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Promoting full employment and decent work for all

Report of the Secretary-General*

Summary

The present report has been prepared pursuant to Economic and Social Council resolution 2006/18, in which the Council decided that the Commission for Social Development at its forty-fifth session — the first year of its 2007-2008 cycle — would review the theme "Promoting full employment and decent work for all", taking into account its relationship with poverty eradication and social integration.

* The present report draws upon the discussions of the Department of Economic and Social Affairs Development Forum on Full Employment and Decent Work, held in New York on 8 and 9 May 2006 (http://www.un.org/Docs/ecosoc/meetings/2006/forum/Forum.htm). Sections A and B of chapter I are drawn from the International Labour Office, *Global Employment Trends Brief* (Geneva, January 2006) and *Changing Patterns in the World of Work* (Geneva, 2006). Parts of the report will be used for the preparation of the forthcoming *Report on the World Social Situation 2007*.

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Contents

I. Trends in full employment and decent work since 1995

1. More than a decade after world leaders committed themselves to address the challenges of poverty reduction, employment creation and social integration at the World Summit for Social Development, held in Copenhagen in 1995, the achievement of full employment and decent work remains a global concern. Globalization, manifesting itself through increased trade and mobility of financial capital, has prompted the view that a global marketplace has been created with "winners" and "losers". Even as total employment has risen since the mid-1990s, problems of unemployment and underemployment have worsened. The concept of decent work — the provision of a sufficient level of income, of income and labour security, of good working conditions and a voice at work — has yet to be turned into reality for many people across many nations. The mandate of the World Summit, to create a world of decent work and full employment as a crucial path to poverty reduction, remains an unfulfilled global challenge.

A. Global and regional trends in labour and employment

2. Human security is intrinsically related to employment. Several aspects of employment, such as wages, income and job stability, and decent work have a direct effect on people's vulnerability. Unemployment, underemployment and job insecurity are interlinked to income insecurity and poverty in a vicious circle in which one phenomenon reinforces the others. However, relying exclusively on the unemployment rate as an indicator of employment conditions masks the full extent of vulnerability, especially in developing countries. Unemployment figures alone fail to reveal pervasive underemployment, employment in the informal sector and the existence of large numbers of people who, despite working, remain below the poverty line.

3. Notwithstanding these conceptual issues, between 1995 and 2005, the global labour force, consisting of people who were either working or looking for work, grew by some 438 million workers or 16.5 per cent, to over 3 billion, based on International Labour Organization (ILO) estimates. That labour force represented about two thirds of the 4.6 billion people of working age (15 years old and over) in 2005. Since 1995, the number of people in work worldwide rose by 400 million (or 16.3 per cent) to 2.85 billion. However, the unemployment rate worldwide rose from about 6.0 to 6.3 per cent over the decade. The rise in the unemployment rate occurred while global economic output grew at the rate of 3.8 per cent per annum.

4. From 1995 to 2005, the number of unemployed worldwide rose 21.9 per cent, to 192 million people. At the same time, it is estimated that 1.4 billion of those working did not earn enough to lift themselves and their families above the two dollars a day poverty line. Among those, 485 million workers and their families lived below the one dollar a day poverty line.

5. The underlying global demographic forces have a significant impact on employment. The ageing populations and declining birth rates in developed countries against the young populations and relatively high fertility rates in developing countries will inevitably lead to large labour supply and demand pressures everywhere.

6. As at 2005, about 84 per cent of the global labour force was found in developing countries, with Asia and the Pacific accounting for about 60 per cent of world employment. China and India accounted for 26.0 per cent and 14.8 per cent of world employment, respectively. With both countries accounting for over 2 billion people, the increased integration of their two economies into the global trading system provides an abundant labour supply and dampens wage pressure at the global level, at least for the production of tradable goods and services.

7. The unemployment rate in developed economies declined from 7.8 per cent in 1995 to 6.7 per cent in 2005.[1] This decline in the unemployment rate was attributed to strong economic growth coupled with a slower increase in labour force growth, along with increased labour productivity.

8. In Central and Eastern Europe, in East Asia and in Latin America and the Caribbean, unemployment rates remained more or less unchanged between 1995 and 2005. However, in South-East Asia and the Pacific, the unemployment rate rose significantly, from 3.9 per cent in 1995 to 6.1 per cent in 2005, reflecting in part the lingering impact of the 1997 Asian crisis. In the same period, unemployment in South Asia rose from 4.0 per cent to 4.7 per cent despite annual growth in gross domestic product (GDP) of 5.8 per cent.

9. Unemployment in Africa is the highest in the world. The unemployment rate in sub-Saharan Africa worsened from 9.2 per cent to 9.7 per cent between 1995 and 2005, even as GDP in the region grew at 3.9 per cent per annum. The Middle East and North Africa saw some improvement, with the unemployment rate declining from 14.3 per cent to 13.2 per cent. In Africa, unemployment is unevenly distributed across countries, gender and age groups. Dominated by agriculture, the challenges facing Africa include low productivity, high demographic growth, exacerbating youth unemployment, and the record toll on the labour force caused by HIV/AIDS and the brain drain.[2]

B. Global trends in employment dynamics

10. Global developments over the years, such as the continuation of the economic integration of countries with economies in transition into the global economy, technological innovations in data processing and communications, opening of borders and reduction of trade barriers, along with cheaper and faster transportation, have resulted in rapid globalization. As a result, the increased mobility of goods, services, capital and labour has led to shifts in employment dynamics, which are reflected in global changes in sectoral employment, in the integration of production systems across borders, increased labour migration — both intra- and cross-border — and the growth of the informal economy and self-employment.

11. Agriculture remains an important provider of employment for more than 1.1 billion people.[3] In sub-Saharan Africa, East Asia, South Asia and South-East Asia, where 60 per cent of the world's working-age population lives, agriculture

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[1] Organization for Economic Cooperation and Development, *OECD Employment Outlook 2006: Boosting Jobs and Incomes* (Paris, 2006), p. 18.

[2] Economic Commission for Africa, *Economic Report on Africa 2005: Meeting the Challenges of Unemployment and Poverty in Africa* (United Nations publication, Sales No. 05.II.K.9), chap. 2.

[3] International Labour Office, *Global Employment Trends Brief* (Geneva, January 2006), table 5.

continues to be an important provider of livelihoods for the world's poor. However, agriculture's share of total employment is on the decline, falling from 44.4 in 1995 to 40 per cent in 2005.

12. The industrial sector employed about 600 million, or 21 per cent, of world employment in 2005. Globally, the sector's share in total employment has remained the same in the past decade, though there is a marked decrease in the share of industrial employment in developed economies.

13. The service sector is the fastest growing sector. Its share of total employment rose from 34.5 to 38.9 per cent over the last 10 years. The share of employment in services increased in all regions except the Middle East and North Africa. In 2005, the service sector employed 1.1 billion people, almost equal to the number employed in agriculture. If the current trend continues, the service sector globally will soon overtake agriculture as the largest source of employment. The share of the service sector in total employment in the developed economies rose from 66.1 per cent to 71.4 per cent in the past decade.

14. Geographical shifts in employment are evident in both internal migration from rural areas to cities and in cross-border migration. The shift from the agricultural to the service sector — increasingly bypassing the industry sector — drives the growth of rural-to-urban migration. That trend is attributed to push and pull factors such as poor agricultural earnings, unpredictability of employment in agriculture and better opportunities and incomes in other sectors. This is particularly true in many developing countries faced with subsistence farming and stiff competition from subsidized agricultural production in developed countries.

15. Another growing trend is the continued migration of peoples across borders. In 2000-2005, out-migration from Asia was 1.3 million people, 0.8 million from Latin America and the Caribbean and 0.5 million from Africa. Net immigration was largest in North America, with 1.4 million, in Europe, with 1.1 million, and in Australia and New Zealand, with 0.1 million. This labour movement is taking place, both on a legal and an illegal basis, driven by attractive wages in developed economies faced with rising labour shortages.

16. Migration policies favour workers with particular skills, allowing the legal immigration of workers with skills that are in high demand. Legal migrants, with valuable skills, are generally able to obtain attractive salaries and good working conditions, in sectors such as health care, information technology, education, finance and other fast growing industries. Illegal migrants, however, tend to take on low-skill jobs (even though they may be well educated), and to work under poor working conditions mostly in agriculture, construction and household services. In certain cases, those working conditions may be in violation of the labour laws of the host countries, as employers take advantage of the inability of illegal migrants to seek protection from the law.

17. The informal sector has grown in recent years as part of the general shift from agriculture towards industry and services, and it is estimated that informal employment accounts for between one half and three quarters of non-agricultural employment in the majority of developing countries. The share of informal workers in the non-agricultural labour force ranges from 48 per cent in North Africa and 51 per cent in Latin America and the Caribbean to 65 per cent in Asia and 78 per

cent in sub-Saharan Africa (excluding South Africa).[4] By comparison, the share of the informal economy in gross national income is 18 per cent in the countries of the Organization for Economic Cooperation and Development (OECD) and 38 per cent in countries with economies in transition. However, although the informal sector is a significant source of employment, it offers workers little in terms of job security, good working conditions and health insurance and other benefits. In most developing countries, because the informal economy accounts for such a significant share of total economic activity, a considerable proportion of the population lives and works in situations of vulnerability.

