

UN SYSTEM TASK TEAM ON THE **POST-2015 UN DEVELOPMENT AGENDA**



Emerging development challenges for the post-2015 UN development agenda: Employment

Thematic Think Piece

ILO

The views expressed in this paper are the reflections of ILO senior officials identified to assist the UN System Task Team and do not necessarily reflect the views of the United Nations and the ILO.

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Following on the outcome of the 2010 High-level Plenary Meeting of the General Assembly on the Millennium Development Goals, the United Nations Secretary-General established the UN System Task Team in September 2011 to support UN system-wide preparations for the post-2015 UN development agenda, in consultation with all stakeholders. The Task Team is led by the Department of Economic and Social Affairs and the United Nations Development Programme and brings together senior experts from over 50 UN entities and international organizations to provide system-wide support to the post-2015 consultation process, including analytical input, expertise and outreach.

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1. Introduction

The world's workforce is growing at around 40 million per year. Since the 2008 financial crisis 30 million have been added to the unemployed and nearly 40 million more have stopped looking for employment. In 2011, 74.8 million youth aged 15–24 were unemployed, an increase of more than 4 million since 2007. Across the world, women continue to suffer discrimination in labour markets, with the greatest differences in labour market outcomes occurring in the Middle East, North Africa and South Asia. For the world as a whole, women's employment-to-population ratios are a full 25 percentage points below men's (47.8 per cent for women versus 72.6 per cent for men), but in the Middle East, North Africa and South Asia, there is a 50 percentage-point difference. Moreover, once in the labour market, women suffer from more precarious work contracts and thus a more tenuous attachment to the labour market, as well as lower pay.¹

Most people rely on earnings from work as their main source of income. Latest estimates by the ILO suggest that worldwide just under half a billion working age adults are supporting households that survive on less than a US\$1.25 a day. The equivalent figure at the \$2 level is just over 900 million. Both the absolute numbers for those working and still living in extreme poverty and their share of total employment have trended down over the eighteen years prior to the crisis but progress during the crisis period has slowed. As has been documented in ILO reports, extreme poverty at the \$1.25 level among workers has declined significantly, falling from nearly 49 per cent of all workers in developing countries in 1991 to approximately 17 per cent in 2011. There has been less progress in reducing moderate working poverty, with 18 per cent of workers in developing economies classified as

¹ International Labour Organization, *Global Employment Trends 2012: Preventing a deeper jobs crisis* (Geneva, 2012) (Data in this paper are from this report unless otherwise specified)

moderately poor in 2011 – a reduction of less than 2 percentage points over the last two decades.

While progress in reducing working poverty has been notable, there has been a large increase in the share of workers in developing regions classified as “near poor” – rising from 14.8 per cent in 1991 to 26.1 per cent of all workers in developing regions in 2011. Accordingly, in 2011, more than 6 out of 10 workers in the developing world are either poor or near poor. This too is a clear improvement, as the ratio stood at more than 8 in 10 two decades earlier, but still, despite the rapid economic development that has characterised many developing regions, poverty is either a stark reality or a real threat for the majority of workers in the developing world. As with all the poverty headcount numbers, the fastest falls were in East Asia. Progress in Africa is less encouraging.²

These decent work deficits mean that 45- 50 million net job creation is needed each year over the next five years to get back to the situation in 2007 with a particular effort to get younger workers and women into work.³ However, the economic, and thus employment, outlook for 2012 and 2013 is grim. By 2015 the global jobs gap could be still larger.

2. Decent work and the global development agenda

The availability of decent work opportunities and the capacity of women and men to take up those opportunities are central to the development process in general and poverty reduction in particular. However, decent work is more than just a means of achieving development goals. Key development objectives are thus to sustain a strong pace of employment growth and raise the earning power of the poorest.

