

**ECONOMIC AND SOCIAL COUNCIL
INTEGRATION SEGMENT
30 March – 1 April 2015**

Background Note¹

Achieving Sustainable Development through Employment Creation and Decent Work for All

I. Introduction

The 2015 Integration Segment of the United Nations Economic and Social Council (30 March – 1 April 2015) will be focusing on “Achieving sustainable development through employment creation and decent work for all”. This background note aims to highlight how the creation of good quality jobs could be a tool for promoting the economic, social and environmental dimensions of sustainable development. In addition, the paper presents issues for discussion during the 2015 Integration Segment.

Globally, job creation has been insufficient to absorb a growing labour force, even during periods of strong economic growth. Even more lacking has been the creation of decent jobs, which are productive jobs that provide a fair income, good working conditions, access to social protection and freedom of association. The conventional resource intensive development model adopted in many countries lacked an appropriate valuation of environmental assets and concern about climate change. The result has led to rising costs, disruptions in economic activity and depletion of natural resources. It has also boosted inequality and failed to generate decent work to the hundreds of million unemployed and underemployed or to those trapped in poverty, often creating sources of social unrest.

The Rio+20 Conference forged a reinvigorated commitment to embrace policies that connect the economic, social and environmental pillars of development in order to put the planet on a more sustainable growth path. The outcome document, “The Future We Want”, recognized decent work as a central requirement for achieving this objective. Policies to create employment comprise an interconnected set of economic, social and environmental measures. As stressed by the High-level Panel of Eminent Persons on the Post 2015 Development Agenda, transforming economies for jobs and inclusive growth must be one of the main pillars of a transformative post-2015 sustainable development agenda. This was also reinforced by the Open Working Group on Sustainable Development Goals, that proposed a stand-alone goal (SDG8) on promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

It has been recognized that poverty eradication and sustainable development will need funding from all sources to finance sustainable infrastructure and innovations that are critical to building the productive sector and creating decent jobs. Both public and private finance are important drivers of domestic growth and job creation. Public finance is particularly important in creating a favourable environment through improvements in infrastructure and human capital. Private financing is primarily profit-oriented and well suited boosting the productive capacity through investment in small, medium and large enterprises. All these sources need to be drawn upon to grow production and create employment opportunities and decent jobs.

¹ This background note should be read in conjunction with the conference room paper prepared by the Secretariat based on inputs received by Member States, the United Nations system entities as well as the subsidiary bodies of ECOSOC (available at <http://www.un.org/en/ecosoc/integration/2015/documentation.shtml>).

It also has to be recognized that long term sustainable development in all areas and improvements in employment opportunities, decent jobs and higher living standards depend critically on advances in science, technology and innovations. Technology transfer as well as access to scientific information and innovations have to be seen as part and parcel of the solution to the challenges of employment and decent jobs. This is especially critical for developing countries that face challenges in accessing technology, science and innovations that are mainly owned by the private sector.

In addition, financial intermediation needs to be improved so that individuals, small and medium-sized enterprises can have the access to capital and credit. Thus, solutions for employment creation and decent jobs have to be approached through strengthened partnerships between governments, civil society and the private sector.

With an expected world population of 9 billion by 2050 and doubling or tripling in size of the world economy, resource scarcity will have an increasing impact on patterns of production and consumption. Prolonged years of jobless growth have led to unprecedented unemployment, and underemployment, especially amongst the burgeoning youth population. Informal or precarious jobs, with no guarantee of rights or social protection are often the only options available. Poor households have continued to suffer from declining or stagnating wages and earnings, coupled with volatile prices of food and fuel.

Sustainable development will not be possible if millions of people are denied the opportunity to earn a living in conditions of equity and dignity or on a planet with depleted resources. Decent work can be the catalyst that drives all three components of sustainable development because jobs connect people to economies and to society. Access to safe, productive and fairly remunerated work is a key vehicle for men and women to realize their aspirations, promote social cohesion, drive innovation and economic development and preserve the planet. Moreover, the development of productive capacities, notably in the areas of infrastructure, agriculture, industry and services sectors; science technology and innovation; and sustainable natural resource management, including in the supply chains, will be critical to facilitate job creation and employment opportunities. Particular attention should be given to youth development and women's empowerment.