18. Self-employment has grown significantly in recent years, in response to changes in employment practices that have resulted in the breakdown of long-term employment and the expanded use of flexible short-term contractual labour arrangements. Employees thus become self-employed contractors operating in small business enterprises. In developing countries, self-employment outside of agriculture accounts for 60 to 70 per cent of informal work. The growth of self-employment has also been significant in developed economies. In the United States of America, for example, the number of businesses with no paid employees stood at 18.6 million in 2003, the highest figure in self-employment since its Census Bureau started releasing these data in 1997. The share of women's self-employment is increasing in many developed countries and is an important element in poverty reduction, for example, in Eastern Europe and the countries of the Commonwealth of Independent States.[5]

19. The lack of regulatory oversight in the informal economy exposes workers to greater risk of abuse, poor working conditions and lack of benefits. Social costs to societies also include the growth of slums, increased congestion and poor health. To address that challenge, formalization of the informal economy is typically called for, although some expect that the formal and informal sectors will co-habit and that the informal economy is not a transitory phenomenon. It is therefore imperative that policies weigh the pros and cons of formalization.[6]

20. In the past, the drive for competitiveness as well as labour and transportation cost savings have led transnational corporations to relocate manufacturing facilities to low-cost labour locations. More recently, production and service activities can be performed in remote locations where they can be most efficiently performed, relying on innovations in information and communications technology to network the different processing centres. For example, Japanese, United States and European manufacturers are using manufacturing facilities in China to supply the global market. While the trend in international manufacturing has had a longer history, recently, the offshoring of service jobs has also begun to occur. In addition, there is increasing internationalization of research and development (R&D), including in developing countries — traditionally reserved for the home countries of

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[4] International Labour Office, *Women and Men in the Informal Economy: a Statistical Picture* (Geneva, 2002).

[5] Economic Commission for Europe, "Women's self-employment and entrepreneurship in the UNECE region", fact sheet 4, Geneva, 15 December 2004.

[6] Basudeb Guha-Khasnobis and Ravi Kanbur, eds., *Informal Labour Markets and Development* (Palgrave Macmillan, Basingstoke, United Kingdom of Great Britain and Northern Ireland, 2006), p. 1.

transnational corporations. The offshoring of R&D opens up some employment opportunities for the highly skilled workforce in developing countries.[7]

21. The employment implications of global production systems are varied: they help generate jobs in certain areas and job losses in others. In low-cost centres, higher incomes and better working conditions are often realized. At the same time, the threat of job losses in high-cost centres is real. Highly educated workers in the technology and service sectors in developed countries have to compete against college graduates from developing countries. In addition, the emerging global production systems, by generating relatively well-paying jobs, help mitigate migration and its attendant social costs in both sending and receiving countries.

22. The trend in outsourcing and use of cross-border production and R&D centres will probably continue as technological advances drive the speed and lower the cost of information flows and transportation. Nevertheless, while outsourcing and offshoring are providing attractive salaries and opening opportunities to many individuals, the relative magnitude of this type of employment remains relatively small. In India, for example, offshoring employs 1.2 million workers, a fraction of its population of over 1 billion people. Thus, the challenge to generate hundreds of millions of jobs for the world's poor remains.

23. With increasing globalization, the new production systems require a workforce that is skilled and more flexible and adaptable to rapid changes in the business environment. This implies the need for continuous education and training in basic and specialized fields, including the use of new technologies. The new production systems have opened opportunities for individuals with highly competitive skills and education. This is particularly evident in India, where workers in technical fields such as engineering are earning increasingly competitive salaries as labour supply shortfalls are being felt.[8]

24. In developed economies, the demand for skills also continues to grow. Developed economies have shown a decline in demand for unskilled workers since the 1970s, which has led to rising unemployment rates of the unskilled and/or an increasing wage differential between skilled and unskilled workers.[9]

C. Trends in the workplace

25. Stiff competition under increased globalization and the pressure to maintain maximum market flexibility in recent years has led to reduced job security and a reduction in job-related benefits, such as retirement, pensions, health insurance and unemployment allowance. Increasingly, workers face an increasing share of the cost of retirement and health insurance. The intense labour competition in manufacturing and services across countries and growing self-employment has led to a diminished

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[7] United Nations Conference on Trade and Development, *World Investment Report 2005: Transnational Corporations and the Internationalization of R&D* (United Nations publication, Sales No. E.05.II.D.10), p. xxiv.

[8] Rai Saritha, "India's outsourcing industry is facing a labor shortage", *The New York Times*, 16 February 2006.

[9] Ya Ping Yin, "Skilled-unskilled wage/employment disparity: a CGE simulation analysis", paper presented to the International Conference on Policy Modeling, Brussels, 4-6 July 2002, p.1.

role for organized labour, and labour's relative weakening bargaining position vis-à-vis their employers.

26. The changing occupational and sectoral structure of employment is accompanied by different work hazards, despite the increase in safety measures in the redesign of production processes arising from technological advances. Occupational accidents and injuries and work-related diseases afflict millions of workers, resulting in 2.2 million deaths every year. About 160 million women and men fall ill from work-related causes. The International Labour Organization (ILO) estimates that the total costs of such accidents and ill health are around 4 per cent of the world's GDP.[10] In the informal economy, lack of regulatory mechanisms fails to prevent work-related diseases and accidents. As the production process shifts increasingly from developed to developing countries, weak technical support, limited training and lack of regulatory oversight lead to greater health and safety risks for workers.

27. The HIV/AIDS pandemic continues to be a tremendous drain on the labour force, especially in Africa. HIV/AIDS depletes the labour force, leads to loss of productivity and stops the inter-generational transfer of skills. It also puts strains on social support and health systems, in particular in Southern Africa, where some of the highest rates of infection exist. In addition, as infected individuals migrate to find job opportunities, the risk of spreading the epidemic increases. In Zambia, the pandemic is causing severe rural labour shortages, leading to a reverse migration back to farms.[11]

28. There is growing awareness of discriminatory practices in the workplace. Nevertheless, racial and ethnic inequalities continue to prevail, especially in areas with few anti-discriminatory laws. Millions of persons with disabilities share the problem of limited job opportunities, although discrimination against persons with disabilities is gaining recognition. The recently finalized text of the Convention on the Rights of Persons with Disabilities, which will be submitted to the General Assembly for adoption at its sixty-first session (see A/AC.265/2006/4, para. 12), promotes equal rights and opportunities for people with disabilities. More specifically, Governments are called upon to set an example by employing persons with disabilities in the public sector, promoting self-employment and encouraging employers to hire persons with disabilities through affirmative action and incentives, among other things.

29. Workers in the informal economy do not enjoy the same rights and benefits that workers in the formal economy do, which greatly increases their vulnerability. Informal sector workers are generally not covered by labour laws, including safety and health regulations; they are usually deprived of the right to organize and bargain collectively and are not eligible for social security benefits, pensions or any other form of social protection. In addition, their wages are usually much lower than those in the formal sector.

30. Within agriculture-related employment, trends are equally worrisome. In developing countries, where much of the labour force still relies on agriculture,

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[10] International Labour Office, *Report of the Director-General: Changing Patterns in the World of Work*, International Labour Conference, ninety-fifth session (Geneva, 2006), p. 35.

[11] "Rural migration", Biz/ed online resource site, Institute for Learning and Research Technology, University of Bristol, United Kingdom.

roughly three quarters of workers remain below the poverty threshold and live in rural areas, where the work is most often informal, unprotected and unregulated. Of particular concern is the fact that, in developing countries, women are disproportionately represented in the informal economies and are especially vulnerable. The difficult conditions under which people in the informal sector have to work result in poor health and increased exposure to injuries, malnutrition and disease, reinforcing poverty and social isolation and increasing social vulnerability.

31. These changes have resulted in the progressive decline of the "standard" employment relationship in favour of more precarious forms of employment that typically offer lower wages, poorer working conditions and less social protection than "standard" employment, such as home-based work, part-time or temporary work, on-call work or self-employment. The nature of these jobs has significantly increased employment-related vulnerabilities among workers. Precarious employment is characterized by limited social benefits and statutory entitlements, low wages and poor working conditions and should not be confused with employee-driven flexible working arrangements sometimes found in developed countries. It comes with no certainty of continuing employment and high risk of job loss, a low level of regulatory protection and no recognition of trade union rights. State-supported social protection systems, to the limited extent that they exist in the world, have not been modified to accommodate the growth and spread of precarious employment. Current formal social protection systems are largely designed to benefit those with uninterrupted years of service in the formal economy, preferably in the same country and with the same employer, and new systems to accommodate social changes have not yet been put in place.

