only on the constraints posed upon business. By and large, the prevailing attitude has been to assume that worker protection was a luxury that most enterprises in developing countries could not afford. To some, it appeared even a main factor underlying the spread of informal economic activities in poor countries, although institutions such as employment protection legislation applied only to the small

minority of workers in the formal economy and were often poorly enforced. On the face of the mixed evidence, it should be noted that, in practice, labour regulations are rarely a major concern in surveys about perception of constraints among enterprises in developing countries, compared with issues such as corruption or lack of infrastructure, finance or skills.¹²

58. A recent perspective suggests that strengthening labour market institutions can help generate sustainable jobs in three main aspects: (i) narrowing income inequalities through inclusive labour markets and stronger social protection; (ii) increasing productivity through measures that support labour mobility while encouraging employment stability; and (iii) promoting mechanisms for wage determination that raise living standards for all working families and ensure that earnings grow in line with productivity.¹³ Good design is critical to those successful outcomes. Independent and representative trade unions and employers' associations play an important role in ensuring a legislative framework and a *modus operandi* that strike a balance between economic efficiency, growth and worker protection.

59. In developing countries formal labour market institutions usually focus on unfair dismissal and the setting of a minimum wage, but in general labour market institutions suffer from limited capacity and poor governance. In most poor countries the main issue is not unemployment and the lack of jobs, but the lack of decent work. A clear priority is to strengthen labour market institutions while reducing unnecessary administrative

¹² Enterprise Surveys (<http://www.enterprisesurveys.org>), The World Bank.

¹³ ILO-IMF "The Challenges of Growth, Employment and Social Cohesion", ILO, Geneva, 2010.

hurdles and costs. This could encourage the formalization of enterprises while improving effectiveness in achieving the original purpose of protecting workers. Important steps are to promote the ratification and implementation in law and practice of international labour standards and to extend representation rights to all categories of workers, including rural workers, women, children and indigenous people. Collective bargaining and freedom of association, organization and representation of workers and employers, associations of self-employed, cooperatives and community organizations – often weaker in developing countries - have important developmental impacts. As informal, non-contractual forms of work abound, it is also important to design innovative schemes for the extension of protection to workers that are out of the reach of regulations and laws, including through employment guarantee schemes and social transfers.

VI. Effective social protection programmes for poverty reduction and resilience

60. Effective social protection is a key component of a comprehensive policy package aiming at strengthening domestic sources of economic growth, reducing poverty and enhancing resilience to shocks. The repercussions of the global financial and economic crisis, and of high food prices and increasing food price volatility, clearly underlined the role of social protection in enhancing the resilience of individuals, families and communities in adjusting to shocks, stabilizing the economy and adapting to structural transformations of the economy and the labour market. Countries that had social protection schemes in place before the crisis were able to respond in a more timely and effective manner compared to those that did not. Social protection is also key to ensuring

that the most marginalized populations are able to overcome social, economic and discriminatory barriers to accessing services.

61. Despite significant progress in recent years, the large majority of the world's population still does not enjoy comprehensive access to social protection. ILO estimates show that well more than half of the global working-age population cannot expect to receive any kind of old-age pension, and are thus exposed to a considerable degree of income insecurity in old age. Regional estimates show that this is true for about three in four individuals in Sub-Saharan Africa and two of three individuals in Asia. Less than one fifth of the global working-age population is covered by social protection in case of unemployment. A large proportion of the global population is not covered by any form of social health protection through health insurance or access to public health services, and thus faces a lack of access to healthcare services in case of need. High out-of-pocket payments, particularly by persons with disability and migrant workers, for necessary health care services, still constitute an important poverty risk in many parts of the world.

62. The following examples of rich national experiences show that closing gaps in social protection coverage contributes to reducing poverty, inequality, social insecurity and social exclusion, and to promoting sustainable economic and social development. China, Colombia, Ghana, Rwanda, Thailand, and Viet Nam have significantly expanded insurance coverage, by introducing or expanding subsidized health insurance contributions and improving the quality of health services. They have made considerable progress in increasing the coverage of the population, widening effective access to health

services and reducing health-related poverty risks. Brazil, Chile, Mexico, Nicaragua, among others, established and expanded cash transfer programmes that explicitly linked cash transfers to poor families with children to conditions such as school attendance and participation in vaccination and other health prevention programmes. Other countries, such as Argentina and South Africa, extended their cash transfer programmes to school feeding and poor families in order to strengthen early investments in the nutrition, health and education of children. This improves their chances of engaging in decent and productive employment in the long run.

