

**Statement of Mr. José Antonio Ocampo,
Under-Secretary-General of Economic & Social Affairs,
To the Panel on Employment for Growth,
Organized by the ILO, EC, and DESA**

**ECOSOC CHAMBER
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The World Summit for Social Development in 1995 firmly put the question of employment on the UN Development Agenda. The Copenhagen Declaration there reached affirmed that, “productive work and employment are central elements of development.” It also recognized a mutually reinforcing relationship among economic growth, sustainable development, and the expansion of productive employment. In its Declaration on the Summit’s tenth anniversary, the Commission for Social Development reaffirmed that an employment strategy should constitute a fundamental component of any development strategy; and that macroeconomic policies should support employment creation.

Employment is indeed both an end and a basic instrument of development policy. It serves as a basic source of self-realization and of a sense of dignity. In the comprehensive meaning of the ILO, “decent work” is an essential instrument for social and economic development. And an adequate distribution of labour income is essential for an equitable society.

Sadly, the years since 1995 have revealed a lack of momentum at the political level to propel countries towards achieving the vision of Copenhagen. The expectation that policymakers would be guided by this comprehensive vision of employment’s contribution to economic and social development has not been met. In fact, among them, a narrower role for employment in economic and social development has gained wider acceptance.

This is a dangerous phenomenon, for today we face an even more formidable employment challenge than in the decade past. We now confront widespread unemployment and underemployment, as well as a burgeoning pool of working poor. Since the Social Summit, unemployment levels have been rising, rather than falling. In 2004, some 185 million people were unemployed around the world. That’s nearly 50 million more than a decade earlier. Nearly half of the world’s workers and their families live on less than \$2 a day. And many of them have no other recourse but to work in the informal economy. There, more likely than not, they suffer long hours for low pay, in low skill and low productivity activities, and in unsafe and unhealthy workplaces. No common definition of informality exists. But different estimates indicate that informality has grown in significance over recent decades.

To tackle this employment challenge, countries must truly make employment a central objective: not only of social policies, but also of macroeconomic policies. Employment can no longer be pursued merely tangentially, as a hoped-for outcome of policies that may or may not address it directly. As we all know, the centrality of employment to economic and social development—the cornerstone of the Social Summit—was not fully articulated in the Millennium Declaration. Nonetheless, the Declaration did alert Member States and the UN

system to the issue of youth unemployment and to the challenge of developing and implementing strategies for creating decent and productive work for young people everywhere.

The response to this youth employment initiative has added valuable impetus to the growing international discussion on the role of employment and its relationship to economic and social policies. The Secretary-General's High-Level Panel, which advises him on the Youth Employment Network, aptly summarized the underlying strategy for employment promotion in four principles:

- *employability* —invest in education and vocational training for young people, and improve the impact of those investments;
- *equal opportunities* —give young women the same opportunities as young men;
- *entrepreneurship* —make it easier to start and run enterprises to provide more and better jobs for young women and men; and
- *employment creation* —place employment creation at the centre of macroeconomic policy.

I believe these four principles can be applied equally to the challenge of creating productive employment for everyone, not only young people.

At the macroeconomic policy level, there is broad agreement that we need to focus attention on the effects of economic growth on employment generation and productivity growth. This means, in fact, that employment generation should become a major concern of macroeconomic authorities, including independent central banks. Agreement also exists on the importance of implementing appropriate active labour market policies. These policies would address the economic and social impacts of structural and frictional unemployment, which result from a variety of domestic and international factors, including globalization. At the same time, few dispute the critical need to ensure sufficient investment in education and training. Without this, a society simply cannot create or maintain a skilled, adaptable workforce, one capable of competing in an increasingly knowledge-based and globalized marketplace.

The design of appropriate macroeconomic policy frameworks for employment creation should be a priority for most countries. Success or failure on this front determines the course of future economic and social progress. And success will not be easy. The causal relationship between policy changes and employment outcomes can often be complex and difficult to predict. Moreover, the particular instruments of macroeconomic policy for employment growth that we eventually select must necessarily involve trade-offs with other competing objectives. Some of these trade-offs are unavoidable. Yet we must strive to minimize conflicting outcomes—and give priority to maximizing growth and employment.

Macroeconomic policies to promote growth and employment function most effectively within a supportive institutional environment. Therefore, the macroeconomic policy framework needs to be supported by appropriate institutional policies, such as labour market regulations and policies. We also need to recognize, however, that the “autonomy” with which a country can pursue macroeconomic policies appears to be decreasing. As globalization intensifies, a country's conduct of macroeconomic policies will become increasingly sensitive to international conditions and influences. This requires coordinated and coherent macroeconomic policies at the

regional and international levels, in order to compensate for the shrinking policy space available to developing countries in their pursuit of development objectives.

I have underscored the macroeconomic imperatives to generate and sustain economic growth, promote structural changes, increase labour demand, and shift labour to higher productivity sectors. But we also need to address the questions of employability, discrimination, and entrepreneurship. We must remove impediments—such as lack of education, training, and skills; social exclusion; or lack of access to finance—that still hamper the ability of millions of able men and women around the world to participate actively and productively in the marketplace.

Let me close by thanking the ILO and the European Commission for having joined us in this panel on “Employment for growth,” during this High-Level Segment of ECOSOC, and in advance of the 2005 World Summit in September. We hope that this event will help attract to employment attention and action in accordance with its central role within the UN development agenda.