32. Finally, besides providing significant opportunities for workers in some countries, globalization has also played an important role in increasing the vulnerability of workers. The steep rise in unemployment and poverty that emerged in the wake of the Asian financial crisis revealed the heightened vulnerability of developing countries to the volatility and change that can occur in global financial markets. The dramatic worsening of labour market conditions in even the most robust developing countries during that crisis raised serious concerns about the effect of rapid financial market liberalization upon vulnerability among workers and poor people.

D. The enabling environment for full employment and decent work

33. The goal of full employment and decent work for all rests upon the promotion of an enabling overall macroeconomic environment based upon the implementation of an integrated and coherent set of policies at the national and international levels. Sound macroeconomic policies, accompanied by a balanced national development agenda, can create the conditions for high economic growth rates and social development needed to promote full employment, poverty reduction and social integration. Macroeconomic policy should provide adequate fiscal space for countercyclical policies to address situations of economic and employment stagnation and recession.

34. In addition, policies should be adopted that promote an enabling economic environment, including good governance, appropriate policy and regulatory frameworks, transparency, appropriate laws for property rights, adequate

infrastructure and a developed financial sector. Certain institutions are also crucial, especially effective legal systems, sound political institutions and well-functioning bureaucracies. Full employment and decent work should be made a central goal in national economic and social policymaking, and there should be a mechanism to assess what impact policy decisions will have on employment and decent work. The participation of civil society, including trade unions and employers' associations, in the policy decision process is important.

35. At the international level, the goals of full employment and decent work for all should be made global objectives and should be pursued through a more balanced and coordinated strategy. Multilateral and bilateral development cooperation institutions should ensure that employment issues are given prominence in their operations. Governments, for their part, should ensure a coherent integration of economic and social policies, so that employment policies and decent work programmes are fully integrated into national development and growth strategies and, where applicable, into poverty reduction strategy papers. The 1998 ILO Declaration on Fundamental Principles and Rights at Work, which provides a minimum set of rules for labour in the global economy, should be strengthened in all countries.

36. There is a need at the international and regional levels to promote more transparency, coherence, flexibility and policy space for countries so that they can attract and manage foreign investment in ways that will maximize the benefits. Such capital inflows can provide for growth, employment creation and poverty reduction. At the same time, countries should also be provided policy space to minimize the adverse effects of foreign investment, such as the crowding out of domestic investment and the possibility of rapid capital outflows, which could trigger financial crises. Also required are more regional coordination and transparency of investment incentives so that developing countries are discouraged from competing among themselves to attract foreign investment and thus avoid the proverbial "race to the bottom".

37. While trade liberalization and economic integration can create new opportunities for countries in the long run, it is also important to take steps to improve supply capacity and trade-related infrastructure in order to ensure that the benefits from trade liberalization can lead to employment growth. Often, however, trade liberalization and economic integration impose structural and labour-market adjustments that have an adverse impact on employment and decent work. Therefore, trade policy and trade reform need to be made more employment-friendly by ensuring that labour markets are prepared at each step of the process of change. It is clear that selective and temporary safeguards might be necessary to minimize the negative impact of these adjustments on employment and decent work. However, the reality is that, in a globalized world, such structural and labour market adjustments tend to become quasi-permanent features of integrating economies, and the social protection system should be strengthened, including through reforms of social security systems. The size and scope of security programmes can be adjusted according to periods of boom or recession, but a core set of policies should remain in place over the economic cycle in order for worker security to be maintained and to allow companies the space to adapt.

38. In particular, social protection can enhance the dynamism of the economy and the mobility of labour through guaranteed income security that stabilizes the

economy during periods of recession. However, where social protection is not available or weak, the provision of risk management mechanisms — such as savings, credit (both for consumption and emergency needs and for productive activities), mutual insurance, training and public works, to provide an income at times of economic slowdown or recession — can improve the level of economic security of workers during periods of income loss.

39. In developed countries where the labour force has shrunk as a result of population ageing or a shortage of specialized skills, cross-border movements of labour can help sustain economic activity and growth. Such movements of labour can stabilize the labour markets of both labour importing and exporting countries and policies should be designed to maximize the development benefits of migration.

40. Globalization and trade liberalization are forcing countries to adapt more quickly to new technologies in order to remain competitive in world markets. Knowledge and skills development are key to employment strategies because they determine the employability and competitiveness of the labour force as well as the investment climate of an economy. In order to respond to rapidly changing skill requirements, there is need to raise the level of education and training, especially in developing countries. To enhance the employability of youth, countries should consider introducing vocational training approaches at the primary, secondary and tertiary levels. It is important to have policies in place that address the employment opportunities for young people coming into the labour market, in particular through targeted measures to overcome the specific disadvantages many young people encounter in the labour market.

41. For many developing countries, the agricultural sector is still the main employer, in particular in sub-Saharan Africa and South Asia. Therefore, the creation of decent employment should be promoted through productivity growth in on- and off-farm activities. In particular, the development of productive and remunerative non-farm activities should be promoted as a means to create employment and to deepen linkages between the agricultural sector and the broader national economy. Some sources of labour productivity growth, however, especially capital-intensive technologies, may increase productivity at the cost of employment, especially in the short and medium term. In agriculture, such displacement of employment can adversely affect poverty in the short run and Governments should provide adequate social protection systems until other sectors can absorb the surplus labour. The focus on rural development, however, should not be at the expense of an equal focus on the promotion of the structural transformation of the economy to higher value-added sectors.

42. Deepening and broadening access to financial services by poor people, especially in rural areas, can reduce their vulnerability and expand their economic opportunities, in particular their ability to become self-employed, and enable them to build assets over time. Enhanced access in rural areas, beyond microcredit, to meet the needs of the agricultural cycle and for investment in productivity-enhancing activities, should be actively promoted. The development of an inclusive financial sector should be pursued to ensure that safe and flexible savings products, secure transfer and remittance facilities, and insurance services are available to poor people, in particular in rural areas.

43. In many developing countries, especially the least developed countries, official development assistance remains the central means to augment public investment for

human resource development in rural areas, rural infrastructure and agricultural research, which normally do not attract private sector investment. Agricultural trade distortions can have negative effects on local producers in the agricultural sector in developing countries. International cooperation should address the issues of agricultural trade, market access, reduction of trade barriers and fluctuations in commodity prices and terms of trade for agricultural commodities, bearing in mind the implications of policies in those areas for employment and poverty reduction.

44. Employment deficits in urban areas require attention to promoting sustainable industrial and service sector development, information and communications technology and tourism. Industrialization in developing countries can generate growth, productivity and income gains and generate sustainable employment. Industrial policies should reflect areas of potential comparative advantage and provide an enabling environment in terms of infrastructure and support services to raise productivity and facilitate access to new markets. The development of backward and forward production linkages will benefit the development of small and medium enterprises (SMEs) and spur employment generation.

45. Women are typically overrepresented in the informal economy and suffer from pervasive discrimination in labour markets that, among other things, burden them with lower wages than men and occupational segregation. There is a need to promote and support self-employment and the development of small enterprises by women through improved access to finance, technology and training. The effective participation of women working in the informal economy in the policy process will better address their needs and concerns, especially their need to balance productive work against household and family responsibilities. Serious consideration must be given to developing the institutional capacities necessary to gradually formalize the large informal economy in many developing countries, in particular in Africa, in order to extend the outreach of social protection and other benefits of decent work to all.

46. In most developing countries, the SME sector can be considered the springboard to a strong industrial sector, yet the sector is characterized by poor market access, scarcity of intermediate suppliers and fierce domestic competition. In order to bridge the productivity differences with large firms, policies are needed to make the SME sector more productive and to overcome decent work deficits in terms of remuneration, security against income loss, social protection, rights at work and social dialogue. The skills of workers and entrepreneurs need to be upgraded and business practices should be modernized. The provision of business development services can increase the chances of survival of SMEs and make them more competitive.

E. Labour market interventions for full employment and decent work

47. As seen above, globalization and other related processes have greatly affected the employment situation over the last decade. They have given rise to increased labour mobility and have brought new employment opportunities. However, they have also created new uncertainties. Many countries have adopted policies to address the employment impact of globalization and technological change in the short and medium terms, through labour market policies, and also in the long term, by enhancing education and training.