II. Economic growth, inequality and labour market trends

It is now seven years since the global financial crisis erupted and the world economic recovery remains fragile. Global economic growth is expected to increase at a considerably slower pace than was the case before the start of the global financial crisis of 2008. According to the DESA projections, prepared by GEMU for the WESP, the world economy will expand by 3.1 per cent in 2015 and by 3.3 per cent in 2016, slightly more than in 2014, but slower than the annual average during the period 2000-2007. Four fifths of the world economies have seen lower average growth in 2011-2014 than in 2004-2007. Several major emerging economies are experiencing a slowdown in economic growth.

Globally there are now over 201 million people unemployed, over 31 million more than before the start of the global crisis. Global unemployment is expected to increase by 3 million in 2015 and by a further 8 million in the following four years. If new labour market entrants over the next five years are taken into account, an additional 280 million jobs need to be created by 2019 to close the global employment gap caused by the crisis.²

An economically dynamic and inclusive future demands that special attention be given to youth. It is difficult to imagine a sustainable and peaceful world if society fails to rise to the youth employment challenge. Youth, especially young women, continue to be disproportionately affected by

² 2015 World Economic and Social Outlook, ILO

unemployment. Almost 74 million young people (aged 15–24) were looking for work in 2014.³ The youth unemployment rate is practically three times higher than is the case for their adult counterparts. The heightened youth unemployment situation is common to all regions and is occurring despite improvements in educational attainment, thereby fuelling social discontent.

The combination between weak labour market performance and increasing income and wealth inequalities threatens economic recovery because it constrains both consumption and investment. It is therefore important to accelerate stable and sustained inclusive economic growth that creates decent and productive employment that rapidly reduces inequality; nurtures sustainable social protection programmes; facilitates economic diversification; strengthens resilience to external shocks; and fosters rapid inclusive, resilient and sustainable socio-economic development leading to the eradication of poverty.

Indeed, growing inequalities in many countries over the last few decades has commanded increasing attention given the impact on overall well-being, social cohesion and reducing economic growth. Inequalities are particularly strong in Africa and Latin America, although many countries in Latin America and even some in Africa have succeeded in curbing inequalities in the last decade. However, many countries in Africa still experience high levels of extreme poverty, particularly in rural areas. Robust economic growth in recent decades has not led to greater security for such communities who derive their livelihoods from the land based economy.

In several advanced economies, income inequalities have worsened rapidly in the aftermath of the crisis. In some developed countries, inequalities are approaching levels equal to those observed in some emerging economies. In some emerging and developing economies, where overall inequalities have typically fallen, levels remain high and the pace of improvement has slowed considerably. One of the factors underpinning some of these developments is the decline in medium-skilled routine jobs. This has occurred in parallel to rising demand for jobs at both the lower and upper skill levels. As a result, relatively educated workers that used to undertake medium-skilled jobs are now increasingly forced to compete for lower-skilled occupations. These occupational changes have shaped employment patterns and have also contributed to the some of the widest income inequalities recorded in the past two decades.⁴ Decent work and inclusive growth are directly linked and mutually supportive. Inclusive growth can help increase opportunities for decent work while more and better jobs feed back into the growth dynamic, making it more inclusive and sustainable.

III. Social Development, decent employment and social protections

Social Protection

Social protection floors are a key mechanism to reduce inequalities, eliminate poverty and to support the achievement of various social, economic and environmental objectives. They can help achieve food security and reduce hunger, support positive health and education outcomes, enable people to accept more economic risks, facilitate the search for jobs matching individual skills, stabilize aggregate consumption and conserve environmental assets. While a number of emerging and middle income countries have made substantial progress in providing social protection for their populations, expenditure on social protection remains inadequate in most of the developing world. On average at global level, governments allocate 0.4 % of GDP to child and family benefits, ranging from 2.2 % in