63. Bolivia, and some small states like Cape Verde, Lesotho, Mauritius, Nepal and Namibia, among others, introduced non-contributory pensions to their elderly populations which, despite their generally modest benefit levels, provided critical contributions to reducing poverty in old age. India's Mahatma Gandhi National Rural Employment Guarantee scheme has provided more than 50 million households in rural areas with 100 days of guaranteed employment or cash transfers in 2009-2010. Bahrain and Viet Nam, among others, have introduced unemployment insurance benefits in order to ensure income security to unemployed workers and support in finding a new job through employment services.

64. A number of countries, including Argentina, Benin, Burundi, Cambodia, Ghana and Thailand, have adopted comprehensive social protection strategies that aim at extending social security coverage and building their national social protection floor. Burkina Faso, Cambodia and Honduras pursue integrated social protection and

employment policy frameworks that aim at effectively reducing poverty in the short term and foster social development in the long term. The benefits of extending social protection policies in a well-coordinated and institutionalized way is highlighted in the experience of a small island developing state, Cape Verde, which graduated from LDC status in 2007. Cape Verde has taken bold steps to progressively build a social security system that combines contributory and non-contributory benefits, including institutionalizing its large-scale school feeding programme.

65. The increasing recognition of social protection as a means for reducing poverty and enhancing resilience has been channeled into a global initiative to promote national social protection floors within progressively comprehensive national social security systems. The Social Protection Floor Initiative, established in 2009 as one of the UN joint crisis response initiatives, promotes this objective as a key component of economic and social development. Systematically linking the areas of social security, employment, health, education, nutrition, housing and sanitation, national social protection floors enable the realization of rights enshrined in the Universal Declaration of Human Rights and other relevant international conventions, and accelerate progress towards achieving the MDGs.

66. National social protection floors can be realized by a broad range of means, including contributory and non-contributory schemes, providing benefits in cash or in kind, means-tested or not, depending on national circumstances. Various United Nations agencies have shown that a basic floor of social transfers is affordable in all countries at

all stages of economic development, although the least developed countries may initially need assistance from the donor community. The ILO International Labour Conference in June 2012 will discuss a proposed Recommendation, which would – if adopted – provide flexible and meaningful guidance to Member States in establishing and further developing their social protection floors within progressively comprehensive social security systems.

VII. Promoting sustainable development

67. Climate change mitigation and adaptation can be seen as a process of structural economic and social change towards the use of renewable energies, climate-friendly technologies, low-carbon equipment and appliances, and more sustainable modes of production and consumption. In this process adjustment costs will occur, but at the same time new market opportunities will arise and new jobs and incomes will be generated. Sustainable development therefore implies a transition to a green economy where economic, social and environmental challenges that are closely intertwined are tackled together. Progress is likely to be much harder if the global economy is in recession, unemployment is rampant and social inequalities are widening. On the other hand, public policies to respond to the present jobs crisis – if formulated with green in mind – provide a singular opportunity to set a path toward environmentally sustainable growth.

68. Public and private investments to stem or mitigate the causes of climate change can indeed be used for stimulating the economy and creating employment. New “green

collar” jobs and occupations will emerge, as new types of skills and competencies will have to be incorporated into existing occupational profiles. Developing new training curricula and launching green entrepreneurship promotion campaigns, for example among youth, should be grounded on new green skills requirements in the labour markets.

69. The social dimension is an integral part of a successful transition to a green economy. Alternative adjustment measures should be assessed with the inclusion of the different social impacts of green economy transitions and their potential benefits. Policies that directly aim at poverty reduction, such as investment in education and access to basic services including water, sanitation and energy, should continue to be prioritized. In addition, investment in the natural assets on which poor communities depend for their livelihoods, should be enhanced, including agriculture, fishery and forestry. Social security and social protection can play a powerful complementary role in reducing vulnerability, enhancing adaptive capacity and absorbing the residual impact of climate change not buffered by adaptation measures.