The UN World Summit Outcome Document in September 2005 stated that “we strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our

² International Labour Organization, “Part A: Working poverty in the world: Introducing new estimates using household survey data”, Key Indicators of the Labour Market 7th Edition (Geneva 2011)

³ International Labour Organization, The youth employment crisis: Time for action, report V to the 101st International Labour Conference (Geneva, 2012)

relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals. These measures should also encompass the elimination of the worst forms of child labour, as defined in International Labour Organization Convention No. 182, and forced labour. We also resolve to ensure full respect for the fundamental principles and rights at work.”

A post-2015 development agenda should also reaffirm international commitments in regard to work as a fundamental human right. The key references in the UN are the Universal Declaration on Human Rights, United Nations, 1948 and the International Covenant on Economic, Social and Cultural Rights.⁴ At the ILO the corpus of international labour standards provide guidance on a number of relevant issues. As was stated in the 2005 UN Summit, the ILO’s 1998 Declaration on Fundamental Principles and Rights at Work offers a foundation for progress towards decent work for all.⁵

3. Decent work and poverty reduction

Poverty reducing employment requires more hours of work or more productive use of existing hours or some combination of the two. Increasing hours of work may be possible as time underemployment is a feature of life for many of the poorest – casual labourers, street vendors, small farmers in the “hungry” season. It should be noted that employed people do not determine the share of the productivity they achieve. Employers determine wages within a framework that may include statutory obligations such as a minimum wage or contractual obligations such as a collective agreement. However few of the poorest in the poorest countries are able to benefit directly from either form of influence on their earnings at present as even where appropriate legal frameworks exist they are not applied effectively in much of the informal economy. Extending the application of labour laws, including on minimum wages, and collective bargaining coverage is thus vital and has been shown to have a positive indirect effect on working conditions within the informal economy.

⁴ See annex for extracts of these documents

⁵ International Labour Organization, ILO Declaration on Fundamental Principles and Rights at Work and its follow-up (Geneva, 1998), available at: <http://www.ilo.org/declaration/thedeclaration/textdeclaration/lang-en/index.htm>

A big share of the poorest are own account workers and their families. Women are over represented amongst the working poor.⁶ Globally in these two occupational categories we find most small farmers and micro businesses in the urban informal economy. In South Asia and sub-Saharan Africa around three quarters of workers are in these categories. Their cash incomes depend on the prices they charge for their production and their volume of sales – again factors largely beyond their control.

Effort and reward for the poorest are weakly linked. But aggregate trends in productivity may give us some idea of the potential for the poorest to raise their earning power. In South Asia the 2001-6 trend was around 5 % a year. 2010 and 2011 were much faster but the trend is expected to go back to the 2012 level. The equivalent figure for Africa is just over 2 % without much recent upward variation. In East Asia the trend has been over 8% per year but is slipping down a little.

Poverty is more easily reduced when growth benefits the poor proportionally more than the non-poor. Regrettably, an analysis of 131 positive growth spells in 80 countries over the years 1984-2001 showed that in only 42 per cent of cases did positive economic growth spells benefit the poor relatively more than the non-poor; thus, 58 per cent of the time, inequality worsened.⁷ As a result, income distribution continues to be highly skewed. According to UNICEF, in 2007, the top 20 per cent of the world's population enjoyed 70 per cent of total world income, contrasted by just two per cent of income for those in the bottom quintile. Viewed nationally, income distribution in developing countries is most unequal in Latin America and sub-Saharan Africa. However within a global trend in most countries to greater inequality there are important national differences. More and better employment for the poorest is key to narrowing income gaps alongside public policies that transfer resources to poorer families and their communities.

⁶ Food and Agricultural Organization of the United Nations, the International Fund for Agricultural Development and the International Labour Office, Gender dimensions of agricultural and rural employment: Differentiated pathways out of poverty Status, trends and gaps (Rome, 2010)

⁷ H. Son and N. Kakwani (2006) "Global Estimates of Pro-Poor Growth," International Poverty Centre Working Paper 31

4. Decent work and social development

Opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity are central to people's lives and a key factor in their sense of identity and their social relations. Evidence shows that as work becomes more decent in income terms, people's concerns over corruption and interest in democratic governance increases.⁸ They are also more likely to invest in their children's health and education as well as their own health. Employed wage-earners are almost twice as likely to report having a general trust in people than are the unemployed. They also report a substantially higher propensity to have some type of civic engagement. Thus decent employment can thereby contribute to the betterment of communities and democracy.