³ Ibid

⁴ Ibid

Western Europe to 0.2 % in Africa, Asia and the Pacific. In last few years much attention has been devoted to building social protection floors as part of comprehensive social protection systems.⁵

Wages and Poverty

In the last few decades, significant progress has been made in reducing absolute. Yet, the process of economic transition and the raising of living standards in developing and emerging economies remains a work in progress. There are still 839 million workers in developing countries (or 27% of global employment) who are unable to earn enough to lift themselves and their families above the \$2US dollar a day poverty threshold. Growth in average real wages has been severely constrained in most regions of the world over the last five years.⁶ One important factor explaining stagnant wage levels for those in the bottom half of the distribution is the rapid expansion of contract work, agency work and other precarious forms of employment.⁷ The result is a significant global expansion in the proportion of low paid work. In addition, with increased incidences of natural disasters, there is a danger that such calamities could reverse the hard won gains in development and poverty reduction.

Vulnerable Employment and informality

While the incidences of vulnerable employment, that is self employment or work by contributing family workers, has declined slightly in recent years, almost half of the world's employed population is still working in vulnerable conditions, pre-dominantly women thus lack income security, access to social protection and, in general, decent working conditions. Workers often cannot secure wage employment and end up accepting to be self-employed working in the informal economy or unpaid family workers. In such situations, these workers are often trapped in a vicious circle of low productivity jobs, poor remuneration and limited ability to invest in the health and education of their children. This inhibits the ability of subsequent generations to move up the economic ladder.

Enhancing equity is therefore very important and will require improving and sustaining progress on gender parity at all levels of education, with special emphasis on secondary and tertiary education; creating a positive environment for girls and boys at school; increasing the representation of female teachers, especially in science and technology; and eliminating human trafficking and child labour, thus allowing children to benefit from educational facilities for their full development. Around 55% of all workers in developing countries were engaged in vulnerable employment in 2013 with the proportion ranging from over 80% in the less developed economies to around 40% in emerging economies.⁸ UNCTAD has recently highlighted the inability of less developed economies to translate robust economic growth “into structural transformation of their economies and a higher proportion of good quality jobs”.⁹

Respect for labour standards

Social cohesion is also threatened by on-going discrimination against women, persons with disabilities, indigenous peoples and migrants. Similarly forced labour, child labour, restrictions for freedom of association and labour exploitation are unacceptable realities for the 21st century. Faster economic growth in recent decades has not led to any substantial decline in discrimination at work and respect to fundamental international labour standards. For the same job, women make in average 77 per cent of the men's salary.¹⁰ A shortage of decent jobs, more prevalent environmental challenges and the heightened risk of natural disasters will force workers to seek jobs outside their own country. In such circumstances, migrant workers may face a heightened risk of exploitation and discrimination. .

⁵ ILO (2014) World Social Protection Report, June

⁶ ILO (2012) Global Wage Report 2012/2013, Geneva, pp. iv-v.

⁷ ILO, Report to the expert meeting on non-standard forms of work, forthcoming

⁸ Trends Econometrics Models, ILO, October 2013

⁹ UNCTAD, Least Developed Countries Report, 2014.

¹⁰ ILO (2015). The Motherhood Pay Gap. March 2015.

IV. Environment and decent employment

In addition to the pressing economic and labour market challenges, the world faces a range of urgent and complex environmental concerns. Escalating natural resource use and pollution are compounding the existing scarcity of fresh water and fertile land and accelerating the loss of biodiversity, deforestation and forest degradation and climate change beyond manageable levels. Not only is the situation environmentally unsustainable, it has substantial economic and social costs.¹¹

Sustainable development requires the implementation of a transformative development model that accelerates progress on the economic and social fronts while simultaneously achieving a rapid reversal of the environmental degradation. The challenge is not to create just any jobs, but to reorient strategic priorities in such a way that national growth strategies generate more high quality decent jobs based on an accelerated productive transformation and upgrading of existing jobs.