1. Labour market policies

48. Labour market policies are a key instrument for Governments to promote the goal of full employment. Passive labour market policies consist mainly of income replacement measures during periods of joblessness or job search, such as unemployment insurance. Active labour market policies (ALMPs), by contrast, stimulate labour market integration through demand- or supply-side instruments. They promote employment directly through job creation measures such as employment subsidies, public works and self-employment assistance and indirectly by improving employability through training and by providing better labour market information and enhanced job matching (i.e. public employment services).[12]

49. ALMPs can be found in most countries, albeit with significant differences in dimension, design and implementation. In the European Union, ALMPs have become an increasingly important policy tool to tackle rising unemployment rates, as illustrated by the European Employment Strategy of 1997. During the transition from planned to market economies in the countries of the former Eastern bloc, ALMPs were implemented to facilitate labour force adjustment. Developing countries are also increasingly using ALMPs to alleviate adverse labour market effects of economic crises. In East Asia, for example, ALMPs were widely used as a reaction to the economic crisis of the late 1990s. In Africa, the use of ALMPs remains limited. (Although ALMPs are increasingly being used in developing countries and countries with economies in transition, the number of evaluations of such programmes is extremely limited. The scarce evidence on the effectiveness of ALMPs in those environments should therefore be interpreted with caution.)

50. In addition to the increased use of labour market policies in less industrialized settings, a trend towards "activation" of those policies has emerged over the past years, with Governments putting more emphasis on active, as opposed to passive, policies. In European countries in particular, this shift has taken place in the context of an emphasis on so-called "flexicurity" or "protected mobility", in which ALMPs are seen as an important measure to enhance the structural adjustment capacity of labour markets by promoting labour mobility through increased security. It also results from the perception that it is better to finance employment, rather than unemployment, and the criticism that pure income replacement policies may provide disincentives to work. Finally, the shift from passive to more active policies also reduces the financial burden on social welfare systems. By defining the duties of the unemployed, activation introduces an element of conditionality into labour market policies. However, it also provides incentives for their integration into the labour market and spells out their rights, such as the right to a job or a training slot that has to be provided for. In industrialized countries, the increased activation of labour market policies has been accompanied by an increased emphasis on job search assistance, more integrated services and a growing reliance on private delivery of

[12] Gordon Betcherman, Karin Olivas and Amit Dar, *Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries*, Social Protection Discussion Paper series No. 0402 (Washington, D.C., World Bank, 2004).

services. “Profiling” techniques have increasingly been used to identify those in need of employment services or retraining.[13]

51. Research on ALMPs suggests mixed results: whereas some measures have been very effective in some countries, they have performed poorly in others. Preliminary findings suggest that the effectiveness of ALMPs in integrating people into the labour market differs, depending on the type of measure used and a country’s level of development. In addition to depending on a country’s stage of development, the choice and effectiveness of ALMPs may also be influenced by the economic cycle. For example, at the beginning of an economic recession, public works programmes may be useful in the absence of unemployment insurance to provide jobs and incomes to displaced workers. Intensive placement services will also help avoid long-term unemployment. During recovery, private firms can be encouraged to hire workers through employment subsidies. At all times, training programmes provide skills to workers and are particularly important for more disadvantaged workers.

52. Public employment services include counselling, testing and assessment, placement assistance, job matching and other brokerage services designed to prepare job-seekers for employment and to improve information on job opportunities. In countries with unemployment benefits, public employment services can also include the administration of benefits. In developed countries and countries with economies in transition, such services tend to have positive impacts on employment and earnings and are relatively cost-effective compared with other ALMPs. In developing countries, however, the few available evaluations suggest that their impact is less positive, owing perhaps to the fact that many labour transactions are informal and that workers thus prefer other channels of job search.

53. Employment subsidies are intended to encourage employers to hire new workers, frequently from disadvantaged groups such as the long-term unemployed or older workers, or to keep employees who might otherwise be laid off. They help workers avoid disconnection from the labour market and to develop work-related skills. Employment subsidies are also increasingly used to facilitate the school-to-work transition of youth and to encourage low-skilled workers to take poorly paid jobs. In addition to changing the structure of demand in favour of disadvantaged groups, they are sometimes also used to ease structural change from declining sectors to growing ones by promoting the re-employment of displaced workers.

54. Employment subsidies are frequently found in OECD countries, but are less common in other regions, mainly because of the high costs involved. Short-term subsidies are more common than long-term subsidies (such as earned income tax credit), which provide incentives to take up low-paid jobs. Despite some recent positive evaluations of subsidy programmes, the overall picture remains unfavourable in terms of their effect on labour market integration. The main problem associated with subsidies is that they can have substitution and deadweight effects,[14] workers may be laid off once the subsidy expires and take-up by smaller firms in particular is low because of administrative barriers or a general

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[13] Peter Auer, Ümit Efendioğlu and Janine Leschke, *Active Labour Market Policies around the World: Coping with the Consequences of Globalization* (Geneva, International Labour Office, 2005).

[14] That is, a subsidized worker is hired instead of an unsubsidized worker who otherwise would have been hired or the subsidized worker would also have been hired without the subsidy.

unawareness of the programmes. Finally, long-term subsidies might provide a disincentive to further skills development.

55. Public works programmes tend to be targeted to the long-term unemployed and other hard-to-place groups. They are frequently used strategically during economic downturns or in post-disaster or post-conflict settings. In OECD countries, direct job creation programmes were used extensively up to the 1980s. Because of negative evaluation results, they have lost popularity since then. In developing countries, by contrast, public works tend to play a greater role, in particular as part of poverty alleviation programmes.

56. Despite the relatively high costs involved, public work schemes are generally found to be ineffective in achieving labour market reintegration and in increasing earnings. Given the low-skilled type of work of most public works programmes and the stigma frequently attached to them, there is a risk of trapping participants in secondary labour markets. Nevertheless, although public works are not very effective as ALMP measures, they do fulfil many important developmental functions. They represent a safety net for the poorest,[15] in particular in the absence of unemployment insurance. By producing public goods and services essential for regional development, public works can have significant multiplier effects. Public works can also play a crucial role in post-crisis recovery by providing income, stimulating local demand capacity and rebuilding destroyed infrastructure.

57. Self-employment assistance involves measures to support the take-up or extension of entrepreneurial activities by the unemployed, such as providing financial support or technical and managerial advice. Many Governments are also beginning to promote self-employment by easing administrative procedures to start a business and facilitating the registration of informal enterprises. Self-employment measures not only have a direct employment effect, but can also have an indirect one if jobs are created in newly founded firms. Countries are turning increasingly to self-employment support as a means of addressing youth unemployment. Programmes to promote self-employment play a larger role as a policy tool in developing countries than in OECD countries or those with economies in transition. In the case of the latter, this may be related to the historical lack of entrepreneurial activities. In Asia, in particular, self-employment programmes have existed for a long time as an element of industrial policy.

58. Most evaluations of self-employment programmes tend to focus on business development. The labour market effects of such programmes can therefore not be clearly established. Available evidence suggests, however, that in many cases participants would have opened their own businesses even without assistance. Evidence from OECD countries and countries with economies in transition suggests that self-employment assistance is particularly suited for a specific category of unemployed, namely relatively well-educated, young males who want to start their own businesses. In developing countries, by contrast, it seems to be of importance for a broad range of unemployed persons. Programmes offering mentoring and business counselling in addition to financial aid seem to be more successful than those simply providing funding. Since entrepreneurship is not a solution for everyone and most unemployed would prefer regular employment opportunities,

[15] The low wages and limited duration of public works jobs are intended to ensure that only the poor without alternatives for income generation participate.

self-employment support should always be only one option in an array of ALMPs available to the unemployed.

59. Available impact assessments of ALMPs point to several good practices. Successful policies and programmes must include comprehensive service packages and be carefully targeted. (However, a trade-off between targeting and outreach exists.) A balance between supply- and demand-side measures should exist. ALMPs must be carefully adapted to the labour market problems of the country in question and involve the private sector. (Governments should continue to establish overall priorities, ensure quality and provide funding, especially to address equity concerns.) ALMPs should function as a bridge to employment rather than as a trap, as some labour market policies did in the past. In order not to prolong unemployment unnecessarily, ALMP measures need to reserve sufficient time for job-search activities. Decentralization of programme administration has also been found to lead to better results than centralized programmes. However, decentralization should be accompanied by carefully set performance targets to prevent the exclusion of groups that are more difficult to target and should not come at the expense of integrated employment services, for example, through one-stop shops. Finally, ALMPs should not be ad hoc measures to deal with specific unemployment problems, but should evolve towards a more permanent policy instrument that makes possible labour market flexibility within a framework of security.

60. Although well-designed ALMPs can help integrate the unemployed and underemployed into the workforce, they must be complemented by other macro- and microeconomic measures aimed at achieving the goal of full employment. One of the main reasons why ALMPs may be ineffective in some countries is that a balance between labour supply and demand does not exist. A favourable macroeconomic environment that attracts investment and creates and supports labour demand is therefore essential.

61. Finally, although it is important to provide jobs or training to the unemployed or underemployed, it is also crucial to retain social protection without work conditionalities for people unable to benefit from ALMPs, in particular older persons, persons with disabilities and single mothers with household and family obligations. In addition, policies must be developed to reach the large number of workers in the informal economy of developing countries who do not benefit from labour market policies.

