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**TO THE DEVELOPMENT FORUM ON PRODUCTIVE EMPLOYMENT**  
**AND DECENT WORK**  
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## **Employment and the UN Development Agenda**

The 2005 World Summit firmly put the goal of *full and productive employment and decent work for all* back at forefront of the United Nations development agenda. The Summit showed a solid global consensus that employment and decent work needs to be at the centre of economic and social policies aimed to achieve the primary Millennium Development Goal—to cut poverty in half by 2015. Moreover, it led world leaders to conclude that the MDGs and the whole array of internationally agreed development goals may not be reached in many parts of the world under prevailing employment and labour market conditions.

By selecting employment and decent work as the theme of its high-level segment this July, the Economic and Social Council has thus set itself a critical task of broad and immediate import. This Development Forum will assist ECOSOC in this task by bringing together Member States, UN system- and non-UN experts, and a variety of other stakeholders for intensive discussions, geared towards producing concrete policy guidance.

On behalf of the United Nations Secretary-General, I welcome you all and thank you for your participation. I also greet you on behalf of the Department of Economic and Social Affairs, which has organized this event—and will surely also benefit from its outcome when we take on the same theme of employment and decent work in our *2007 Report on the World Social Situation*.

### **Major trends**

Over the next two days in this Forum, we must cover a wide terrain marked by a number of significant global trends. Let me begin by highlighting five such trends, dealing with job creation and economic growth, underemployment, income inequality, job security and international migration.

First, over the decade since the World Summit for Social Development at Copenhagen, unemployment has risen, rather than fallen. According to the ILO's Global Employment Trend Brief, the number of unemployed worldwide reached new heights in 2005—nearly 192 million people, equivalent to 6.3% of the population force, over the 6.0% reached in 1995. Furthermore, the employment to population ratio has declined over the last decade, from 62.8% in 1995 to 61.4% in 2005. Although the term “jobless growth” that is commonly used to describe the weak

pattern of job creation that has characterized the world is imprecise, the link between global economic growth and job creation has been weak. Furthermore, the quality of employment has deteriorated, as we will see below. So, “jobless growth” is not an inadequate term to characterize certain episodes of growth in some countries, particularly when we take into account the quality of employment. All over the world, most of the creation of employment has taken place in the service sector. This is somewhat paradoxical in terms of the links between globalization and employment creation: although services are increasingly traded internationally, most employment is created in what economists characterize as “non-tradables”, i.e., activities that are not directly linked to the global economy.

Second, underemployment, characterized by low productivity and inadequate income, remains pervasive and is probably increasing; half of the world’s labour force still does not earn enough to lift themselves and their families above the global poverty line of US\$2 per day. While unemployment poses the major challenge in many industrial economies, in most developing countries, poverty results less from unemployment than from the inability of the employed to secure decent incomes. This is particularly so in the agricultural sector and in the urban informal economy, which together account for the major share of employment in most developing countries, and especially in LDCs. Moreover, in those countries and regions where growth has not been very dynamic, most growth in employment has taken place in low-productivity services, which have served as the activity that absorbs the surplus labour generated by both the traditional reduction in agricultural employment and the more recent, and fairly widespread process of de-industrialization.

Third, globalization and other related economic processes have widened disparities in incomes among the employed, particularly between skilled and unskilled workers. Taken with two other trends—the rising share of profits and, in some countries, growing regional or urban-rural disparities—this explains the fairly widespread trend towards rising income inequality *within* countries over recent decades. On the other hand, while there seems to be a fairly widespread trend towards a reduction in gender gaps, such gaps remain very large—not only in terms of income but also of employment opportunities and the higher levels of open unemployment and informality that affect women in almost every corner of the world.

Fourth, employment opportunities, both within and among countries, are showing significant change. Shifting production across the world—such as in the shift of labour-intensive manufactures or the off-shoring of services to developing countries—may have net job creation effects, though evidence of this is unclear. Similarly, trade liberalization may bring efficiency gains. Yet all of these phenomena bring little comfort to those who lose their jobs. More generally, the world seems to be experiencing a long-term trend loss in what people perceive as “secure employment”, whether in the private or public sectors. And this perception is strengthened by persistent calls for more “labour flexibility”. The upshot is a broad-based and growing sense of economic and social insecurity, with social problems on the rise as people feel increasingly insecure within their jobs or in fact lose them and consequently feel even more insecure.

Fifth, international migration is also reshaping the global labour market, giving rise to both xenophobia and racism, but also to unprecedented mass mobilizations of migrants, and even

revolts. Such migration have had some adverse effects on the less skilled segments of the labour markets in receiving countries, in terms of income and/or employment. However, hard evidence seems to indicate that these effects are relatively small, as low-skilled migrants generally occupy occupations for which there is insufficient supply of domestic workers. Moreover, the additional demand and growth that migration brings to recipient countries may swamp any negative labour market effects. The fact, however, that restrictions on labour mobility have forced the demand for such low-skilled labour to be filled with irregular flows means that migrants are in a vulnerable situation. This vulnerability may spill over into the less-skilled segment of the labour markets of natives, feeding into the sense of labour market insecurity mentioned previously. In any case, there are significant asymmetries in the mobility of factors of production and goods in the global economy. Capital and goods are more mobile than labour, and skilled labour is more mobile than unskilled labour. This may generate a distributional bias against the less mobile factor –i.e., unskilled labour—contributing to the adverse distributive trend also mentioned previously.