High carbon and resource intensive industries make a relatively modest direct contribution to total employment considering their substantial contribution to economic output and carbon emissions. Among OECD countries the seven most polluting industries account for over 80 % of total emissions while employing only about 10 % of the workforce. In developing economies, extractive industries typically employ skilled migrant workers from advanced economies on the one hand and are not translating into decent employment opportunity for local people, especially in Africa, on the other hand.

While climate mitigation may well entail the loss of some relatively well paid jobs in certain sectors, it also opens up opportunities for new jobs in industries that are more labour intensive, improve energy efficiency and build resilience to withstand frequent and extreme weather patterns. For instance, the forest and its related sectors hold a great potential in many countries to contribute to building resilience and improving energy efficiency by providing renewable products such as timber for buildings and wood for energy, while providing decent employment in forest management, agroforestry, farm forestry, and development and management of recreational and cultural sites in rural and urban settings.

A recent ILO review of 24 empirical studies examining the net employment impact of environmental policy measures related to climate change suggested gains to total employment in the range of 0.5% to 2%.¹² By complementing environmental reform with labour market and social policies, any negative effects were offset with a positive net impact on employment. The positive employment effects would certainly depend on the policy measures taken, the methodological approach, and country-specific circumstances. Environmental reforms accompanied by complementary government policies, that are inclusive, and incentives, including tax credits, subsidies and worker training and education, can promote triple wins – economic, social and environment.

V. Opportunities and Interlinkages

Decent jobs in the transition to a more sustainable economy: improving jobs within sectors

Across a number of economic sectors, there is a significant opportunity and necessity for increasing the quality of work through improved working conditions, better occupational safety and health, and higher incomes to arrive at a more environmentally sustainable economy. Climate change mitigation and adaption will provide some opportunities to expand employment in sectors such as construction, energy, agriculture, and waste management as well as upgrading the informal sector. At the same time, however, they may also result in a loss of jobs in other sectors. The transition to sustainable

¹¹ ILO, “Sustainable development, decent work and green jobs”, 2013.

¹² ILO, “Sustainable Development, Decent Work and Green Jobs”, 2013.

economies will involve trade-offs, which must be identified and addressed, namely through social protection mechanisms

Construction

The construction sector, which employs at least 110 million construction workers worldwide, has the highest potential for improving energy efficiency and reducing emissions in both industrialized and developing countries. Construction of energy- and resource-efficient buildings requires competent enterprises and skilled workers. Therefore, skills upgrading and certification of building firms, formalization, and improvements in working conditions to retain qualified workers will be critical. Energy- and resource-efficient social housing has the potential to improve living standards and shield poor households from rising energy prices, while avoiding costly investments in power-generation capacity.¹³ For emerging economies and developing countries, leap-frogging directly to high-performance new buildings will avoid a legacy of high energy, water and resource consumption which otherwise will endure for decades. Moreover, with appropriate policies in place, the construction sector could provide an opportunity for creating decent work for developing countries that experience rapid urbanization.

Green Housing in Zambia

In Zambia a One-UN programme on the promotion of green building under the Zambia Green Jobs Programme contributes to enhancing the capacity of micro, small and medium-sized enterprises (MSMEs) to effectively participate in the green building goods and services markets, a key segment for low-carbon housing. The Programme contributes to the use of green building materials including sustainably produced timber during construction as well as promote energy and water efficiency during the operation and maintenance life cycle phase of the buildings or houses in Zambia.

Energy Sector

Some 1.3 billion people in developing countries have no access to clean modern energy at all and 2.7 billion do not have clean and safe cooking facilities. Many poor people simply cannot afford access to energy, let alone environmentally sensitive sources of energy. On current trends of extending access, some 15 per cent of the world population would still be without access in 2030.¹⁴ The majority of people would be living in Sub-Saharan Africa. Greater efforts to promote income security and affordable renewable energy can make a major contribution to overcoming energy poverty and the lack of access to energy. Moreover, they can also create badly needed employment and income opportunities in the production of energy and even more so through the use of that energy. The use of electricity in particular has enormous potential to improve productivity.

