



# **International Monetary and Financial Committee**

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**Statement by Mr. Ryder  
International Labour Organization**





**Statement by Mr Guy Ryder, Director-General, International Labour Organization  
To the International Monetary and Financial Committee  
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***Summary***

- There are clear warning signs that economic growth and labour market outcomes are out of sync: as global economic growth reaches almost 4 per cent, the highest since 2011, growth in employment continues to slow. In addition, global real wage growth is falling behind economic growth with a growth rate of only 1.6 per cent in 2017, the lowest since 2008.
- The global unemployment rate is projected to fall marginally during 2018, but remains high – more than 5 per cent – and this is expected to remain stable until 2020 unless governments take additional measures to support employment and enterprise creation.
- More than three in five workers in the world – 61.2 per cent or two billion people – make their living in the informal economy. In 2017, extreme working poverty remained widespread, with more than 300 million workers in emerging and developing countries having a per capita household income or consumption of less than \$1.90 per day.
- Widening income inequality and an increasing sense that the rules of the game are unfair threaten multilateralism. Concrete policy changes to boost incomes of the low paid, improve their labour and social protection and promote collective bargaining are among the antidotes to the rise in populism that we are witnessing.
- We need more and better social protection. Fifty five per cent of the global population – 4 billion people – are not covered by any social protection benefit. Social protection systems, including public social insurance, need to be strengthened so that all workers benefit from adequate levels of protection across all forms of employment.
- Trade agreements have the potential to raise growth, employment, inclusion and security. This would be enhanced in many cases through improved implementation mechanisms for their social and labour provisions.
- The future of work must be more equal. Women still account for less than two fifths of the global workforce – the lowest share is in emerging countries, at 37 per cent. Women also occupy the lower echelons of the occupational ladder and earn, on average, about 20 per cent less than men globally.
- Demographic trends shape the future of work. With more than 64 million unemployed youth worldwide and 145 million young workers living in poverty, youth employment remains a global challenge and a top policy concern. At the same time, the average age of people participating in the labour market will slowly rise, especially in Asia and the Pacific where it will rise from 40.3 in 2017 to 42.3 in 2030.
- Staying within the Paris Agreement's 2°C limit can create 18 million more jobs in net terms, a tremendous opportunity in a context of slow employment growth. Embracing the circular economy has the potential to create an additional 6 million jobs worldwide.

1. The future of work must not leave anyone behind. However, current trends show that although the economy is growing, we are making scant progress on creating decent employment, increasing social protection coverage, closing gender gaps, transitioning to the formal economy and decreasing working poverty. Seizing the opportunities opened by the 4<sup>th</sup> industrial revolution, the care economy and the transition to a low carbon planet can boost decent employment creation if the right policies are in place to ensure fair transitions for all.

### **Warning signs show employment and wage growth are falling behind economic growth**

2. Global economic growth in 2018 is expected to be relatively even across regions of the world, reaching a total of almost 4 per cent, the highest since 2011. However, there are warning signs that growth is becoming disconnected from labour market outcomes. Global employment growth continues to slow. After expanding by an average 1.2 per cent per year during 2013-18, it is projected to grow by less than 1 per cent in 2019 and to slow further in 2020; the global employment to population ratio is expected to fall for the 12<sup>th</sup> consecutive year (down to 58.3 per cent in 2019). The disconnect is especially apparent in developed countries where employment growth is projected to shrink from 0.7 in 2018 to 0.3 per cent in 2019; 2019 estimates for emerging and developing countries suggest employment growth of 0.8 and 3.2 per cent, respectively.
3. The global unemployment rate is projected to fall marginally during 2018, but remains high – more than 5 per cent in developed, developing and emerging country regions - and this is expected to remain stable until 2020 assuming no change in the current policy institutions. Because economic growth is not feeding through to employment growth, the number of people in unemployment is nevertheless projected to rise, continuing past years' trend. 188 million people were unemployed in 2018 and this rises to 189 million in 2019. Alarming, developing and emerging countries are estimated to account for three fifths and two fifths, respectively, of the anticipated rise in unemployment for 2019.
4. With a growth rate of only 1.6 per cent in 2017, global real wage growth reached its lowest since 2008 and remains far below pre-crisis global estimates. This slowdown occurred in spite of more rapid economic growth in 2017. In advanced countries, the increase in inflation rates from less than 1 percent in 2015 and 2016 to 1.7 per cent in 2017, combined with relatively stable nominal wage growth, eroded real wage growth. In emerging market and developing economies, inflation rates increased in 2017 for the first time since 2011 and may have contributed to erode the real value of relatively stable nominal wage growth.

