



Statement by
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Mr. President,

I am delighted to join you as the Economic and Social Council, under your leadership, begins preparing for its high-level segment this July on the theme “*Creating 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*”. On behalf of the United Nations Secretary-General, I would also like to welcome our many partners here today, representing other UN system organizations, academia, non-governmental organizations and the private sector.

This preparatory event will provide a valuable opportunity, engaging all stakeholders, to learn from national experiences and to identify effective approaches to this critical development goal: full and productive employment and decent work for all.

The 2005 World Summit firmly put this goal back at forefront of the United Nations development agenda. Indeed, the Summit showed a solid consensus that employment and decent work needs to be at the centre of economic and social policies for achieving the primary MDG goal of cutting poverty in half by 2015. Moreover, at the Summit, world leaders concluded that the MDGs and the whole array of internationally agreed development goals may not be reached in many parts of the world under the prevailing employment and labour market conditions.

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 begin, however, with a few snapshots. 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, in 2005, the number of unemployed worldwide reached new heights—nearly 192 million people. This means that the actual link between global economic growth and the creation of new jobs has been weak and cannot alone guarantee the much-needed significant reduction in poverty.

At the same time, 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 workers to secure decent incomes from their work. 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, especially in LDCs.

Third, globalization and other related economic processes have widened disparities in incomes among the employed, particularly between skilled and unskilled workers. This trend, together with two others—the rising share of profits and, in some countries, growing regional or urban-rural disparities—explain the fairly widespread trend towards rising income inequality within countries over recent decades. In turn, and in conjunction with other processes, they have contributed to the growing divergence in economic welfare among countries, resulting in what some have described as a “twin peaks” phenomenon with a hollowing out of the middle-income economies.

Finally, we also see significant changes in employment opportunities across the globe, both within and among countries. In some cases, the net employment effect of shifting production across the world may, in fact, have net job creation effects, such as in the shift of labour-intensive manufactures or the off-shoring of services to developing countries, though evidence of this is moot. Similarly, while trade liberalization may bring efficiency gains, those who lose their jobs gain little comfort from knowing this. 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. This trend, together with persistent calls for more labour flexibility, has generated a broad-based and growing sense of economic and social insecurity. In any case, social problems have grown as people lose their jobs or otherwise feel more insecure as a consequence.

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The challenge of creating the conditions for full and productive employment and decent work rests first and foremost with national governments. This entails mustering the political will to make employment generation a key priority—not only of social development strategies, but also, and perhaps mainly, of *economic* strategies, at both the macroeconomic and sectoral levels.

Two essential elements of such strategies are sound macroeconomic policies and an overall national development strategy conducive to dynamic employment generation. Economic growth is important, but in both quantity and quality, where the latter is measured particularly in terms of the dynamic generation of quality jobs. This means that 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 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, a more intense focus is needed on rural development, with a view to 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 involves 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.

The evident restructuring of firms, sectors and even whole regional and national productive structures around the world 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 globalized world. Beyond that, the rising sense of job insecurity must be managed through strengthened social protection systems. In developing countries, where the traditional link between employment and social protection is weak, this will require increased State responsibility for providing social protection through fiscal mechanisms not tied to social security contributions. Indeed, the need 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, indeed, 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” labour employment, its primary objective.

We need to bear in mind that, beyond their effects on the quantity of formal employment, labour market institutions have implications for both the quality of employment and labour-business cooperation, as well as distributive effects. In this regard, some analysts argue that

labour flexibility has been one of the major forces behind the broad-based trend towards worsening income distribution in the world, while centralized wage bargaining has functioned as a defence against this trend in a few countries. Labour unions are also a major means of social participation. Social dialogue, engaging labour unions and employers' associations, can 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 employment and decent work.

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While national governments play a key role in developing a national policy environment conducive to employment and decent work, enhanced international cooperation in addressing macroeconomic and trade-related issues is also essential. Particularly important at the international level is a more balanced and coordinated strategy for sustainable global growth and full employment, and one which includes equitable sharing among countries 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. Better-coordinated international policies in all of these areas are therefore needed to improve the prospects for achieving productive employment and decent work for all in the global economy.

This also means better-coordinated policies in the UN system and the wider international community. In this respect, I am encouraged by signs of more concerted and coherent action by all UN agencies, funds and programmes, the international financial institutions, and donor and lending agencies to place employment issues at the centre of their activities, exemplified in the wide and diverse participation this event has attracted. 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).

Mr. President,

I am convinced that the goal of full employment and decent work for all can be achieved through integrated and coherent policies at the national and international levels. Let us, over the next two days, make a solid contribution to this goal, so crucial to our making manifest the broader vision of development for all, which we all share.