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**Statement by Mr. Somavia
International Labour Office**



Statement by Mr. Juan Somavia

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To attain the Millennium Development Goals by 2015, much more needs to be done. And from my vantage point, the focus needs to be two-fold: first, of central concern today is the inadequate creation of productive jobs; second, attaining the development goal of poverty reduction relies critically on progress in Africa. The IMF's latest World Economic Outlook notes that since 1990, sub-Saharan GDP growth in current year projections has been over-estimated by an average of 0.7 percentage points "because expectations were not fulfilled" (p. 9). We share this concern, as well as the WEO's observation that single policy options will not lead to expected results. Greater integration of social and economic policies at both national and international levels is what is required.

We need to give far more weight to the creation of productive jobs if we are ever to attain the objective of halving the numbers of those who live in extreme poverty by 2015. At recent rates of economic growth, the objective will not be attained in much of Latin America and it is far from being attained in Sub-Saharan Africa. But the issue isn't growth alone, it is sustainable, job-rich growth – and "job-rich" refers not only to a quantitative dimension, more jobs at given rates of growth, but decent jobs as well. While the Secretary General's report to the General Assembly for September underscores the importance of "providing decent jobs that both provide income and empower the poor, especially women and young people," greater emphasis needs to be given to the centrality of productive employment for poverty reduction than was contained in both the Millennium Declaration and the Development Goals. **In my opinion, we need to think of productive employment as a development goal in its own right – not as another MDG, but as a cross-cutting objective that can make all the other goals be realized.**

For some years now, the ILO has been working on this view of development in its partnership with the World Bank on PRSPs in several countries. **Our own contribution to the PRSP process has focussed on the central role of employment, and more broadly, decent work, as a development objective.** And, here, states can't go it alone. We express the shared objective of our tripartite constituency, governments, business, and workers. We have relied in our work on them and their own experts to guide us. Harnessing their expertise is a sure means of putting things on solid ground, for they live in the real economy. The focus on decent jobs is timely for a couple of reasons. First, our review of global employment elasticity trends shows that the share of employment growth in global output growth has been

about one-third over the past decade – and, indeed, the employment intensity of growth shows a decline from 1999 to 2003 in most regions of the world. Clearly, some of this decline is cyclical in nature, arising from the global downturn at the beginning of the decade. But, as the WEO stated, world output growth registered just over 5 percent in 2004 and is expected to cool slightly to 4.3 and 4.4 percent in 2005 and 2006, respectively. At current levels of employment creation, this just isn't enough to absorb new entrants into the global labour market, and it is therefore no wonder that people are asking “where are the jobs?”

There are other ways of thinking about the problem. For example, **the five-percent increase in global growth translated into the substantial sum of 4 trillion US dollars. Yet that increment to global wealth resulted in a decline in global unemployment of only 500,000. Among other things, what this amounts to is an increase in capital's share and a decline in labour's share of national income.** It is equally instructive to compare the current weak employment intensity of growth with the past. What distinguished the 1960s from more recent decades were higher rates of economic growth. But for a variety of reasons, the argument can probably be sustained that growth was also more employment-generating, occurring as it did in a context of greater macroeconomic stability and more labour-intensive technologies. The WEO gives an excellent analysis of the continued volatility of growth in many emerging and developing economies. This is one factor constraining the growth of decent jobs. As the report of the World Commission on the Social Dimension of Globalization showed, the destruction of jobs during the financial crises of the 1990s was greater than the creation of jobs in the subsequent upturn.

Our research also finds a high degree of variation in the employment intensity of growth around the world. In many countries, however, **where population trends make it such that labour supply growth is greatest, so are levels of youth unemployment.** Youth unemployment rates are almost universally a multiple of adult unemployment rates, but they are particularly so in regions of rapid population growth, among them, the Middle East and North Africa, where youth unemployment stood at 26 percent in 2003, and Sub-Saharan Africa, where it was 21 percent. Another observation – and this, despite the foregoing comment on unemployment – is that countries of high labour supply growth are also the ones where the employment intensity of growth is greatest. And here, too, the MENA and SSA sub-regions lead the league.

How is it that high unemployment can coincide with high employment intensity? The reason is straightforward: people are being absorbed into low-productivity jobs and self-employment mainly in the informal economy. This is employment that does not lead to poverty reduction, but that very often merely swells the ranks of the working poor, the highest percentage of which as a share of total employment is in Sub-Saharan Africa. **There are thus two ways of looking at the same challenge, one emphasizing inadequate employment generation *per se* and the other focussed on employment generation of inadequate quality – a sort of “survival in poverty” model.** We do need policies to support structural transformation in the longer term. Ultimately, of course, we want to see economies diversify. We want to see people move from low value-adding activities to sectors and occupations adding higher value and higher income. But that is the longer term, and for the present, we need more integrated policies to support both productivity and jobs where people are actually working in a Sub-Saharan Africa, and the majority work in agriculture.