70. In all countries, there will be winners and losers on the labour market. Workers and employers will be affected differently – positively and negatively - by sustainable development policies. Policies to reduce unsustainable production patterns may contract employment and enterprises in some sectors and countries, while policies to encourage, for example, renewable energy and low-emission transportation, are likely to expand employment opportunities. A fair and well-managed transition for workers and

entrepreneurs through those rapid changes is required, involving consultations, social dialogue, and active labour market policies, particularly relating to the needs of the most vulnerable.

71. The UN Secretary-General has proposed a Global Green New Deal (GGND) to accelerate economic recovery and job creation while addressing sustainable development, climate change and food security challenges by front-loading massive public investments in developing countries in renewable energy and smallholder food agriculture to induce complementary private investments in sectors previously lacking private sector interest. This would need global cross-subsidization and large scale public investments to attract private investment. Following years of easy credit and overinvestment before the crisis, the world now faces underutilized overcapacity in most profitable economic sectors, and hence, an understandable reluctance for the private sector to invest. In this situation, only well-coordinated cross-border public investments can fund the needed green public goods, and induce complementary private investments to address these global challenges. Besides contributing to sustained economic recovery, such investments would also contribute to climate change mitigation while advancing developing countries' developmental aspirations and ensuring affordable food security.

72. Globally, the agriculture sector provides over 1 billion jobs and in many developing countries, agriculture generates from 20% to more than 50% of national GDP. Furthermore, the majority of the poor lives in rural areas, with incomes based on agriculture. Therefore, the agriculture sector needs a fundamental paradigm shift towards

more sustainable practices and technologies. Applying green agricultural methods could become a key driver to reduce environmental degradation and poverty, by increasing farm yields and returns to labour, improving ecosystem services and securing the livelihoods of poor people who directly depend on such services. It involves moving towards “Climate-smart agriculture”, defined as agriculture that sustainably increases productivity and resilience, reduces greenhouse gases, while enhancing the achievement of national food security and development goals.

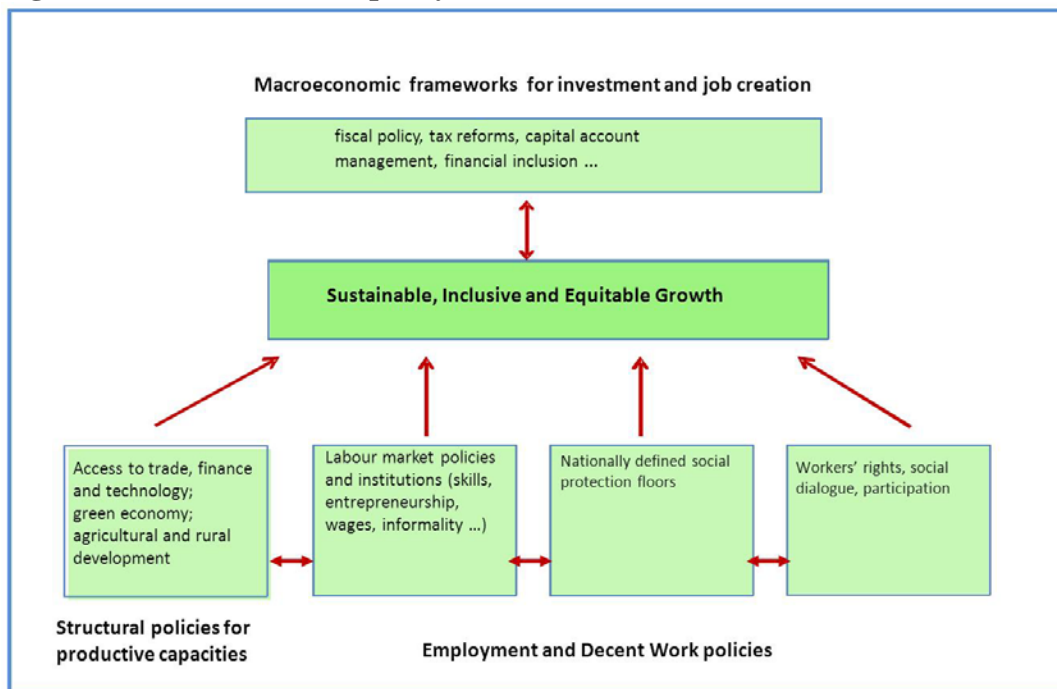
73. Economic and market barriers to technology transfer and low external financing may constrain green investments in developing countries. There is a need to strengthen financing and technical cooperation provisions for technology transfer through development cooperation programmes, external assistance grants and loans, export credit funding and foreign direct investment.