INDIA: Pravaranagar Sugar Co-operative¹⁵

An example of a cooperative that produces energy as a by-product is the Pravaranagar Sugar Co-operative in India. The cooperative was organized in the 1950s and covers 44 villages in an area of approximately 12,000 square kilometres in Maharashtra State. The cooperative produces not only sugar but also many by-products, such as ethanol from sugar molasses and biogas. These

¹³ Sustainable Development, Decent Work and Green Jobs (2013), ILO

¹⁴ Ibid

¹⁵ Providing Clean Energy and Energy Access through Cooperatives (2013), ILO

ancillary products are used as energy sources for the cooperative's factory and some are also delivered to the rural population; for example, biogas is pumped to some 200 farmers, and the cooperative sells residue from the biogas plant as compost. The cooperative has become an important source of livelihood opportunities for about 80,000 local people, by providing not only direct employment but also health services, technical advice and loans to farmers, and improved water facilities, both for agricultural and household use.

Agricultural Sector

Agriculture is the largest employer in the world with a global workforce of over 1 billion, the sector on which most of the world's poor depend and one of the largest emitters of GHGs. It is a significant polluter of water as well as a key cause of land degradation and loss of biodiversity. The evidence suggests that these environmental challenges can be met if there is a strong drive to train and support farmers to adopt productive farming methods with a low environmental impact. Especially among small-scale farmers in rural areas in developing countries, policy packages for sustainable agriculture including skills upgrading through technology transfer, enterprise and value-chain development, organization and investments in social protection and rural infrastructure can yield major increases in output and incomes. Boosting agriculture and building around it a strong rural economy by supporting modernization and diversification of agricultural sectors is crucial for many countries, particularly in Africa. When properly administered, it holds the potential to create millions of much needed decent jobs, as well as wealth, inclusion, food security, crisis resilience, and social and political peace.

Focusing on decent work in the agriculture sector would imply implementing reforms that simultaneously raise productivity and increase market access while reducing the adverse environmental impact of the sector. Investing heavily in the human capital of farmers and training them in farming methods is important including in responsible use and management of pesticides and other hazardous chemicals, which would also have positive implications for the environment and occupational health and safety.

Building Agricultural Capacity in Benin¹⁶

Songhaï is an NGO empowering rural African communities, particularly farmers, youth, and women, by building their capacities to become agricultural, agribusiness, and handicraft entrepreneurs. It involves organic and sustainable production, training and research centres, and the development of innovative techniques and thinking in agriculture and handicrafts, using local human and natural resources and a holistic approach. Songhaï works on over 550 hectares of land and 46 hectares of water, has approximately 1500 employees, 500 trainees and interns at any time of the year, 20,000 visitors per year, and has created a network of 250 farms delivering technical support and sharing experiences. The organization has grown from 1 to 6 centres across Benin and 11 in Nigeria. It is working with the Beninese government to open 7 additional centres, and with the UN to replicate its model in other African countries.

Informal Economy

Maintaining progress towards the economic convergence of developing and advanced economies will require greater efforts to promote broad-based economic growth and economic diversification in developing and emerging economies. This must include upgrading parts of the informal and rural economies. These sectors provide the vast bulk of jobs in the developing world and they can be made more productive and better paid without adverse consequences for the environment. A combination

¹⁶ Learning from Catalyst of Rural Transformation (2013), ILO

of efficient public investment in infrastructure that is critical for small enterprises and develop private sector including through encouragement of private initiatives through improvement of the access to affordable credit and strengthening productive capacity of the informal sector is required.

Waste management and recycling represent millions of informal economy workers and also a great potential to create decent work. Of the 19–24 million workers currently in the recycling sector, only 4 million are in formal employment. The majority work as informal waste-pickers in developing countries, with a large percentage of them presumed to be women. Employment in waste management and recycling will continue to increase as recycling rates rise but recycling will only become a truly sustainable activity with job formalization. Many examples demonstrate how formalization through cooperatives and established enterprises can create significant opportunities for social inclusion and improved working conditions, safety and health, and earnings.