The WEO showed that most African countries have reduced fiscal deficits and dealt with exchange rate over-valuation, but still face difficulties in attaining sufficient growth. While

we also subscribe to the observations in the report on the need to promote economic diversification, as noted above, it can be noted that this often proved difficult in the past as in the context of structural adjustment programmes and the need for debt repayments, short-term policies to generate foreign exchange prevailed over longer term policies for structural change to new industrial activities. Here, again, is an example of the need for greater coherence between short-term and long-term policies so that we can work on the present, but also plan intelligently for the future.

There is a palpable “prise de conscience” of these challenges in Africa where they are on the top of the agenda. In their Declaration at the Ouagadougou Summit in 2004, the AU Heads of State and Government committed themselves to “place employment creation as an explicit and central objective of (their) economic and social policies at national, regional and continental levels, for sustainable poverty alleviation.” It is also the case that Africa’s Finance Ministers are fully on board with this agenda. Indeed, in their memorandum to heads of state for the Ouagadougou summit, the finance ministers said that: “it has been demonstrated that there is a close correlation between decent work and poverty reduction.”

The solutions to the employment challenge runs through the channel of accelerating the rate of sustainable growth or, put another way, making markets work for people. It is clear that solutions to the growth challenge must come through the market. **More people need to be given a fair chance to benefit from markets. It is equally clear that present policies are not delivering the goods and this, in turn, can erode trust in open markets and, indeed, trust in the capacity of open societies and democratic institutions to deliver.** To advance development in today’s interdependent world the way forward reposes on the recognition of two premises. The first of these is that, however much development is a national responsibility, no country can go it alone, particularly the poorest. This concept of solidarity, of moral responsibility is clearly expressed in the report of the World Commission on the Social Dimension of Globalization when it calls for better governance at all level; it is also emphasized in the UN Secretary General’s report on the implementation of the Millennium Declaration, and in the recent report of the Commission on Africa which calls *inter alia* for a doubling of development aid. The overall message of all these reports is one of joint responsibility for development. In the case of Africa, a collective effort by Africans themselves and the developed world is called for. Accelerating aid, particularly that aimed at building capacity through investments in education, skills, health, and infrastructure, and facilitating greater African participation in the international trade regime through reform of the international trade rules are two *international* policy actions through which to accelerate growth at the *national* level.

The second premise is implied by the first: if the present policies are not working to accelerate job-rich growth, development, and poverty reduction, one reason is that policies have lacked coherence. Examples abound. Trade rules are not fair for everybody. Financial market liberalization has benefited some and caused havoc for others. The WEO’s call for the creation of national budgetary councils to evaluate fiscal policies is a step in the right direction toward striking the right policy balance. **The World Commission on the Social Dimension of Globalization report called for greater public consultations on social and economic policy. In a number of countries, economic and social councils exist, and, as an example offering a mechanism for greater policy coherence, these could cooperate with the proposed national budgetary councils.**

Of course, the Millennium Development Goals represent an important step toward forging greater coherence in the multilateral system. Heads of state of the African Union themselves have called for greater coherence in underscoring the explicit link between the goal of decent work and poverty reduction.

We need a more balanced and integrated approach to development. Policy coherence is needed, but coherence in the wrong direction will not deliver the goods. Growth alone is important and should lead to employment generation, but a focus on growth alone is inadequate. Investment leads to growth, and this is of primordial importance. But the investment focus needs to be across the board. For example, 61,000 affiliates of multinational enterprises directly employ about 54 million people in the world today – which is just under the number of new entrants to the global labour force in just one year. **Investment policies need also to focus on the self-employed, micro and small and medium-sized enterprises, which create the bulk of jobs in the world, usually in less capital-intensive activities.** This can be good for employment, but innovation, productivity, and competitiveness all need to be stimulated in the small-scale sector. The self-employed and small firms need access to credit, support through business services, training and access to affordable technologies, and all these interventions should serve employment creation as the central policy objective. Governments need to facilitate the sustainable growth of the private sector. The ILO's worker and employer constituents come from the world of work: their policy advice on how to make things happen is a critical resource for governments.

We are working on these questions with other agencies of the multilateral system. The aim is to look at development from the angle of what development is supposed to accomplish – to give individuals and their families the opportunity of improving their economic and social standards and, through this, their possibility to pursue the lives they choose. **In September, countries will be called upon to draw up detailed plans on how they intend to achieve the goals of the Millennium Declaration by 2015. An explicit strategy for decent and productive job creation for poverty reduction ought to be a central part of those plans. The IMF can play a positive role in making that happen.**