VIII. Policy coherence for decent work, full and productive employment

74. The Global Jobs Pact is premised on a combination of measures to produce better and more lasting results. Most policy measures have secondary effects that reinforce, or weaken, the effects of measures in related areas. Policy coherence is indeed of paramount importance in achieving the objective of promoting a stronger job-rich recovery leading to sustainable, inclusive and equitable growth paths. A sustained generation of decent and productive jobs will be achieved only through macroeconomic and employment and labour market policies working together. Industrial, trade and sectoral policies also play important roles in enhancing organizational capabilities of firms, innovation and

technological progress, productivity and longer-term sustainability. Connecting those policies with skills and training systems has been an important ingredient of success in many countries. Figure 2 provides a simplified framework for coherence of policies to achieve sustainable, inclusive and equitable growth.

Figure 2:2 Framework for policy coherence



Source: ILO

75. Each set of policies related to skills and labour markets, the green economy or social protection will require multi-sectoral coordination across policy areas, extending beyond the direct responsibility of single ministries. Creating synergies through the systematic promotion of mutually reinforcing policy action across government departments and agencies is necessary in order to achieve multidimensional objectives, such as poverty eradication. Pursuing policy coherence in the conduct of public affairs, however, is a challenging task, as policy-making is a complex process where multiple

goals have to be pursued in parallel and the conflicting requirements of diverse constituencies must be balanced. Policy-makers, moreover, may operate in an uncertain and evolving environment, with limited information and imperfect knowledge of the impacts and trade-offs associated with a given policy lever. Reviews of institutional good practice with coherence offer some insight on the procedures and tools that may work more effectively. Those reviews show the importance of the commitment by political leadership to a given policy objective, a strategic policy framework, an efficient and flexible bureaucracy, good information and analysis and a transparent decision-making process.

76. There are multiple opportunities for coherence: inter-ministerial mechanisms; local and sectoral councils; value chains and clusters; and social dialogue platforms. Tripartite consultations with employers and workers organizations' can provide a healthy degree of practical knowledge and commitment to synchronize economic and social policies. Social dialogue plays a distinctive role in contributing to policies and regulations that ensure efficient and inclusive labour markets, increases in productivity and a fair sharing of the earnings.

77. UN agencies are well placed to assist Member States in enhancing their capacities for coherent policy-making, collecting and analyzing relevant information, encouraging multi-stakeholders participation and policy dialogue, setting methodologies and benchmarks for monitoring and evaluation, supporting sharing of good practice and peer reviews. This role was acknowledged by ECOSOC in its resolution E/2010/L19/Rev.1,

in which the UN funds, programmes and specialized agencies were requested to take the Global Jobs Pact into account in their policies and programmes. ECOSOC¹⁴ further reiterated that the agenda contained in the Global Jobs Pact required policy coherence and international coordination and requested that an account of the use of the Pact by the UN system be made to the 2012 Annual Ministerial Review.

78. The ILO engaged with its tripartite constituents in providing assistance to a number of countries that have expressed their intention to implement a comprehensive set of Global Jobs Pact measures. Country scans have been prepared to detail the impact of the financial and economic crisis and to outline policy responses in seven countries (Argentina, Bulgaria, El Salvador, Indonesia, Jordan, Mongolia and South Africa). The scan provides the key elements needed by the national tripartite process in each country to prepare policies that accelerate a job rich recovery.

79. The Executive Board of the United Nations Development Programme (UNDP) endorsed the implementation of the Pact, outlining its relevance in the context of the global crisis and achieving the MDGs. UNDP has strengthened its operations in a number of relevant areas including skills training and child care for single mothers, collection and use of gender disaggregated labour market data, promoting entrepreneurship and self-employment (particularly among youth), public employment programmes and the employment dimension of each of the MDGs.