### **Pervasive informality requires a range of solutions, including stronger regulations**

5. More than three in five workers in the world – 61.2 per cent or two billion people – make their living in the informal economy (2016 estimates). This is perhaps the largest obstacle to global efforts to achieve a future of decent work for everyone and underpins the international determination to support transitions into formal employment. The problem is endemic in Africa where 86 per cent of employment is informal, as well as in Asia and the Pacific (71 per cent) and the Arab States (69 per cent).
6. The informal economy is heterogeneous - composed of employees, own-account workers and contributing family workers across a variety of sectors - which makes efforts to formalise employment a complex task. Furthermore, significant levels of informal working relationships are observed in the formal sector where the enterprise is properly registered but many jobs are not; the rise of digital economy firms presents the latest challenge in this respect.

7. Fostering transitions to the formal economy must remain a priority. Current patterns of growth do not create sufficient formal jobs to absorb all those who want to work (either new entrants or those trapped in the informal economy). Structural transformations that reduce the number of informal non-wage workers and increase formal wage work, and lead to the up-scaling and increased productivity of economic units are crucial for the transition.
8. Other drivers of informality, such as an inadequate regulatory framework, weak enforcement, a lack of transparency and accountability of public institutions, and narrow social security coverage must also be addressed. Policy interventions to promote effective labour market regulations that widen coverage of labour regulations, support transitions, and improve compliance with statutory and collectively bargained-rules are particularly important.

### **The proportion of people living in extreme poverty remains at unacceptable levels**

9. Although the number of people living in extreme poverty around the world continues to decline, recent estimates suggest progress on this front has slowed in recent years. Moreover the proportion of people living in extreme poverty in low income countries remains at unacceptable levels with over 40 % of the population of sub-Saharan Africa still below the international poverty line. Recent trends raise concerns about our ability to achieve the goal of ending poverty by 2030.
10. Similarly, the global labour market has witnessed only weak progress in reducing working poverty. In 2017, extreme working poverty remained widespread, with more than 300 million workers in emerging and developing countries having a per capita household income or consumption of less than \$1.90 (PPP) per day.
11. These trends underline a point recently made by the IMF<sup>1</sup>: implementing the SDGs is increasingly an uphill struggle, given the need for additional social spending in low-income countries at a time when many of them are facing difficulties meeting their existing international debt obligations. Nevertheless, supporting the SDGs in low-income countries must remain a very high global priority, and effective safeguards for social spending are a precondition to achieve those goals.

### **We need more and better social protection**

12. ILO data shows that 55 per cent of the global population is not covered by any social protection benefit (SDG indicator 1.3.1). Four billion people worldwide are left unprotected, ranging from 87 per cent of the population in Sub-Saharan Africa to 6 per cent in Europe and Central Asia. In many cases, even if people receive some benefits, these are not adequate to fully meet their needs.
13. Accelerating progress towards universal social protection is a key element of national strategies to promote human development, political stability and inclusive growth. The global commitment for universal social protection, as reflected in the Sustainable Development Goals and 2030 Agenda, has never been stronger. And yet, there are important challenges that need to be addressed to secure the progress already achieved.
  - Short-term fiscal adjustments are affecting social protection spending, often undermining long-term development efforts. High-income countries have reduced a range of social protection

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<sup>1</sup> Speech delivered by Christine Lagarde at the Helen Alexander Lecture: The Case for the Sustainable Development Goals. September 17, 2018. (<https://www.imf.org/en/News/Articles/2018/09/17/sp09172018-the-case-for-the-sustainable-development-goals>)

benefits, contributing to increasing poverty and a declining labour income share. Fiscal consolidation is also occurring in a majority of developing countries; many governments are considering cuts or caps to the wage bill and reforming health and social protection systems without sufficient attention to their social impacts, such as targeting expenditures to the poor instead of expanding social protection coverage to include the middle class.