2. Education and training

62. In many countries emphasis has been placed on promoting access to basic education and vocational training and to improving the quality of education. Increasingly, attention has been paid to informal and on-the-job training, life-long learning and distance and electronic (e-) learning. In many countries, focus has been placed on youth entrepreneurship training, the development of vocational training and career guidance services and acquisition of information and communications technology skills. In some countries, skills training has been increasingly set up to keep older workers in the labour market and to counteract the intensifying financial pressure on social security systems.

63. Training programmes have also been used to promote the integration of disadvantaged groups into the labour market. Targeted skills development

programmes help women and girls gain access to traditionally male-dominated occupations. They also help persons with disabilities develop the skills they need to find employment and have been extensively used to promote youth employment.

64. Integrated programmes, which combine training with work experience, have also been developed. To ensure that training content corresponds to labour market demand, some countries have made efforts to promote closer cooperation between training institutions and the private sector. Measures have been taken to ensure that trainings are certified or lead to formal qualifications to enhance the "portability" of skills.

II. Full employment, decent work and their impact on poverty eradication

A. Growth, employment and poverty alleviation

65. At the global level, the proportion of poor people living on less than one dollar a day in developing countries declined from 27.9 to 21.3 per cent between 1990 and 2001 — a transition of roughly 118 million persons out of extreme poverty. However, this global average hides important disparities at the regional level. Global poverty reduction has been driven by the success of East Asia and the Pacific and South Asia, notably China, where the number of extremely poor people fell from 377 million to 212 million between 1990 and 2001. All other regions have experienced setbacks since 1990. In sub-Saharan Africa, although the poverty rate declined marginally, the number of people living in extreme poverty increased by 140 million.

66. Rapid economic growth can potentially bring a high rate of expansion of productive and remunerative employment, which can lead to a reduction in poverty. However, the contribution of the growth process to poverty reduction does not depend only on the rate of economic growth, but also on the output elasticity of demand for labour and on the ability of the poor to respond to the increasing demand for labour in the more productive categories of employment. There is mounting evidence that the impact of growth on poverty reduction is significantly lower when inequality is on the rise than when inequality is declining.[16]

67. It has been argued that the growth-employment-poverty nexus is related to the openness of an economy and that trade liberalization can lead to the sustained rapid growth needed to reduce poverty. However, trade liberalization in the absence of other policies does not necessarily lead to higher growth and may even decrease welfare in the short run. This can happen when developing countries lack the financial, human and institutional resources to compete effectively in global markets and take full advantage of the opportunities provided through international trade. In addition, many developing countries that suffer from lack of access to markets or overdependence on the export of primary products are unable to realize the potential contribution of trade to growth and poverty reduction. In general, the impact of trade openness on employment outcomes for the world's poor is mixed and seems to

[16] Martin Ravallion, "Growth, inequality and poverty: looking beyond averages", *Growth, Inequality and Poverty: Prospects for Pro-poor Economic Development*, Anthony Shorrocks and Rolph van der Hoeven, eds. (Oxford, Oxford University Press, 2004), chap. 3, table 3.1, p. 69.

be related to differences in the national processes of integrating into the global economy.

68. At the national level, economic growth may not improve poverty if inequality in the distribution of opportunities and of outcomes favour the non-poor. Also, where trade liberalization benefits skilled workers, rather than unskilled workers, the opportunities offered by the forces of globalization do not reach the poor, who are largely unskilled. This poverty trap may be reinforced if the distribution of productive resources is such that it limits access by poor and unskilled people. In such a case, the benefits of growth would continue to elude poor people and lead to the perpetuation of the working poor.

B. Interventions to reduce poverty through employment

1. Employment in poverty reduction strategies

69. In many developing countries, poverty reduction strategy papers (PRSPs) now serve as national road maps for reaching the long-term Millennium Development Goals. Given the importance of employment for poverty reduction, the expectation is that employment generation would occupy a central place in those poverty reduction strategies. However, very few PRSPs appear to include an analysis of labour markets, employment issues or social security and social protection policies. From a recent analysis of those strategies in Africa, it seems that only a few countries with a full PRSP have macroeconomic policy directly and explicitly linked to employment generation, while only a few PRSPs attempt to quantify the expected impacts of policies on employment.[17]

70. The treatment and coverage of employment issues in PRSPs, both in terms of the quantity and quality of conditions of work, is currently weak. Despite the fact that income from work is the most important means of survival for the poorest, such limited treatment of employment creation within the PRSPs is a source of some concern. In part, this probably reflects the lack of inputs from labour ministries and the social partners in the consultation processes for the preparation of the strategies. It may also reflect inadequate attention to the gender dimensions of poverty, since nearly two thirds of those working for less than a dollar a day are women subsistence farmers. The fundamental question of how to raise the productivity of the working poor and the returns they get from their labour should become more central in the PRSPs.

71. PRSPs that contain employment strategies are often related to agricultural and rural development and include using labour-intensive agricultural technologies; developing SMEs and promoting microprojects in rural areas; electrifying rural areas; and developing rural off-farm activities. In addition to the emphasis on the creation of employment in rural areas, many current PRSPs promote self-employment, non-farm employment in rural areas, targeted employment interventions, microfinance and credit as means for employment generation, skill

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[17] Economic Commission for Africa, *Economic Report on Africa 2005...*, op. cit. As of October 2004, 21 African countries had full PRSPs and 9 had interim PRSPs. ECA's analysis of their employment content indicates that 7 had low employment content, 13 medium-low employment, while only one country, the United Republic of Tanzania, had a medium-high employment content.

formation and training.[18] When PRSPs address the quantity of employment, the qualitative dimensions of decent work, including equity, security, dignity and freedom, are often absent or minimal. Progress reports required by poverty reduction strategies rarely mention decent work objectives, policies and programmes. Similarly, reviews of the PRSPs themselves[19] do not comment on employment programmes, social protection or rights at work. Neither do they offer in-depth analysis of the effects of programmes and policies.

72. Attributing poverty outcomes to specific employment interventions is especially difficult because of a limited number of reliable employment indicators in PRSPs. Such indicators do include, inter alia, the number of unemployed, the availability of skills training, the urban employment rate, number of jobs created and labour law flexibility, but decent work indicators do not receive much attention. Indicators on poverty are often missing as well. Consequently, many progress reports are not able to clearly demonstrate social advancement in recent years. In a recent review of poverty reduction strategies, it was pointed out that it would not be possible to attribute specific poverty reduction results to the poverty reduction strategy approach because it is not a project or particular policy measure where one can establish direct causality to poverty outcomes. Rather, it is argued that the PRSP consists of principles and actions to influence the environment in which policy is devised, monitored and implemented.[20]

73. Despite these shortcomings, employment and social protection are beginning to receive more attention in PRSPs in the majority of countries. Nevertheless, there are still few PRSPs that fully integrate employment into macroeconomic and sectoral development policies relating to tax, public expenditure, social services, agriculture, industrial development, trade or investment. To be more effective, PRSPs should integrate employment into growth and poverty reduction strategies and they should aim to develop comprehensive social protection policies and programmes. It is also important to have an integrated strategy for increasing incomes and productive employment in the informal economy, including labour-intensive infrastructural development, enterprise development and creation of equal employment and income-earning opportunities for women.

2. Promotion of self-employment and entrepreneurship

74. Although the public sector is a major source of employment, the evidence indicates that the most significant source of new employment lies in entrepreneurship and SMEs in the private sector, including cooperatives. Enterprise creation and business innovation can successfully address limited availability of formal jobs in developing countries.[21]

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[18] Rasheda Selim, “Poverty reduction strategy papers (PRSPs): a review of economic policies, rural and agricultural development strategies and employment policies in PRSPs” (New York, December 2004).

[19] Joint Staff Assessment reports (now replaced by Staff Advisory Notes) by the World Bank and the International Monetary Fund.

[20] World Bank and International Monetary Fund, “Synthesis: 2005 review of the poverty reduction strategy approach; balancing accountabilities and scaling up results” (Washington, D.C., September 2005), para. 3.

[21] International Labour Office, *Review of the core elements of the Global Employment Agenda* (GB.286/ESP/1(Rev.), para. 29.

75. SMEs are important for economic growth, creating employment and contributing to social cohesion. In developed countries, a large percentage of GDP is generated from the activities of SMEs. In the United States, 60 per cent of GDP derives from the activities of SMEs. In OECD countries, SMEs account for over 95 per cent of enterprises and 60 to 70 per cent of employment. A thriving SME sector is essential for innovation and growth. Entrepreneurship is key to economic performance, increasing productivity and competitiveness, especially with respect to innovative change. SMEs and entrepreneurship not only generate growth, but are important agents for improving worker skills and alleviating pockets of poverty, especially in inner cities or declining regions.

76. Critics argue that there is not sufficient evidence that SMEs are better at job creation than larger firms and that subsidizing of SMEs distorts "optimal" firm size and thus undermines economies of scale. Informally operating enterprises tend not to offer decent pay, income security or social protection. Some argue that the emphasis should shift to SMEs and larger enterprises that are employment-intensive and skill-enhancing. They could be supported by a better regulatory framework and better access to credit.