¹⁴ E/RES/2011/37

80. Most other UN agencies have taken steps to respond to the demands of Member States for assistance in addressing the labour market concerns raised by the crisis, although not always in the form of an explicit support to a comprehensive Global Jobs Pact approach. UNCTAD made employment a topic of its trade and development report and plans to discuss new partnership for trade and development, including with regard to employment-enhancing policies, at its UNCTAD XIII in April 2012, in Doha. UNICEF is exploring means to boost fiscal space and investment in the most vulnerable groups of society in order to promote recovery for all. FAO is engaged in promoting decent rural employment, specifically with respect to informal employment in agriculture, agro-processing, rural marketing enterprises and industries, as well as small-scale, self-employed and informal agricultural occupations. UNFPA is researching the linkages between population dynamics, employment creation, food security and poverty. UNESCO is working on a holistic approach to education and TVET.

81. The proliferation of interagency initiatives around issues related to productive capacities, employment and decent work is an important development that can contribute to stronger policy design and implementation. Interagency cooperation makes available a pool of expertise, resources, capacity-building and knowledge networks, which countries can rely upon in their policy and programme development. Some initial spur was provided by the Chief Executives Board (CEB) United Nations system joint crisis initiatives - each one coordinated by a lead organization working together with a cluster of cooperating organizations and each covering one of several areas relevant to the Global Jobs Pact (e.g. the social protection floor, food security, trade, technology and

innovation and a greener economy generating green jobs). New interagency work has started on rural development and sustainable tourism for job creation and poverty eradication. Some drive has also been provided by the G20, in eliciting interagency cooperation on value chains and the crafting of a global training strategy.

82. At country level, as the ‘Delivering as One’ reform process advances, there are signs of more coherent programming of UN country-level activities, with some priority assigned to employment and decent work. Youth employment, for instance, figures prominently and is a special theme in some regions. In spite of the major effort made by international organizations to coordinate their engagement with national strategic planning mechanisms, ensuring coherent policy advice and programme support remain a major challenge. Unless national policy coherence mechanisms are strong, international support can result in policy initiatives working at cross purposes.

IX. Recommendations

83. The long aftermath of the global financial and economic crisis is having a dramatic impact on jobs, decent work and well-being, exacerbating long-standing concerns with poverty and widening inequality. With this in view, the following recommendations are made.

84. *Need for global action*

- **In the framework of credible medium-to-long-term fiscal consolidation plans, urgent action must be taken at all levels to regain momentum for coordinated policies aimed at boosting the real economy, jobs and incomes globally. This would entail greater focus on concrete employment and decent work policies at the global level, as well as bold national initiative in all countries, in particular those with greater fiscal space.**

- **All stakeholders should collaborate with the UN system to create a UN youth volunteers programme, and support the Secretary-General's call for a stronger partnerships with and for youth, by strengthening the youth focus of programmes on employment, entrepreneurship, political inclusion, citizenship and protection of rights, and education.**

- **Peer learning and knowledge sharing among all countries and stakeholders should be enhanced through good practices that foster productive capacities, decent work and social protection floors.**

- **Productive capacities, employment, decent work and social protection should be made more prominent in the post-2015 development agenda, with appropriate targets and indicators in line with the original core values and objectives of the Millennium Declaration, particularly, in view of their importance in addressing growth, poverty and inequality.**

85. Policies to build productive capacities, support employment and trigger structural change

- **Public and private investments should be increased, using the Global Jobs Pact as a framework, in infrastructure for urban and rural development, strengthening skills and labour markets, extending income support to the vulnerable and setting conditions for a just transition to green growth. Governments should promote domestic and foreign direct investment and countercyclical measures to help build future productive capacities and trigger structural change, enhancing their efforts to pursue the goals of full employment and poverty eradication in line with national circumstances, priorities and need.**

- **Governments should reconfigure policies to promote broad-based economic growth, innovation and sectoral diversification. A sustained public effort to attract private investment to address gaps in infrastructure will contribute to unleashing productive capacities and creating jobs, especially in developing countries. South-South and triangular cooperation can be a catalyst for such efforts. Skills development can make a critical contribution, through coordinated policies linking education, skills formation, employment and decent work. Involving the private sector is essential. Connecting training providers and employers can be especially effective at sector and local levels.**