- Social protection is not only for the poor, but for all. Everyone needs to be protected throughout the life cycle (e.g. in case of maternity, sickness, unemployment or in old age). Countries normally achieve universal coverage by a combination of public social insurance (paid from payroll contributions) and social assistance (paid from the national budget). Public social insurance needs to be strengthened, not weakened and downsized. Pension reforms led by a fiscal objective often erode pensioners' benefits and retirement conditions while the primary objective is to provide income security for older persons; it is essential to maintain an optimal balance between pension adequacy and financial sustainability. Other reforms such as pension privatization, supporting mandatory savings, have not delivered the expected results: benefits decreased, coverage stagnated, gender inequalities compounded, systemic risks were transferred to individuals and fiscal positions worsened significantly given the high cost of transition. As a result, the majority of countries that have embarked on pension privatization are reversing these reforms and are returning to public social insurance systems.
  - The ILO is also concerned at recent proposals to cut employers' social insurance contributions or introduce low ceilings for insurable earnings, as this would severely undermine public social security systems, further increasing inequality. The shared responsibility for the payment of social insurance contributions between employers and workers is a prerequisite for ensuring the financial sustainability and equity of social protection systems. Relying on individual savings does not deliver meaningful protection, as it benefits only those with the highest incomes and lowest risks. Private saving schemes should remain a voluntary option to supplement stable, equitable and adequate mandatory social insurance benefits.
14. Countries are fast-tracking the extension of social protection and adapting to new forms of work, including in the digital economy, and facilitating the transition from the informal to the formal economy. Together with effective labour and employment regulations, well-designed social protection systems that combine adapted social insurance and tax-financed social assistance benefits ensure adequate social protection across all forms of employment. Many countries at all levels of development are adapting their social protection systems in line with international labour standards and principles, to face current and future challenges and support inclusive growth in a sustainable and equitable way.

### **International trade and multilateralism are under attack**

15. Concerns about international trade have dominated global economic and political news for the last year. Recent protectionist measures and the continued threat of more draconian policies is a major cause of global economic uncertainty. This is inhibiting investment, economic growth and the stronger labour markets in many emerging and developing economies.
16. Ensuring that the benefits of international trade, and globalisation more generally, are distributed more fairly is key to restoring faith in open economies. Stronger labour market institutions, including minimum wages, collective bargaining and freedom of association are the right answers to political populists who are successfully exploiting the prolonged and significant rise in income inequality to undermine open economies and open borders. Throughout its history, the ILO has strongly supported both free and fair trade. The body of International Labour Standards that have resulted from

negotiations over many decades between employers, worker representatives and governments from all corners of the world continue to provide a basis to ensure that one of the key sources of unfair international trade – exploiting labour – is minimised.

17. This has led in recent years to a heightened interest in referring to international labour standards in bilateral and regional trade agreements. However, many of these clauses remain relatively weak and imperfectly implemented. Strengthening these provisions through stronger implementation mechanisms as well as greater involvement of the social partners in their negotiation and functioning, makes sound economic, social and political sense at this time when public faith in globalisation is extremely low and key governments are questioning the value of international trade rules and processes.

### **Patterns of gender inequalities and ageing are shaping the future of work**

18. Gender equality in employment growth is expected to reverse in 2018. While male and female employment growth grew at the same pace over the last five years, women’s employment is projected to grow by 0.9 per cent in 2018 compared to 1.2 for men. This will exacerbate the already wide gender employment gap: women still account for less than two fifths of the global workforce, with the lowest share in emerging countries, at 37 per cent.
19. Not only is women’s representation in labour markets lower than their relative weight in the national population, but they also occupy the lower echelons of the occupational ladder and earn, on average, less than men. Using data for more than 70 countries – which represent about 85 per cent of the world’s wage employees, ILO research shows that on average women continue to be paid about 20 per cent less than men across the world, with large variations across countries.
20. Gender inequalities intersect with age inequalities. As the share of older people (55+) in the labour force increases globally, older women (55+) remain considerably less likely to participate than men: estimated participation rates for 2018 are approximately 30 and 53 per cent, respectively, a gap of more than 23 points. Gender employment gaps for older workers are largest in Southern Asia (43 points) and Northern Africa (36 points). Nevertheless, at a global level, older women’s participation rate has increased four times faster than men’s since 2000.
21. Overall, because of a slowdown in world population growth, the average age of people participating in the labour market will slowly rise, especially in Asia and the Pacific (from 40.3 in 2017 to 42.3 in 2030). The lowest participation rates among older workers are in Europe and Central Asia and Northern Africa (both at 28 per cent in 2018). Because of the greater need to work to sustain basic living standards, the highest rate of older workers’ participation is in Sub-Saharan Africa at nearly two thirds, 63 per cent.

