

Second Committee Side Event

Follow-up to the outcome of the High-level Plenary Meeting relating to MDG 1, and an introduction to the Multidimensional Poverty Index



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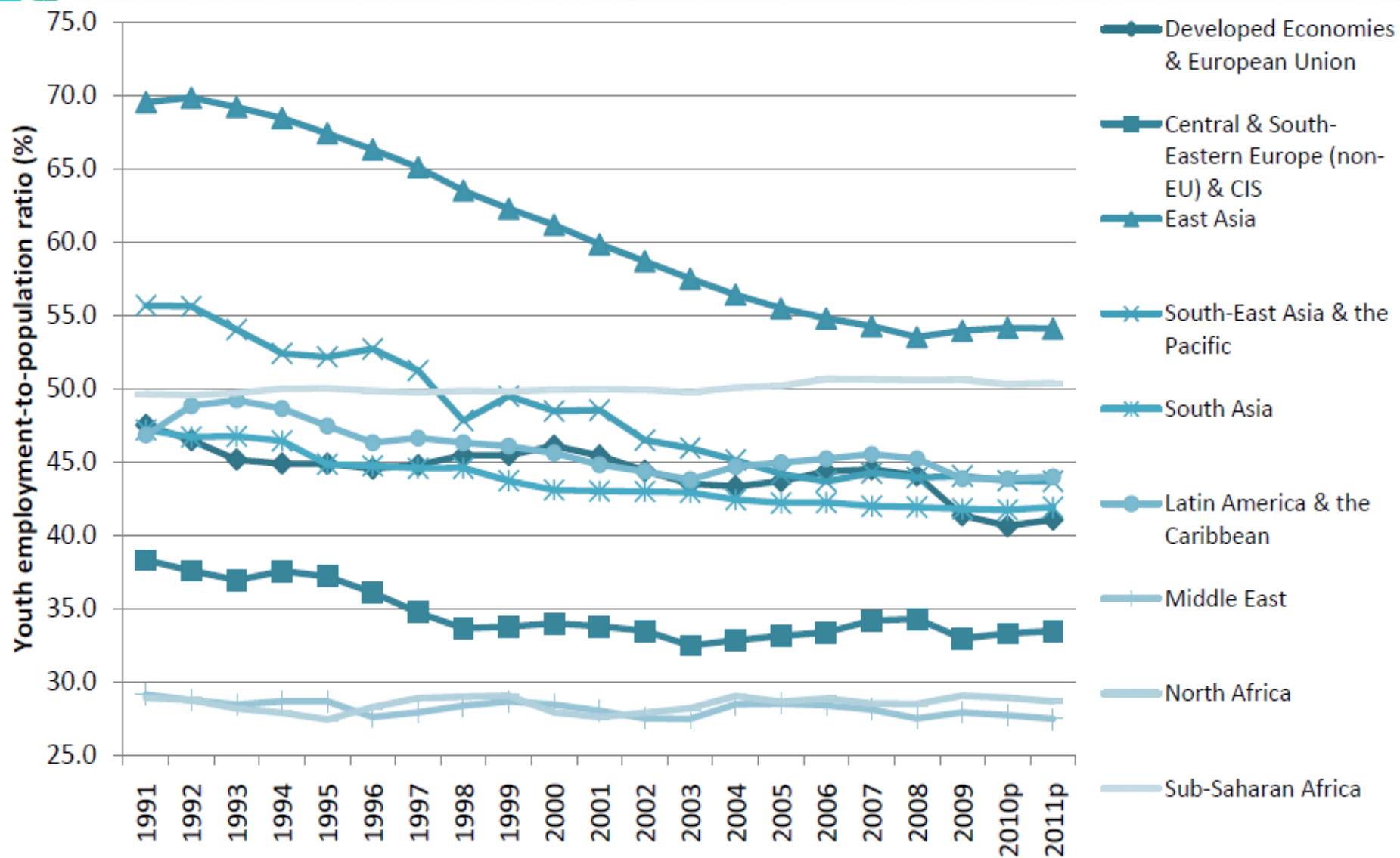
Inclusive job-rich growth policies to sustain MDG1(B)

- Context:
 - The MDG Summit assessment
 - The post-crisis recovery and
 - Lessons from the crisis
- Connecting better development, employment and poverty reduction goals with economic and financial strategies require:
 - Revisiting macroeconomic frameworks
 - Sectoral strategies and employment targeting
 - Strengthening policy coherence and convergence

Slow progress in meeting the MDG Target 1(B)

- The MDG Summit Outcome Document recognizes that “...*there has been slow progress in reaching full and productive employment and decent work for all...*” (MDG Goal 1, Target 1(B))
- The MDG Report (2010) highlights that many regions face a deterioration in the labour market and a decline in employment in recent years

Youth employment-to-population ratio (1991-2011)




p = projection

The global jobs deficit is not only about unemployment, but also quality of employment

- ILO global and country-level research shows:
 - Proliferation of low productivity jobs
 - Declining wage shares
 - Increasing incidence of low pay
 - Rising inequality in many cases even during global boom of 2000S (ILO Global Wage Report, forthcoming, Dec., 2010)

The global economic crisis is a major setback, however, the jobs deficit predated the crisis

- Including during the high and steady growth era (1997-2007), growth alone did not automatically lead to formal job creation, nor poverty reduction
 - Weakening relationship between growth and employment creation : job-poor growth
 - Persistence of unemployment and job creation patterns concentrating in low quality, informal and low pay sectors
-  do not produce desired impact for lifting out of poverty, do not lead to higher productivity through structural change

Towards a new macroeconomic policy framework?