77. Self-employment and microenterprises may not be suitable for pro-poor employment strategies since they may raise incomes, but remunerative and secure employment cannot be sustained by such interventions alone. There are different opinions on the role of the informal economy, with some advocating that it should be gradually more formalized and covered by labour laws and others pointing out that decent work is attainable in the informal sector with security safeguards.

3. Contribution of cooperatives and small-scale infrastructure

78. The concept of decent work and the notion that there should be economic growth with social equity resonate well with the cooperative model of economic and social organization. It has been argued that cooperatives are well placed to mobilize social capital and can therefore bridge the economic and the social spheres by providing employment, an equitable distribution of profits and, above all, social justice. Typically, cooperatives place more emphasis on job security for employee-members and employees' family members, pay competitive wages, promote additional income through profit-sharing, distribution of dividends and other benefits, and support community facilities such as health clinics and schools, than do private sector businesses.[22] They also address issues of concern such as the environment and food security. The cooperative model, therefore, offers an important employment creation opportunity in the face of the global unemployment and underemployment problem.

79. Cooperatives, through their self-help enterprises, play an important role in promoting livelihoods and job creation in the fight against poverty. Several forms and types of cooperatives have the potential to facilitate job creation and employment generation in various sectors and segments of society. Currently, it is estimated that the global cooperative movement directly provides productive self-employment for several hundred million worker-owners of production and services cooperatives, as well as the non-member employees of these and other cooperative

[22] John Logue and Jacquelyn Yates, "Productivity in cooperatives and worker-owned enterprises: ownership and participation make a difference" (Geneva, International Labour Office, 2005).

enterprises. Cooperatives are also major sources of employment in large-scale enterprises providing food stuffs, services to consumers and financial services. Financial cooperatives provide people with secure institutions for the deposit of savings, which also encourage the formation of new enterprises and thus create new jobs. In Europe alone, cooperatives provide employment to more than 5 million individuals.

80. Given an increasingly globalizing world, cooperatives, in particular those in the agricultural sector, can play a significant role, in both developed and developing countries. Agricultural cooperatives create employment in areas such as production, marketing, credit, insurance and transportation. Cooperatives also provide more quality job opportunities for youth, women, indigenous peoples, persons with disabilities and other marginalized groups. The ability of cooperatives to integrate women and youth into the workforce is particularly important, as these groups face discrimination and poor opportunities for employment. Early anecdotal evidence, now increasingly supported by hard data, attests to the fact that appropriately designed cooperative enterprises and microfinance schemes are particularly helpful for women: not only do the women benefit greatly from the added security afforded by such group efforts, but this form of social organization promotes the retention of economic gains accruing from their own initiative and innovation.

81. In view of the employment generation capacity of cooperatives, it becomes compelling for policymakers at the local, national and international levels to consider ways and means of mainstreaming the contribution of cooperatives to meeting the employment challenge facing the world today. In this regard, an important consideration is how the employment creation impact of cooperatives can be scaled up in order to massively generate new employment opportunities in those areas where public and private sector initiatives are weak or absent.

4. Promotion of access to resources, including microfinance and microcredit

82. While most countries have had long experience with informal community-based financial systems, microfinance — the provision of financial services to low-income groups — is a recent trend. In general, poor people have been denied adequate access to credit for a variety of reasons, notably, lack of collateral, the perception that poor people are bad credit risks and the typically higher unit transaction costs for small loans. This conventional wisdom was challenged with the introduction, during the 1970s, of successful microcredit experiments in Latin America and South Asia. It is timely that "for their efforts for economic and social development from below",[23] the 2006 Nobel Peace Prize was awarded to the Grameen Bank of Bangladesh and its founder, Muhammad Yunus.

83. The promotion of access to financial resources, in particular among poor women, has had an important impact on poverty eradication in many developing countries. In particular, the promotion of microfinance is now considered an effective strategy for poverty reduction, employment promotion and income generation. It helps the poor to increase their incomes and to build up their assets over time. It can help increase agricultural productivity and the productivity of the self-employed in the informal sector and thus contribute to transferring the benefits of growth more rapidly and equitably through the informal sector. In addition,

[23] Nobel Peace Prize communication, 26 October 2006 (see www.nobelprize.org).

access to financial services, such as loans, savings and insurance, can provide poor people with a vital cushion in times of economic shock and natural disasters, as well as during sudden emergencies or periods of unemployment or crisis such as that created by a death in the family. Microfinance can also improve the household's risk management capacity through the enhancement of social capital, derived in part from training and capacity-building efforts. In general, it appears that clients who participate in microfinance programmes on a continuing basis eventually realize better economic outcomes than non-clients.

84. Microfinance has been most successful in South Asia, where it has mobilized voluntary savings, set off a process towards the expansion of services available in rural financial markets, and strengthened the social and human capital of the poor, especially women. Nevertheless, it has been argued that microcredit rarely reaches the poorest of the poor, who would benefit more from savings and insurance products, rather than from credit. Moreover, since the poorest are hard to reach, many microfinance institutions prefer to focus on their overall performance, rather than on the reduction of poverty.

85. There are initiatives that target the poorest by providing them with income-generating assets and opportunities for self-employment. Started in 2002, an experimental programme of the Bangladesh Rural Advancement Committee, named Challenging the Frontiers of Poverty Reduction: Targeting the Ultra Poor, distributes income-earning assets and provides employment and enterprise development training and technical support, as well as essential health-care support. The strategy is to help the very poor build a solid physical and socio-political asset base. The results from the pilot phase indicate that targeting the ultra-poor has been successful: a mid-term review reveals that the programme has produced noticeable gains in social and human capital. The majority of participants in the initiative escaped their ultra-poor status and improved their standard of living. About 40 per cent are moving towards the standards of households targeted by microfinance institutions, while 75 per cent have prospects of sustaining their gains into the future.[24]

III. Full employment and decent work and their impact on social integration

A. Social integration and work: the basis for action

86. More than a decade after the World Summit for Social Development, there is limited progress in assuring that the basic elements of social integration identified in Copenhagen are enjoyed by all the world's peoples. Indeed, in many respects, the world today is less socially integrated than in 1995.

87. Nowhere is the lack of progress with respect to social integration more evident than in the increasing insecurity in the workplace and the shrinking opportunities for decent work in global and national labour markets. Access to decent work opportunities is particularly stymied for population groups that have been

[24] Imran Matin and Yasmin Rabeya, "Managing scaling up challenges of a program for the poorest: case study of BRAC's IGVGD program", *Scaling Up Poverty Reduction: Case Studies in Microfinance* (Washington, D.C., World Bank, 2004), pp. 77-94.

traditionally vulnerable and marginalized in the workplace. These groups are highly vulnerable to the negative consequences of new labour market trends, such as the emergence of flexible labour markets, short-term or contractual labour agreements, and the consequent increase in employee insecurity. While overall global employment rates remain unchanged or appear to have improved over the past decade, an increasing share of the labour force is working under conditions of job insecurity, instability and various forms of discrimination.

88. All individuals, regardless of age, sex, race, ethnicity or disability, have a right to employment and decent work in conditions of freedom, equity, security and human dignity. The right to work is enshrined in the Universal Declaration on Human Rights, which notes, inter alia, that everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment. Further, everyone, without discrimination, has the right to equal pay for equal work, and everyone who works has the right to just and favourable remuneration, ensuring for herself or himself and her or his family an existence worthy of human dignity and supplemented, if necessary, by other means of social protection.

89. Besides being a basic human right, employment is an important avenue for people to become integrated into society. It affords not just income, but also economic and social integration by providing access to the cash economy, as well as opportunities for civic and society integration through professional and labour organizations and socialization with colleagues.

90. A strong foundation for social development can be built when all those who want to work are given the opportunity to be employed and when all are afforded equal protection in the workplace. In a society with equal opportunities for all, an individual's chances of securing and holding a job and earning equal pay for equal work would not be tied to ascribed characteristics such as race, sex, age, disability or economic class. Although social fluidity and tolerance are increasing in many parts of the world, and there is general condemnation of open discrimination in the workplace, opportunities to secure employment, to be fairly remunerated for one's efforts and to be protected against abuse and discrimination in the workplace remain persistently linked to ascribed characteristics.

91. Given the central role that employment plays in providing incomes and the basic livelihood for individuals and families, social exclusion in employment can have consequences that extend well beyond the workplace. Exclusionary policies in the workplace compromise social justice and jeopardize prospects for achieving the Millennium Development Goals. It is thus essential that immediate and concerted national and international action be directed at ensuring that the changes occurring in the global labour market work in the interest of greater social integration of all persons and groups.