### **A high road to care work and care jobs offers opportunities for the future of work**

22. The care economy is at the centre of these demographic patterns and employment inequalities. Gender inequalities in employment participation are in part the result of household inequalities which are inextricably linked with the unequal division of paid and unpaid labour involving care work. In 2015, 2.1 billion people were in need of care. By 2030, this number is predicted to increase by 200 million, including 100 million older persons. An additional 269 million care jobs need to be created by 2030 to meet future care demands.

23. The ILO has called for a “high road” for care work to ensure that the growth of care services contributes to more decent work for women and men. This involves new policies, including formal skill certification and better remuneration for care work, as well as improved family support policies to address the unequal gender division of unpaid care work in the household. If investment in care service provision does not increase by at least 6 percentage points of GDP by 2030 from the current 8.7 per cent (as of 2015), deficits in coverage will increase and the working conditions of care workers will deteriorate.

### **New technologies present potential for youth employment**

24. With more than 64 million unemployed youth worldwide and 145 million young workers living in poverty, youth employment remains a global challenge and a top policy concern. More than 1 in 5 young persons are not in employment, education or training (NEET). Three out of four of these are women. More young women and men are in education, but are still facing a difficult labour market transition.
25. New automation and digital technologies pose challenges but also bring opportunities for younger workers. Demand will increase for science, technology, engineering and mathematics, as well as transversal skills, and decrease for some medium-level skills. Young workers who grew up as “digital natives” should be well-placed to adapt to new jobs and continuous change. The way in which young workers engage in the labour market is also changing, with a clear move towards less secure forms of work. While young women and men are ready to ride the wave of new technologies, they value stability and security in their working lives<sup>2</sup>. Realizing potential opportunities for youth in a technology-rich labour market requires clear strategies and policies to ensure a better future for youth.

### **We must aim to green with jobs for a sustainable future**

26. The future of work could be green. Achieving the Paris Agreement’s 2°C goal can create 18 million more jobs, a tremendous gain in a context of slow employment growth. Embracing the circular economy which encourages goods to be recycled, reused, remanufactured and repaired and moves away from an extract-produce-use-discard economy has the potential to create an additional 6 million jobs.
27. The right policies must be in place to enable this transition and leave no one behind. The overall positive net gain in employment will include significant shifts within and between sectors. While 24 million jobs will be created 6 million will be lost, meriting complementary policies to protect workers and ensure a just transition. As with any other transition, governments and social partners need to anticipate the changes timely. The ILO guidelines for a just transition towards environmentally sustainable economies and societies for all provide practical orientation to Governments and social partners.
28. Social dialogue is an important tool in the transition. Tripartite discussions on skills for the green jobs for example can facilitate a smooth transition for workers and enterprises. Employers’ associations play a pivotal role in improving the matching of skills demand and supply. The participation of workers’ organizations can help ensure that equity considerations are taken into account, including facilitating the access of all to training.

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<sup>2</sup> ILO. 2017. Global Employment Trends for Youth. International Labour Office – Geneva. See pp 71-72 (results from the ILO’s Youth and Future of Work Survey).



### **Action is urgently required to decrease inequalities**

29. It is widely recognised that the multilateral system, which has helped provide relative political stability and increased economic prosperity for the last seventy years, is under threat from various directions. The United-Nations Secretary General noted in a recent interview concerning multilateralism that the world is “in pieces” and we are witnessing a “re-emergence of irrationality”. At the same time, we must acknowledge that inequality is growing within advanced economies, and many individuals and communities have not benefited from economic growth.
30. Yet, insufficient action has been taken to bring about a significant shift in the distribution of incomes. Concrete policy changes to boost incomes of the low paid, improve their labour and social protection and strengthen collective bargaining to enable workers to negotiate for higher wages are among the antidotes to the rise in populism that we are witnessing.