In addition, the working poor are undernourished and prone to illness. Underemployment is thus both a cause and a consequence of poverty. Escaping this trap requires some form of basic social protection for the major contingencies. A social protection floor as articulated most recently by the Bachelet report could provide a route out of extreme poverty and into more productive work for the poorest. It does not need to be a big charge on GDP but will require a tax system that generates revenues from the most productive sectors to transfer to the weakest primarily as a social and economic investment but partly as an act of social solidarity. (Social protection is covered in a separate think piece but is part of the ILO's Decent Work Agenda.)

5. Goals/target, cross-cutting issue, or enabling condition

Overall the employment component of a development strategy should aim to raise the productivity of the poorest workers within an overall sustainable development approach. It will need to make sure that they get to keep most of their increased earning power by progressively strengthening labour market institutions. Sustainable progress on decent

⁸ A. Banerjee and E. Duflo (2008) "What is Middle Class about the Middle Classes around the World?" *Journal of Economic Perspectives*, 22(2): pp. 3-28.

work is part of a nationally specific strategy of structural transformation and the building of productive capacity. A strong focus on gender equality is vital.

Increasing decent work opportunities is an enabling condition for sustainable development, a cross cutting issue and should be a goal with associated targets. The design of the post-2015 development agenda should thus help countries form national development strategies that facilitate the process of economic transformation that creates conditions for the achievement of global goals, amongst which decent work for all should figure.

Improving the earning power of the poorest and ensuring that the near poor move upwards and do not slip backwards is closely linked to the structural transformation of economies and thus societies. Improved productivity comes from both the movement of workers from less to more productive jobs as well as productivity improvement in existing jobs. But where are the more productive jobs? This depends on national circumstances but we need to be aware that the “classical” route from agriculture into manufacturing is not working well in many countries. Globally the share of agriculture in employment is down from 40% in 2000 to 34% in 2011. But only 1.7 per cent of that decline went to industry and 4.3% to services. In East Asia, the shift was much bigger. Agriculture’s share was down from 47.7% to 35.4% but industry was up by only 4.8% points while services were up by 7.4% points. Most other regions have seen a slower decline in agriculture’s share but like East Asia most of the shift is going to services.

6. Policy recommendations

It is also important to look inside the three big sectors. As agricultural productivity rises are the rural poor benefitting? What sort of services are growing? Is it well paying “modern” services or subsistence services? Is industrial employment in relatively labour intensive factory work or capital intensive mineral extraction? Policies may aim to encourage or compensate for trends or both. More focus will be needed on how to generate decent work in service sectors where small and micro enterprises predominate and workers are mainly women and poor. Furthermore, it is most likely a combination of policies that will help get an equitable trajectory of structural transformation that is pro poor. Mainstreaming gender

equality is an essential dimension of all policies. Strong candidates in the employment field for such a portfolio⁹ are:

- Relatively labour intensive infrastructure investment, especially through investments that support greening the economy
- Small and micro business support, within an overall environment conducive to sustainable enterprise development
- Training and education
- Farming advisory services
- Social protection floors (health, child support, old age and disability pensions, and employment guarantee schemes.)
- Employment and labour relations laws

But policies in these fields will need to connect to others. Overall macroeconomic policy is key and should incorporate employment targets. (A separate think piece covers macroeconomic policies for employment growth and poverty reduction.) Similarly the pace and sequencing of trade opening, taxation and expenditure policies, investment in urban infrastructure, transport, telecoms and education and health should all be developed. Redistribution of raw material extraction profits for investment is a major issue for a number of developing countries.