The crisis and response show:

- The role of macroeconomic and counter-cyclical policies in boosting aggregate demand and employment and labour market recovery
- The effectiveness of social protection measures as ‘automatic stabilizers’
- Recovery can not be bouncing back to higher levels of growth alone but **emphasis to be laid on different patterns of growth and new policy frameworks**
- Rebalancing sources of growth, getting a **higher rate of domestic savings, consumption and investment** to reduce dependence on external resources and exports
- The need for Policy Coherence and Coordination

Several global policy Statements point to the need to revisit macroeconomic frameworks

- The MDG Summit outcome document recognizes the need for
 - “...adopting forward-looking, **macroeconomic policies** that promote sustainable development and lead to sustained, inclusive and equitable economic growth, increase productive employment opportunities and promote agricultural and industrial development...”
 - “...promoting the **Global Jobs Pact** as a general framework within which each country can formulate policy packages specific to its situation and national priorities in order to promote a job intensive recovery and sustainable development”

Several global policies point to the need to revisit macroeconomic frameworks

- The Global Jobs Pact (June 2009) calls for addressing structural issues as well as speeding labour market recovery from current crisis
- The UN system endorsed the ‘social protection floor initiative’ (SPF-I) (April 2009)
- At the International Labour Conference (June 2010), tripartite partners (Governments, Employers and Workers) called for integrating ***employment targeting*** in economic strategies and asked the ILO to work in partnership on a ***‘pro-employment macroeconomic framework’***
- Recent ILO/IMF Conference (Oslo, Sep. 2010) reaffirmed sound macroeconomic policies that are employment creating and promote social protection

Towards a new macroeconomic policy framework?

- In developing and emerging economies, the dominant “mainstream” macroeconomic policy design (monetary, fiscal and exchange rate policy) is principally influenced by the objectives of:
 - low, single digit inflation
 - prudential limits on debt-to-GDP ratios supported by low fiscal deficits

The experience of the last decade shows..

- Restoration of stability not sufficient for rapid, self-sustaining growth and broad based employment creation
 - *Ex: Recovery of growth in SSA but unable to offset the 'lost decades' of the 1980s and 1990s, create jobs, reduce informality*
- Not adequately addressing the challenge of pro-cyclical policies that are inimical to job creation
 - *Ex: if Tanzania could reduce its pro-cyclical policies moderately, net employment creation would be 10% of workforce (ILO World of Work Report, 2010)*

The experience of the last decade shows..

- Inflation targeting tends toward appreciation of exchange rates
- Did not prevent “volatility of growth”
- Did not prevent rising inequality and wage share decline
- Led to a “residual approach” on fiscal policy: a **disconnect between countries’ commitments to development goals and countries’ compliance with macroeconomic parameters**

Towards a new “Pro-employment, pro-poor” macroeconomic framework?

- Monetary policy needs broader goals:
 - central banks and financial authorities to aim for ‘reasonable price stability’ with growth rather than a ‘one size fits all’ target of low, single digit inflation
 - central banks and financial authorities to enhance financial inclusion by (1) enhancing access to finance for the private sector and (2) supporting growth of efficient microfinance institutions
 - The agenda of financial inclusion is necessary to address binding constraints on private sector development- (including large number of small and informal operators)

Towards a “Pro-employment, pro-poor” macroeconomic framework?

- Fiscal Policy needs:
 - Identify sustainable resources from domestic and external sources to meet international goals pertaining to health and education and ‘social protection for all initiative’
 - Raise public investment in infrastructure to about 7% of GDP (currently, 2-3% in many cases)
 - Enhance domestic resources with higher tax-to-GDP ratios and better budgetary execution

Towards a “Pro-employment, pro-poor” macroeconomic framework?

- Exchange rate policy and capital account management needs:
 - Develop institutional arrangements to foster real exchange rate stability
 - Prudent capital account management in cases where unrestrained short-term capital flows is destabilizing force

From pro-employment macroeconomic frameworks to 'employment targeting' in sectoral strategies

- Employment targeting and employment impact assessment of economic strategies:
 - Revival of the role of the Development State
 - Proactive industrial policies
 - Diversification and structural transformation key for poverty reduction and employment growth
(Ex.: Stop de-industrialization in Africa)
- **Employment targeting: economic performance takes account of employment impact (quantity and quality)**

Keeping the post-crisis momentum for accelerating MDG 1 achievement through an inclusive job-rich growth path

ILO research shows a tendency to move back to pre-crisis policies...while changing discourse on the need for new frameworks

- Enhanced role of public policy:
 - through broader use of macroeconomic policy instruments and sectoral strategies
 - “Activation” measures
 - Scaling up policy innovations
 - Employment Programmes and guarantee schemes
 - Cash transfer strategies
 - Social Protection Floor for all
 - Green Jobs
- Public-Private Partnerships for job creating growth and financial inclusion
- Sustained and real political commitment for policy coherence across economic, financial policies at the international level to deliver on development and employment goals