B. Interventions to promote social integration through employment

92. Government efforts to promote social integration have emphasized improving the labour market opportunities for two large demographic groups — women and youth. There has also been concern about how to foster the social integration of growing pools of older persons, especially those in developed countries, by promoting their employment opportunities beyond traditional retirement ages. The

inclusion of persons with disabilities has also gained considerable impetus in the recent past, especially in the light of discussions on the Convention on the Rights of Persons with Disabilities. For some countries and communities, land issues and geographical isolation are at the core of social exclusion. This is particularly the case with respect to indigenous peoples whose needs and rights have been persistently ignored. Governments are beginning to adopt policies and implement programmes to address the needs of indigenous peoples and to provide them with education, health and other services to enable them to function more fully within their communities.

93. An overarching and pressing concern for Governments everywhere has been how to enable the growing international migrant streams that have accompanied globalization to become better integrated into their receiving communities and countries. The social integration of international migrants is critically dependent on their successful integration into the labour market.

C. Women

94. Women's earnings are substantially lower than men's throughout the world.[25] Women are also overrepresented in the informal economy where jobs are lower-paying and less stable and the rights of workers are less protected. Women and men are segregated in the types of job they do: in virtually all countries, women are overrepresented in the service sector and men are overrepresented in the industrial sector. Women's opportunities to participate in the labour force have expanded in recent decades; however, the occupations traditionally held by women pay less than jobs requiring similar skill levels, but occupied predominantly by men.

95. There is significant cross-national variation in the rate of female labour force participation. One factor that prevents women from working outside the home is their responsibility for maintaining the household through activities such as meal preparation and cleaning, as well as caring for children, elderly parents or other family members. When support with care work is provided, specifically when childcare is readily available, women have more autonomy to choose whether or not to work outside the home. Institutional factors, such as government policies and childcare options, help explain some of the cross-national variation in female labour force participation. Evidence suggests that where childcare is easily accessible and compatible with work schedules, more women work outside the home.[26] Where policies support maternity and paternity leave, and are flexible for women returning to work after childbearing, including the availability of part-time work, more women work outside the home.

96. The increasing number of women working outside the home poses a dilemma for social integration. Often, work outside the home is accompanied by less time spent in traditional roles, such as caring for children and preparing meals. Conflicting pressures and desires to fulfil domestic roles and pursue work outside the home creates an internal struggle for many women faced with a trade-off

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[25] International Labour Office, *Report of the Director-General: Time for Equality at Work; Global Report under the Follow-up to the ILO Declaration on Fundamental Principles and Rights at Work*, International Labour Conference, ninety-first session (Geneva, 2003).

[26] T. van der Lippe and L. van Dijk, "Comparative research on women's employment", *Annual Review of Sociology*, vol. 28, 2002, pp. 221-241.

between home and professional life. Both roles are also important for different aspects of social integration. On one level, socialization of children and family maintenance are essential activities to ensure that children and families are integrated. Parental support helps to ensure that children complete their homework and stay in school. Preparing meals is an essential activity supportive of health and nutrition, which allows children and employed family members to engage in their roles as student or worker. Often, women find both roles rewarding and valuable, but are left with too few hours in the day to fulfil both, especially if circumstances require working long hours or multiple jobs. As more women throughout the world work outside the home, they often continue to do traditional work in the home, creating a "double shift": a situation where women work full time outside the home, then come home and provide essentially full-time care for the family as well.

D. Youth

97. ILO estimates that youth represent about half of the 192 million total unemployed persons, a particularly troublesome figure, given that youth make up only one fourth of the working-age population. In most areas, youth unemployment rates are up to three times that of the general population. Between 1995 and 2005, youth employment rates increased globally from 12.1 to 13.7 per cent. In the same period, the youth labour force participation rate fell between 1995 and 2005 from 58.9 to 54.1 per cent, explained in part by the increasing proportion of young people in school. Moreover, youth have an even smaller share of decent and productive jobs (see E/CN.5/2007/3). Youth often face discrimination in employment. Discrimination can be particularly severe for young women, ethnic minorities and young indigenous people or young people with disabilities. In some places, unemployment is higher for more educated youth.

98. While the number of youth in secondary and tertiary education has increased, labour markets in many countries are not able to accommodate this large group of skilled young graduates. This is due in part to a failure in many countries to closely link the educational system to the needs of the labour market, but is also a result of the large number of young people now reaching working age. In the absence of opportunities in the formal labour market, young people are also turning to so-called forced entrepreneurship and self-employment in the informal sector. They often work in hazardous conditions for low pay and with few prospects for the future. A combination of these factors can cause young workers to become disillusioned and alienated. Young people are also very significant among the 175 million global migrants, adding to the brain drain. However, there is the potential for "brain gain", if they return to their country of origin after acquiring skills abroad.

99. Unemployment among youth has serious consequences for social integration in terms of peaceful resolution of conflict and conventional political participation. There has been increasing concern among policymakers that the frustration that accompanies long-term unemployment among groups of young urban men feeds political and ideological unrest and violence. It has also been argued that unemployed and idle youth who have emerged in society as part of a large demographic bulge may question government authority and endanger its stability.

100. Stability and safety are important aspects of social integration that may be adversely affected by youth unemployment. Young people who live in difficult

circumstances are often at risk of delinquency. Delinquency rates have risen dramatically in the countries with economies in transition: in many cases, juvenile crimes have risen by more than 30 per cent since 1995. In Africa, delinquency appears to be linked to hunger, poverty, undernutrition and unemployment. Young delinquents often suffer social and economic exclusion, creating a cycle of exclusion and delinquency.

101. Youth unemployment also affects social integration through the impact on other roles young adults traditionally take. For example, lack of employment opportunities is likely to affect family formation differently for men and women. There is also evidence that unemployment among youth has long-term implications for earning capacity.[27]

E. Older persons

102. The world is ageing rapidly as people live longer and healthier lives. In 2006, one out of every nine persons is aged 60 years or older and it is estimated that by 2050 one in five persons will be in this age group. Developed countries have been concerned with their ageing populations for some time, but ageing is becoming a concern in developing countries as well. In these regions, the proportion of the population aged 60 years and over will grow even faster than in developed countries. This will put tremendous pressure on Governments and communities to find ways to provide for those unable or unwilling to work, while creating employment opportunities for those who seek to continue to be in the labour force.

103. In an ageing population the proportion of the population in the working age groups declines, resulting in higher dependency rates. This situation can put a strain on pension systems essential to ensuring that the ageing population maintains a decent standard of living and has its basic needs met. The pension structure and retirement options also affect the decision of older people as to when to leave paid work and whether or not to continue to work after retirement. Regardless of whether older people are employed, they continue to be an important and valuable asset to society.

104. The number of older persons remaining employed varies considerably around the world. Countries with high per capita incomes tend to have lower labour force participation rates among older persons. Older persons in less developed regions continue to participate, to a great extent, in the labour force, owing largely to the limited coverage of social security schemes and the relatively low guaranteed incomes.

105. Unfortunately, older persons face discrimination in employment. Older persons should have the opportunity to work or to have access to other income-generating opportunities as well as to determine when and at what pace to withdraw from the labour force. Continuing educational opportunities and opportunities to update skills could help to empower older persons to decide for themselves when to leave the labour force. In order to fully empower older persons to leave the labour force when they want to, pensions and health care should be available to them so that they are not forced to work for survival.

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[27] Thomas A. Mroz and Timothy H. Savage, “The long-term effects of youth unemployment”, *Journal of Human Resources*, vol. 41, No. 2 (2006), pp. 259-293.

106. Older persons should be valued independently of their economic contribution. Even when older people leave the labour force, they contribute to society through volunteer work and caring for children, grandchildren and the sick. Throughout Africa, older persons have helped to maintain social integration by caring for adult children who are ill from HIV/AIDS, as well as for grandchildren orphaned by disease. They also remain integrated in society by sharing their knowledge and skills with younger generations. Older persons are a valuable source of knowledge and experience that many societies may not be fully benefiting from. This unpaid work promotes community and family integration, and could be further supported by targeting older persons with regular income transfers or pensions.

F. Persons with disabilities

107. Persons with disabilities face particular challenges to social integration. They are often excluded from participation on the basis of prejudice, discrimination and fear resulting from a lack of understanding and a lack of legal protection. Over 600 million people worldwide have a physical, sensory, intellectual or mental impairment of one form or another, the equivalent of approximately 10 per cent of the world's population. ILO estimates that 368 million of the world's working-age people have a disability, and many who are willing to work are unemployed. Persons with disabilities are disproportionately unemployed — in some countries, as many as 80 per cent of persons with disabilities are without work.[28] Not only does this vast disparity contribute to their exclusion from an important social role and human right, but it is also a waste of human capital around the world.

108. Even when persons with disabilities are employed, they are often underemployed. They are paid below minimum wage in many instances and engage in work below their skill levels.[29] Many of the persons with disabilities who do find jobs are employed in the informal economy where labour protection is limited and work is unstable.