Such policy integration is important at community level within a national strategy and should be facilitated by improved policy coherence within the multilateral system. Effective policy design also depends critically on the engagement of workers and employers themselves through representative organizations. Participation based on rights to free association is essential to a development strategy that is constantly asking itself “will this help people get decent work?” Can we get more decent work out of the policies we need to pursue by rethinking or adapting them? Respect for rights matter to the shaping of policies that favour decent work.

⁹ International Labour Organization, A Global Jobs Pact (Geneva, 2009), available at: http://www.ilo.org/ilc/ILCSessions/98thSession/texts/WCMS_115076/lang-en/index.htm

7. Key recommendations

It is therefore important that the design of the post 2015 UN framework includes both a global development agenda that reflects shared priorities and a commitment to joint action and mechanisms encouraging the formulation and implementation of national strategies that fully engage the public authorities and key actors such as employers' and workers' organizations.

The current indicators at the global level for the goal of achieving, full and productive employment and decent work for all, including women and young people are i) employment-to-population ratio, ii) proportion of own-account and contributing family workers in total employment, iii) proportion of employed people living below \$1.25 a day. A fourth on productivity has also been used although not in the most recent UN MDG report.

Looking ahead, a new framework should provide for national specific employment targets. Such targets would have to vary from country to country to reflect specific national context and ensure relevance. A major drive to collect and use gender disaggregated data is needed. For many developing countries a central objective might be a rate of growth for non-agricultural formal employment that exceeds that of labour force growth and the trend of movement from agriculture to other sectors. Supplemented by additional decent work indicators such a job creation target could be an important driver of a new “out of crisis” development agenda. The ILO uses a broader set of decent work indicators which combine both statistical information and brief descriptions of key elements of the legal framework for decent work.¹⁰ A number of country profiles have been prepared using these indicators.¹¹

¹⁰ See http://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/meetingdocument/wcms_115402.pdf

¹¹ International Labour Organization, Measuring decent work, available at: <http://www.ilo.org/integration/themes/mdw/lang--en/index.htm>

8. Inter-governmental process

The ILO Governing Body will discuss the ways in which the Decent Work Agenda can contribute to the post-2015 development framework at its November 2012 session. The ILO is actively engaged in the various consultative processes underway and looks forward to the opportunity for its constituents of employment and labour ministries, employers' organizations and trade unions to participate fully in national consultations.

Two key features of the preparatory process should be wide consultation on objectives and means of action and policy dialogue to encourage an integrated and coherent approach which avoids a compartmentalization of the agenda. Design of development cooperation systems should be in function of the new agenda.

9. Annex

Extract from the Universal Declaration on Human Rights, United Nations, 1948

Article 23 - (1) Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment; (2) Everyone, without any discrimination, has the right to equal pay for equal work; (3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection; (4) Everyone has the right to form and to join trade unions for the protection of his interests.

Article 24 - Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

Extract from International Covenant on Economic, Social and Cultural Rights

Article 6

1. The States Parties to the present Covenant recognize the right to work, which includes the right of everyone to the opportunity to gain his living by work which he freely chooses or accepts, and will take appropriate steps to safeguard this right.

2. The steps to be taken by a State Party to the present Covenant to achieve the full realization of this right shall include technical and vocational guidance and training programmes, policies and techniques to achieve steady economic, social and cultural development and full and productive employment under conditions safeguarding fundamental political and economic freedoms to the individual.

Article 7

The States Parties to the present Covenant recognize the right of everyone to the enjoyment of just and favourable conditions of work which ensure, in particular:

(a) Remuneration which provides all workers, as a minimum, with:

(i) Fair wages and equal remuneration for work of equal value without distinction of any kind, in particular women being guaranteed conditions of work not inferior to those enjoyed by men, with equal pay for equal work;

(ii) A decent living for themselves and their families in accordance with the provisions of the present Covenant;

(b) Safe and healthy working conditions;

(c) Equal opportunity for everyone to be promoted in his employment to an appropriate higher level, subject to no considerations other than those of seniority and competence;

(d) Rest, leisure and reasonable limitation of working hours and periodic holidays with pay, as well as remuneration for public holidays