### **The Policy Agenda**

Against this backdrop, the Economic and Social Council has challenged us to consider how to create “*an environment at the national and international levels conducive to generating full and productive employment and decent work for all, and its impact on sustainable development*”. In tackling this theme, we should focus on its three key dimensions:

- First, designing domestic policies and creating a conducive environment at the national level to full and productive employment and decent work;
- Second, ensuring that the work opportunities available to the poor contribute to lifting the burden of poverty; and
- Third, ensuring that the economic environment at the international level—especially in the critical areas of trade, finance, investment, technology, and international migration—supports the goal of full employment and decent work for all.

Let me start with the last. Enhanced international cooperation in addressing macroeconomic and trade-related issues is essential to generating more and better jobs. Particularly important is a more balanced and coordinated international strategy for sustainable global growth and full employment, based in part on equitable sharing of responsibility for maintaining high levels of effective demand in the global economy.

Patterns of international investment, the growth of trade and cross-border movements of workers all affect jobs, incomes, security and the rights of workers. Therefore, better-coordinated international policies in all of these areas are needed to improve the prospects for achieving productive employment and decent work for all.

This also means better-coordinated policies in the UN system and the wider international community. In an encouraging sign, we have seen in recent months more action by UN agencies, funds and programmes, the international financial institutions, and donor and lending agencies to

place employment issues at the centre of their activities. More effective mainstreaming of employment policies into national development and growth strategies should figure prominently at the country level, including through the incorporation of the ILO's Decent Work Country Programmes into the UN Development Assistant Frameworks (UNDAFs).

Notwithstanding these international dimensions, the responsibility to create the conditions for full and productive employment and decent work rests first and foremost with national governments. This requires summoning the political will to make employment generation a key priority—not only of social development strategies, but also, and perhaps mainly, of *economic* strategies and policies, at both the macroeconomic and sectoral levels.

Two essential ingredients of such strategies are sound macroeconomic policies and an overall national development strategy conducive to dynamic employment generation. Economic growth is important, but even more so is its quality, measured particularly in terms of its capacity to generate quality jobs. So employment should be a key objective of macroeconomic authorities, including independent central banks. The idea that macroeconomic policies aim to promote full employment used to be a fundamental tenet of economic analysis, so much so that “the promotion and maintenance of high levels of employment” was enshrined in the IMF's first Articles of Agreement. But this idea has often been abandoned due to monetary policy's shift in focus to the single objective of achieving and maintaining low levels of inflation. Exchange rate policies are also crucial for employment generation in developing countries, particularly as trade liberalization has reduced policy space to adopt pro-active industrial policies. And the fiscal space for public expenditures should also be preserved, especially in situations of economic recession that may necessitate counter-cyclical policies.

For many developing countries, the agricultural sector is still the main employer, particularly in sub-Saharan Africa and South Asia. Accordingly, more concerted action is needed on rural development, aimed at expanding market access, employment and productivity. More broadly, the prevalence of the working poor in the developing world points up the importance of creating employment sufficiently productive to yield a decent income. For this reason, employment generation and productivity growth must be pursued jointly. A comprehensive strategy for achieving them together over the long run would entail investing in dynamically growing sectors of the economy; promoting micro and small enterprises, where most employment is generated today in too many countries; and building strong linkages between dynamic sectors and small firms. It is in this context that promoting entrepreneurship plays an essential role, by making it easier to start and nurture small enterprises that provide more and better jobs.

Around the world, the evident restructuring of firms, sectors and even whole regional and national productive structures has put in even sharper relief the crucial role that investments in education and training play in ensuring a skilled and adaptable workforce in a global economy. Beyond that, the rising sense of job insecurity must be managed through strengthened social protection systems. In developing countries, where the link between employment and social protection historically has been weak, this will require increased State responsibility for providing social protection through fiscal mechanisms not tied to social security contributions.

Indeed, an effort to balance labour market flexibility with social protection must be at the centre of the global development agenda. This also includes avoiding excessive rotation of personnel that, according to existing evidence, reduces productivity. It is important as well to take into account alternatives to traditional labour market flexibility to facilitate adaptation to technological change and global competition. This could involve institutions that enhance labour-business cooperation for adapting to changing circumstances, at national and local levels and within firms: that is, “social dialogue” in the language of the ILO. And, above all, flexibility should never be treated as a substitute for adequate macroeconomic policies. For we know that, in an unstable macroeconomic environment, additional flexibility may lead to a sharp deterioration in the *quality* of employment, while yielding only dubious benefits in terms of the *quantity* of “formal” employment, its primary objective.

Labour market institutions have distributive effects, as well as implications for the quantity and quality of employment and for labour-business cooperation. For this reason, some analysts cite labour flexibility as one of the major forces behind the broad-based trend towards worsening income distribution in the world, with centralized wage bargaining operating in a few countries as a defence against this trend. Labour unions are also a major means of social participation. Social dialogue that engages labour unions and employers’ associations can thus help to ensure that policies are balanced and enjoy wide public support. Countries may also consider developing guidelines and benchmarks, along with peer review processes, in order to strengthen country-level implementation and accountability for achieving full and productive employment and decent work for all.