Upgrading Informal Recycling Work in Brazil¹⁷

Brazil has the world's largest national waste picker's movement, representing the interests of about 60,000 waste pickers whose income is three to five times higher than that of unorganized waste pickers. Over the past decade, the Brazilian government has put in place an effective mix of policies, including legal recognition, entrepreneurial development, municipal government contracts and facilities (sorting stations), modern recycling methods, skills development and occupational safety and health instructions, as well as measures to prevent and discourage child labour. These measures can trigger large-scale improvements in recycling efficiency, working conditions and incomes. The Brazilian poverty eradication strategy Brasil Sem Miséria, launched by President Rousseff in June 2011, aims to formalize a further 250,000 waste pickers in addition to the over 60,000 already organized.¹⁸

Social Dialogue

The actors in the world of work - governments, employers and workers - are key agents of change. They can develop new ways of working that safeguard the environment for present and future generations, eradicate poverty and promote social justice by fostering sustainable enterprises and creating decent work for all. This must start with concerted social dialogue around a detailed analysis of the required shifts in the economic and employment structure. Enhancing existing tripartite dialogue and creating institutions and governance mechanisms for environmentally sustainable development at all levels, including across ministries and together with employers' organizations and trade unions, is essential to achieve the necessary integration and coherence as well as to secure political and social acceptance of new policies.

Promoting Better Work with Business and Labour

The Better Work Programme is a unique partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC). It was launched in August 2006 in order to improve labour standards and competitiveness in global supply chains. The programme assists enterprises improve practices based on core ILO labour standards and national labour law. It does this with a strong emphasis on improving worker-management cooperation, working conditions and social dialogue. Enhancing respect for

¹⁷ Sustainable Development, Decent Work and Green Jobs, (2013), ILO

¹⁸ Dias, S.M: 2011. "Overview of the legal framework for inclusion of informal recyclers in solid waste management in Brazil", in WIEGO Urban Policies Briefing Note, No. 8, May; Dias, S.M. and Alves, F.C.G.: 2008. Integration of the informal recycling sector in solid waste management in Brazil (Berlin, GTZ).

labour standards helps enterprises meet the social compliance demands of global buyers, improve conditions for workers, and helps firms become more competitive by increasing productivity and quality. Better Work focuses on labour intensive industries having large numbers of vulnerable workers in developing countries, such as agribusiness, apparel, construction, and light manufacturing. The programme is developing both global tools and country level projects.

Education and Skills

Despite considerable progress in educational development in both developing and developed countries, skills mismatch remains a persistent concern. Over-supply or shortage of certain skills result in higher unemployment and this in turn contributes to deskilling and further mismatch. Skills shortages can also delay structural transformation of an economy into higher productivity sectors, reduce enterprises' productivity by forcing them to employ workers with suboptimal skills or resort to suboptimal technologies and forms of work organization, and lead to higher wage inequalities becomes of rising premiums on skills. Paying close attention to the occupational requirements for sustainable development is crucial since the shift will bring about structural changes in labour markets. The transition will mostly affect existing occupations but new job profiles, mostly at higher skill levels, will also emerge. The occupational profiles across sectors will change and require for the most part new and different skills. This poses the great challenge of retraining and upgrading the skills of those workers who will lose their jobs and providing the right skills to those entering the changing labour market. A firm commitment of resources for reskilling, labour mobility and adjustment are also required. In most countries, active labour market policies receive insufficient resources despite high levels of unemployment and underemployment.

Youth Entrepreneurship Facility in East Africa

Sub-Saharan Africa is the youngest region in the world and the largest ever population of young people will be entering the labour markets in the coming years. The Youth Entrepreneurship Facility is a partnership between the ILO, the Africa Commission and the government of Denmark, which seeks to build the capacities of youth to contribute towards sustainable development, economic growth and employment creation. Through a focus on promising green sectors, youth are trained on mechanisms to simultaneously create economic growth, tackle poverty, cope with environmental degradation and adapt to climate change. Tapping business opportunities in green sectors, for example in solar and photovoltaic business, organic agriculture and agro processing, aim to contribute to climate change adaptation while advancing enterprise competitiveness in the region.