Article 8

1. The States Parties to the present Covenant undertake to ensure:

(a) The right of everyone to form trade unions and join the trade union of his choice, subject only to the rules of the organization concerned, for the promotion and protection of his economic and social interests. No restrictions may be placed on the exercise of this right other than those prescribed by law and which are necessary in a democratic society in the interests of national security or public order or for the protection of the rights and freedoms of others;

(b) The right of trade unions to establish national federations or confederations and the right of the latter to form or join international trade-union organizations;

(c) The right of trade unions to function freely subject to no limitations other than those prescribed by law and which are necessary in a democratic society in the interests of national security or public order or for the protection of the rights and freedoms of others;

(d) The right to strike, provided that it is exercised in conformity with the laws of the particular country.

2. This article shall not prevent the imposition of lawful restrictions on the exercise of these rights by members of the armed forces or of the police or of the administration of the State.

3. Nothing in this article shall authorize States Parties to the International Labour Organisation Convention of 1948 concerning Freedom of Association and Protection of the Right to Organize to take legislative measures which would prejudice, or apply the law in such a manner as would prejudice, the guarantees provided for in that Convention.

UN System Task Team on the Post-2015 UN Development Agenda

Membership

Department of Economic and Social Affairs (DESA), Co-Chair

United Nations Development Programme (UNDP), Co-Chair

Convention on Biological Diversity (CBD)

Department of Public Information (DPI)

Economic Commission for Africa (ECA)

Economic Commission for Europe (ECE)

Economic Commission for Latin America and the Caribbean (ECLAC)

Economic and Social Commission for Asia and the Pacific (ESCAP)

Economic and Social Commission for Western Asia (ESCWA)

Executive Office of the Secretary-General (EOSG)

Food and Agricultural Organization of the United Nations (FAO)

Global Environment Facility (GEF)

International Atomic Energy Agency (IAEA)

International Civil Aviation Organization (ICAO)

International Fund for Agricultural Development (IFAD)

International Labour Organization (ILO)

International Maritime Organization (IMO)

International Monetary Fund (IMF)

International Organization for Migration (IOM)

International Telecommunication Union (ITU)

Joint United Nations Programme on HIV/AIDS (UNAIDS)

Non-Governmental Liaison Service (NGLS)

Office of the Deputy Secretary-General (ODSG)

Office of the High Commission for Human Rights (OHCHR)

Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS)

Office of the Special Advisor on Africa (OSAA)

Peace building Support Office (PBSO)

United Nations Children's Fund (UNICEF)

United Nations Conference on Trade and Development (UNCTAD)

United Nations Convention to Combat Desertification (UNCCD)
United Nations Educational, Scientific and Cultural Organization (UNESCO)
United Nations Entity for Gender Equality and Empowerment of Women (UN Women)
United Nations Environment Programme (UNEP)
United Nations Framework Convention on Climate Change (UNFCCC)
United Nations Fund for International Partnerships (UNFIP)
United Nations Global Compact Office
United Nations High Commissioner for Refugees (UNHCR)
United Nations Human Settlements Programme (UN-HABITAT)
United Nations Industrial Development Organization (UNIDO)
United Nations International Strategy for Disaster Reduction (UNISDR)
United Nations Institute for Training and Research (UNITAR)
United Nations Millennium Campaign
United Nations Office for Outer Space Affairs (UNOOSA)
United Nations Office for Project Services (UNOPS)
United Nations Office on Drugs and Crime (UNODC)
United Nations Population Fund (UNFPA)
United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA)
United Nations Research Institute for Social Development (UNRISD)
United Nations System Chief Executives Board for Coordination Secretariat (CEB)
United Nations University (UNU)
United Nations Volunteers (UNV)
United Nations World Tourism Organization (UNWTO)
Universal Postal Union (UPU)
World Bank
World Food Programme (WFP)
World Health Organization (WHO)
World Intellectual Property Organization (WIPO)
World Meteorological Organization (WMO)
World Trade Organization (WTO)