109. One of the reasons for high rates of unemployment and the underemployment of persons with disabilities is the misperception among employers about the capacities of persons with disabilities and the cost of accommodating them. This misperception persists despite evidence that persons with disabilities have high performance ratings and high retention rates, and that the cost of accommodating workers with disabilities can be minimal.[30] The fact that persons with disabilities are often excluded from mainstream social life may further fuel such misperceptions.

110. Additional factors associated with the poor employment chances of persons with disabilities include a lack of access to training, inaccessible transportation and lack of supportive legislation and policies.[31] Essentially, the lack of integration of

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[28] International Labour Office, *Report of the Director-General: Time for Equality at Work...*, op. cit.

[29] Center for International Rehabilitation, *International Disability Rights Monitor: Regional Report of the Americas 2004* (Chicago, International Disability Network, 2004).

[30] D. Morris, "The next great hiring frontier", *Wall Street Journal*, 13 September 2005; and D. D. Unger, "Employers' attitudes towards persons with disabilities in the workforce: myths or realities?" *Focus on Autism and Other Developmental Disabilities*, vol. 17, No. 1, pp. 2-10.

[31] Center for International Rehabilitation, *International Disability Rights Monitor...*, op. cit.

persons with disabilities into policy, transportation infrastructure and the education system further contributes to their exclusion from employment. This creates a vicious circle where lack of integration in one area of life contributes to and reinforces lack of integration in other areas.

111. Some countries are introducing policies aimed at ensuring equality of opportunity and at being supportive of social inclusion of persons with disabilities.[32] Such policies are essential to interrupt the cycle of exclusion and support the integration of persons with disabilities into mainstream employment. Equal opportunity and other supportive policies and legislation provide an opportunity to more fully utilize the human capital of 10 per cent of the world's population that is currently underutilized. Employment, in turn, opens the door to other aspects of integration, including family formation, economic independence and protection from poverty, as well as making a contribution to the national economy.

G. Indigenous peoples

112. Indigenous peoples, especially women, are among the most vulnerable in any population. They tend to be both physically and socially excluded, although they are custodians of cultural heritage and possess considerable artisanal skills whose protection and transfer are essential to the continuity of their communities. Indigenous communities also frequently own traditional lands that are at risk of being encroached upon by Governments or private industry, in the quest for business opportunities in manufacturing, mining or tourism. The social integration of indigenous peoples through employment poses a difficult challenge for many Governments.

113. Efforts to provide opportunities for the full inclusion of indigenous peoples in the labour market require careful consultation to ensure that they do not violate indigenous peoples' rights to their land and other resources. They also require that policies be crafted in consultation with indigenous leaders so that they promote integration, and not assimilation. The ILO Convention concerning Indigenous or Tribal Peoples in Independent Countries requires, among other things, that ratifying States consult indigenous and tribal peoples through appropriate procedures and in particular through their representative institutions whenever consideration is being given to legislative or administrative measures that may affect them directly and provides that States should establish means for the peoples concerned to develop their own institutions.[33]

114. The dearth of employment opportunities for indigenous peoples means that poverty is pervasive in most indigenous communities. Migration, which is increasingly becoming a coping mechanism in indigenous populations, increases the vulnerability of indigenous peoples to exclusion because migrants often lack the skills required to operate in the formal economy and are often discriminated against because of racial, cultural or religious affiliation. Indigenous migrants are also vulnerable to sexual exploitation and trafficking.

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[32] International Labour Office, *Achieving Equal Employment Opportunities for People with Disabilities Through Legislation: Guidelines* (Geneva, 2004).

[33] ILO Convention No. 169 (http://www.ilo.org/ilolex/english/convdisp1.htm), article 6.

H. International migration

115. A great deal of attention has been given to the positive economic effects of labour migration in terms of meeting demands for labour and remittance flows to developing countries. Less attention has been given to the impact of large-scale migration on social integration. The consequences for social integration can be quite negative, including separating families for extended periods of time and the high risk of exploitation and discrimination that migrants face. At the same time, migrants prove to be extremely resourceful in developing ethnic enclaves and networks, and self-help communities that facilitate transitions and reduce the risks of migration. In addition, a recent policy trend has been support of family reunification. In OECD countries as a whole, migration for family reunification accounts for the largest share of migrant intake. Family reunification is viewed as conducive to the social integration of migrants.

116. The economic effects of migration also have an impact on social integration. Migrant remittances to developing countries run into the billions of dollars and there is some evidence that they are facilitating social integration by reducing the incidence of severe poverty as they are often associated with increased household investment in education, entrepreneurship and health.

117. Although migrants often benefit from the expanded work opportunities and the often higher remuneration in their destination countries, relative to countries of origin, conditions of work are frequently difficult: work hours are longer and those who end up in the informal economy may have few of the legal protections that formal sector employees often have. International migration has also brought people of different nationalities, ethnicities, cultures and religious orientations together, resulting in xenophobia, discrimination and social conflict. Migrants are more likely to be discriminated against in the workplace because they often lack language, negotiating and networking skills to enable them to fully capitalize on the opportunities offered in their destination countries. Migrant workers are also at risk for trafficking, and often have little recourse or legal protection from traffickers. The tendency for migrants to be relegated to peripheral, low-skilled and low-paying work, regardless of their achieved capacities, subjects them and their families to poverty and social exclusion.

IV. Continuing challenges for achieving full employment and decent work

118. Although there has been some progress towards achieving the goal of full employment and decent work, considerable critical challenges still remain. **The goals of full and productive employment and decent work for all, including for women and young people, should be made a central objective of national and international policies and national development strategies, including poverty reduction strategies.**

119. A key challenge is the creation of an **enabling environment** at the international and national levels that supports full employment and decent work. The performance of the global economy is fundamental to the creation of employment and the quality of work, in particular in developing countries, and **policies at the international level should be more supportive of growth,**

enterprise development, poverty reduction and the creation of decent work for all. Current policies give low priority to goals such as full employment, decent work and social protection. Globalization has increased the interdependence between countries in macroeconomic policies and countries have little **policy space** to increase employment levels through more expansionary macroeconomic policies on their own. **Better coordination of macroeconomic policy among countries is needed to attain the global goal of full employment and decent work.**

120. Global production systems are now a significant source of employment growth for those developing countries that have managed to become part of them and in a growing number of countries offshoring can have a considerable impact on the labour market. **There should be better regulation of these new production systems to arrest the possibility of a "race to the bottom" in labour standards. At the same time, for many countries, participation in these systems is an important way to attract investment and increase technological capacities and capabilities.**

121. An enabling national environment that supports investment, growth and entrepreneurship is essential to the creation of new job opportunities and the reduction of poverty. **There is need to increase the employment intensity of growth through measures to remove any policy discrimination against the agricultural sector as well as programmes to provide small agricultural producers with the necessary credit, extension services and marketing assistance to enable them to take advantage of opportunities provided by growth.** Measures to promote a dynamic small enterprise sector are also likely to raise employment growth and improve the distribution of income. This is due to the high labour intensity of the sector and the predominance of poorer workers within it. **Policy changes to remove biases against small enterprises, to provide incentives for subcontracting from small firms and to increase the provision of information and marketing assistance to small firms can be highly beneficial.**

122. **Active labour market policies are needed to facilitate smoother adjustment to changes in the structure of production brought about by trade liberalization and globalization.** Retraining for displaced workers, job search assistance and other measures to facilitate labour mobility will be important in this connection. Such programmes are likely to be enhanced by strengthening social dialogue on economic reform programmes and promoting worker-management cooperation to address restructuring at the enterprise level. Social dialogue is essential in order to reach consensus on reforms that improve the functioning of labour markets while preserving essential protection for workers.

123. Social protection is a basic component of decent work. However, much more than half the world's population is still excluded from any type of social security protection. Improved social security systems are key elements of an integrated approach to eradicating poverty and improving equity. **To be effective, these systems must provide for universal coverage and solidarity and cover basic risks in an integrated way — in particular nutrition, health, ageing and unemployment. Addressing the differential impact of such schemes on women must be a guiding principle, since women may be beneficiaries, but also bear the main burden of family and informal care when social security systems are absent, restructured or downsized.**

124. The increased social orientation of employment and poverty reduction strategies still does not adequately target marginalized and vulnerable groups in the labour market. The tendency for policymakers to equate progress in reducing unemployment or poverty with progress towards social integration is inadequate. Social integration is not an automatic consequence of full employment unless specific efforts are also made to address the increasing marginalization that is apt to arise in the course of employment growth. A number of social, political and economic forces have militated against improving social integration through employment and have led to the marginalization of various segments of the labour force, especially the most vulnerable. The continuing marginalization of indigenous people as well as ethnic and religious minorities and expanding migration are also important challenges for social integration. At the same time, ethnic conflict terrorism, armed conflict, and rising economic inequalities pose additional threats to the expansion of social integration. **It is thus the duty of the global community to create an enabling environment that will make the objectives of full employment and decent work attainable for all.**