Social Protection

Even with the best labour market policies, periods of unemployment for some workers are unavoidable in the transition to a low carbon economy. So a well-resourced social protection floor, which includes support for the unemployed, is required to facilitate job search and income security. Developed and middle income economies can afford well-resourced unemployment benefit schemes which will assist labour mobility and provide income security to those adversely impacted by the structural changes required for ambitious climate mitigation. In less developed economies the fiscal space must be found for a national social protection floor that provides basic support. International support to least developed countries could be enhanced by the establishment of the Global Fund on Social Protection Floors.

Investing in Social Protection through Taxes on Hydrocarbons in Bolivia

Creating fiscal space to finance the extension of social protection coverage is one of the biggest challenges of social policy since a universal policy usually requires the mobilization of a significant volume of resources. In Bolivia, the expanded coverage of social protection programmes has been made possible by government revenue from the production and sale of hydrocarbons. State taxes on revenue from hydrocarbons accounted for 5.3 per cent of GDP in 1995, rising to 9 per cent in 2005 and reaching 11.3 per cent of GDP by 2007. Including the revenue from taxes on hydrocarbons, Bolivia's overall tax revenue in terms of GDP is now above the average for Latin America. Bolivia's ability to expand social protection represents an innovative method that has been derived from a renegotiation of the terms for exploiting the country's natural resources.

VI. The Way Forward: Financing and Means of Implementation

Leveraging the process of structural change requires economic and environmental policies that are mindful of their impacts on social development and the world of work – employment, skills, and labour market policies that incorporate environmental sustainability as an explicit objective, without undermining the prospects for sustainable enterprises and decent work. A sound financing and investment strategy, that is accompanied by transparency and accountability measures and independent oversight to prevent mismanagement of funds is critical to ensure countries succeed in meeting labour market demands and achieving sustainable development.

Macroeconomic fiscal and monetary policies can redirect demand and investment by enterprises, consumers and investors through price signals and incentives created by taxes, subsidies, regulation, finance and public investment. Eco-taxes which raise the price of energy consumption and pollution and reduce the cost of labour, coupled with clear and stable targets and timelines for greening and emission reductions, can be powerful drivers of green investment and net job creation.

Expanding wage employment and promoting decent work has profound implications for macroeconomic policy, international trade, industrial policy and the incentives used to attract foreign direct investment. The precise mix of policies required across these diverse fields will be country specific, but economic policy needs to raise productivity and support a move towards higher value added production. In addition, as articulated by the African Common Position (CAP) on post 2015 development agenda and Agenda 2063, all efforts should be made towards emphasizing inclusive economic growth and structural transformation as a key element of sustainable development. Efforts should also be made to re-orient the development paradigm away from externally-driven initiatives, but instead toward domestically-inspired and funded initiatives that are grounded in national ownership. Social inclusion and equity are also key, and progress must be measured in terms of both the availability and quality of service delivery.

Many countries are increasingly using labour and social policies to address structural challenges and expand domestic resources. Decent work ought to be considered both a priority for which finances should be directed as well as a primary tool for domestic resource mobilization. Work that is productive and fairly rewarded creates the resources to boost consumption by improving purchasing power and raises rates of savings to finance investments and further development. Increased consumption reduces poverty and generates demand. High and prolonged levels of unemployment inhibit growth in consumption and investment and make a reduction in fiscal deficits much harder to achieve.

Despite the source of development finance resources, albeit domestic, ODA, FDI, or public private partnerships, a sound national level development strategy that supports decent work is fundamental. In many developing countries, lack of data makes it difficult to pinpoint where investments should be targeted and in evaluating the effectiveness of specific policies. Given fiscal constraints, investment decisions must be carefully targeted to sectors which hold the potential for job creation, which in turn increases purchasing power, stimulates the economy and increases tax revenues which can then be reinvested into other sectors to create a virtuous cycle of productive growth.