- **Special attention should be paid to supporting MSMEs as the most dynamic sources of employment. Small entrepreneurs in all countries should be provided easier access to bank credit. The integration of MSMEs into local and international value chains can be facilitated by forming cooperatives and associations of micro and small producers. The multiple drivers of informality should be tackled through integrated policy packages that promote a gradual transition to formal activities.**

- **Investment in agriculture is critical to reducing poverty and achieving a well-integrated domestic economy with strong inter-sectoral and rural-urban linkages. Improvements in agricultural productivity and rural non-farm employment can boost earnings in rural areas, as well as help countries and households cope with shocks caused by climate change and food and fuel prices. Gender-sensitive agricultural investment is also crucial to unleash the vast contribution of women small-scale producers.**

- **Governments, business, workers and trade unions should jointly develop green economy roadmaps in key industrial sectors, with concrete goals and benchmarks, including for net creation of jobs and poverty eradication. Building green economies for more inclusive, sustainable and equitable growth will require new investments, skills formation, technology development and transfer and capacity building.**

International cooperation in these areas should be strengthened and innovative sources of financing developed. Targeted measures, such as worker retraining and aid for trade, can assist with minimizing transition costs.

- **Employment objectives should be integrated in national strategic policy frameworks to ensure greater policy coherence and macroeconomic frameworks should explicitly take into account job creation and poverty reduction. Tax policy can play an important role in employment generation and fair redistribution of earnings. Policies should be formulated and implemented through broad-based social dialogue and attention to the quality of governance and public services.**

86. *Focus on the quality of jobs and livelihoods*

- **Governments and partners in civil society and the private sector should work together to facilitate the upgrading of qualifications, job-search assistance and the successful transition of young people from education to work. Addressing the lack of quality job opportunities, especially for young women and men should become a critical priority in both industrialized and developing countries. Well-designed active labour market policies linked with technical and vocational education, on-the-job training and apprenticeships – both formal and informal – are**

essential for skills development, employment and entrepreneurship and can help alleviate unemployment and underemployment.

- **Government should implement public employment programmes that have proven valuable in addressing un- and under-employment of young people and those from disadvantaged groups such as persons with disabilities. Successful public employment schemes provide employment and social protection to those vulnerable to poverty while simultaneously building small-scale infrastructure, skills and other assets which can, in turn, increase productivity.**

- **Countries should adjust legislative frameworks to strike a balance between economic efficiency and labour protection, while fully respecting fundamental principles and rights at work and promoting the ratification and implementation in law and practice of international labour standards. Measures to ensure wages grow in line with productivity are important to ensure a fair sharing of the benefits of growth and sustain a steady expansion of demand and investment.**

- **Countries should review their social protection policies, and, where necessary, step up efforts to extend social security to larger groups of the population. National strategies to extend social security, including the establishment of national social protection floors, should be pursued**

based on a careful review of national priorities, existing structures and options for enhancing financial and administrative capacities. Such strategies should combine contributory and non-contributory programmes to help realize the right to social security, including at least a minimum level of income security and effective access to health care for all, particularly workers in agriculture, disabled, migrant and seasonal workers.

87. *UN system-wide coherence and coordination*

- In order to better assist Member States, the UN system, including the international financial institutions, should make additional efforts to strengthen coherence and work in partnership to enhance policy dialogue, research, data collection and technical assistance provision. The HLCP could provide a platform to promote stronger interagency cooperation and dialogue.**

- UN agencies and programmes should enhance their efforts to help countries to develop macro-economic policies that promote employment generation, including through monetary policies more sensitive to the goals of creating productive and decent jobs. They should explore possibilities for promoting stronger synergies among policy frameworks covering financial, monetary, social and development planning. ECOSOC**

could serve as a forum for global discussion of such matters, through its Annual Ministerial Reviews and dialogues with the international financial and trade institutions. ECOSOC's DCF could facilitate a dialogue on how development cooperation can promote employment, decent work and social protection floors.

- Economic, social and environmental policies must be developed alongside sound employment policy. Therefore, consideration should be given to the establishment of a standing agenda item of the General Assembly and/or ECOSOC on the issue of “full employment and decent work for all”. This would help promote coherent and complementary policies, stronger monitoring of commitments, mainstreaming into the activities of UN agencies and programmes, and more effective integration of the three pillars of sustainable development.