The lack of regularly collected and internationally comparable labour statistics hampers the development of analytical capacity and holds back better understanding of labour market trends and their interaction with economic, social and environmental policies. Investment promotion policies as well as industrial policies can play a positive role as instruments for job creation. However, such policies must be responsive, carefully planned with appropriate transparency and accountability to ensure investments in sectors that would optimize economic growth, create jobs, improve productivity and are mindful of the environmental impact. The transition to more sustainable products and services hold the potential to contribute to much-needed economic diversification and higher value-added activities. Policy measures should consider both the demand and supply side of the labour market.

The Global Jobs Pact, adopted at the 2009 International Labour Conference, may be utilized to develop a more systematic approach for job creation at the national level which in turn can help mobilize domestic resources, attract FDI and prioritize investments in favour of job creation and create the fiscal space to invest in decent work. Such investments would help reduce dependence on foreign borrowing and aid as important sources of investment and growth.

Both fiscal and monetary policies must be leveraged to generate domestic resources and create decent work. Macroeconomic policies continue to be focused on economic stability, and are creating increasingly tough choices for policy-makers as they attempt to balance stability with the need for job creation through policies that could encourage growth in the domestic private sector. Capital flight through mispricing, transfer pricing and tax evasion results annually in trillions of development dollars foregone. Curtailing illicit financial outflows is capable of producing one of the largest sources of domestic resources, especially in Africa, the final report of the High-level Commission of Eminent Persons on illicit financial flows from Africa which was presented to the African Heads of State and Government who endorsed its findings and recommendations during the AU Summit on 31st January 2015 in Addis Ababa¹⁹, revealed that annually the continent is estimated to be losing more than \$50 billion. Many countries also continue to experience severe gaps in the collection of tax revenue, with informal employment making up about 40 per cent of GDP in many developing countries. This not only represents a missed opportunity for mobilization of domestic resources, but it also denies workers the protection of labour rights.

The share of developing countries exports in the value of total world exports has increased from about 32 per cent in 2000 to about 45 per cent in 2013. The share of South-South trade has been expanding, but the impacts have been uneven. By and large, trade has not been able to stabilize growth patterns or address rising youth unemployment and widening income inequalities. If accompanied by policies that encourage trade and exports, the efficient use of natural resources could provide improved opportunities for developing countries to produce and trade a variety of goods at the regional level and in the global market as a source of revenue and improve livelihoods.

The private sector has to become the engine of growth and employment generation. Tight credit supply has been a predominant constraint on the growth of SMEs and domestic markets in many developing countries. This has limited the gains made in labour productivity, particularly in agriculture,

¹⁹ Report of the High-Level Panel on Illicit Financial Flows from Africa

and has driven an influx of urban migration and has contributed to the expansion of informal work. In many African countries, the sustainable development process has been hampered by endogenous problems such as poor infrastructure, limited financial capacity, and weak governance, among others. While FDI has traditionally been geared towards attracting large scale companies, the majority of jobs are created by SMEs.

VII. Issues for discussion

Employment creation and decent work for all remains a major development issue as the international community continues to elaborate on the post-2015 development agenda. The proposed Sustainable Development Goals, including SDG8 “to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, would require an integrated and coherent approach to their implementation.

The 2015 ECOSOC Integration Segment will bring together Member States, the ECOSOC system, the ILO constituents, civil society and the business sector to focus on how the creation of good quality jobs could be a tool for promoting the economic, social and environmental dimensions of sustainable development. The Segment will focus on the following issues to identify policy choices and possible trade-offs that could arise in an integrated approach:

- National and international economic policies to facilitate sustainable development and decent work;
- Transforming the informal economy and upgrading rural economies to enhance productivity and promote the transition to formal and better jobs in an environmentally sustainable manner;
- Reducing poverty and addressing rising income inequality through adequate social protection and labour market policies with a neutral environmental impact;
- Expanding green jobs, building resilient societies and promoting more sustainable patterns of consumption and investment;
- Women and employment, the challenges of ageing societies for employment creation, youth employment and self-employment and its social implications;
- The social protection floors, living and minimum wages, labour market institutions and sustainable development;
- Training, skills and active labour market policies for sustainable development.
- Partnerships for decent work, means of implementation and accountability mechanisms, social dialogue, the role of international labour standards.