



PEOPLE

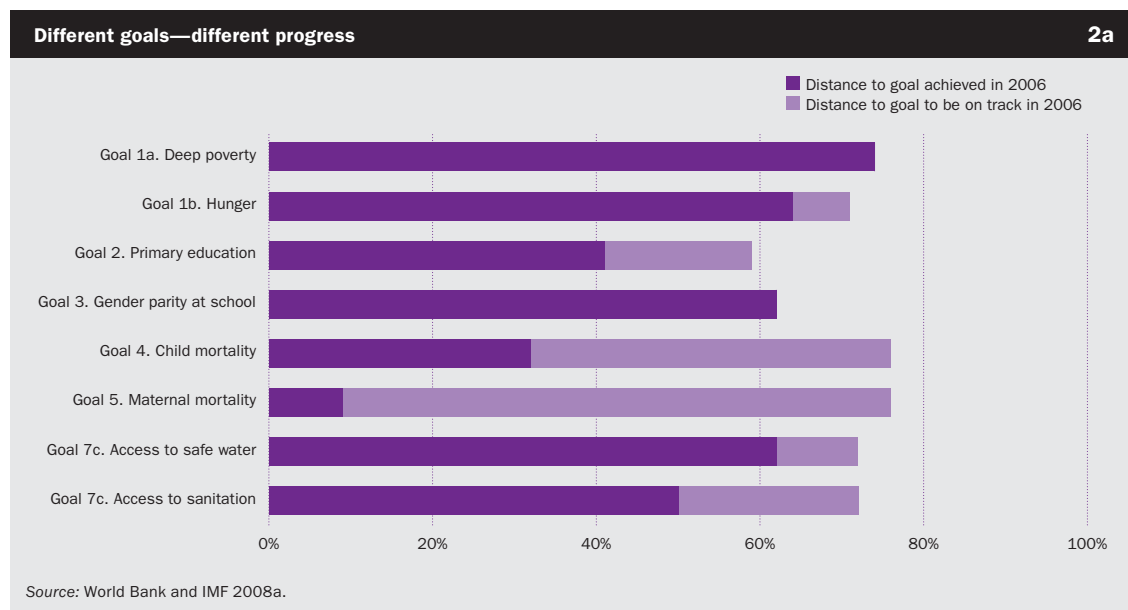


D^ecent and productive work

Sustainable development is about improving the quality of people’s lives and expanding their ability to shape their futures. These generally call for higher per capita incomes, but they also involve equitable education and job opportunities, better health and nutrition, and a more sustainable natural environment.

The Millennium Development Goals are the world’s time-bound targets to measure and monitor the progress of countries in improving people’s welfare. They address extreme poverty in its many dimensions—income, hunger, and disease—while promoting education, gender equality, health, and sanitation. At the midpoint between their adoption in 2000 and the target date of 2015, the goals related to human development (primary school completion rate, under-five and maternal mortality) have recorded slower progress than those related to economic growth and infrastructure development (income poverty, gender parity, access to clean water and sanitation; figure 2a).

Income from work is the main determinant of living conditions and well-being (World Bank 1995). Therefore, breaking the cycle of poverty involves creating local wealth and new cycles of opportunity through decent and productive employment. Economic growth is a vehicle for poverty reduction, but economic advances in a variety of countries over the past decade have not helped lift a majority of people and their families out of poverty because many poor people were deprived of opportunities to benefit from economic expansion. That is why decent and productive work has been added as a target, with four specific indicators. Target 1b under Goal 1 is to achieve full and productive employment and decent work for all, including women and young people. The indicators cover employment, vulnerable employment, the working poor, and labor productivity.



New indicators on decent and productive work

Measuring the achievement of decent and productive work in its many facets (box 2b) is challenging. Nevertheless, it is clear that increased opportunities for decent and productive employment have led to greater earnings for many workers in high-income economies. In contrast, jobs in the formal economy are often beyond the reach of most people in low-income economies, where many workers still continue to toil long hours in poor conditions with low remuneration and low productivity.

A set of indicators has been adopted to assess the achievement of the Millennium Development Goal target for full and productive employment and decent work for all: employment to population ratios, the share of vulnerable employment in total employment, the share of working poor (earning less than \$1.25 a day) in total employment, and labor productivity growth rates. The four indicators should:

- Provide relevant measures of progress toward the new target.
- Provide a basis for international comparison.
- Link to country monitoring systems.
- Be based on international standards, recommendations, and best practices.
- Be constructed from well established data sources, quantifiable and consistent, enabling measurement over time.

What is decent work?

2b

The International Labour Organization defines decent work as productive work for women and men in conditions of freedom, equity, security, and human dignity. Endorsed by the international community, decent work involves opportunities for productive work and delivers a fair income, guarantees equal opportunities and equal treatment for all, provides security in the workplace and protection for workers and their families, offers better prospects for personal development and social integration, and gives people the freedom to express their concerns, to organize, and to participate in decisions that affect their lives.

The Decent Work Agenda strives for equitable economic growth through a coherent blend of social and economic goals, balanced and integrated at the global, regional, national, sectoral, and local levels. Its four strategic objectives are mutually supportive:

- Employment—the principal route out of poverty is productive work.
- Rights—without them, men and women will not be empowered to escape poverty.
- Protection—social protection safeguards against poverty.
- Dialogue—participation of employer and worker organizations are a key element in shaping government policy for poverty reduction.

Source: Adapted from International Labour Organization (www.ilo.org/decentwork/).

Employment to population ratios

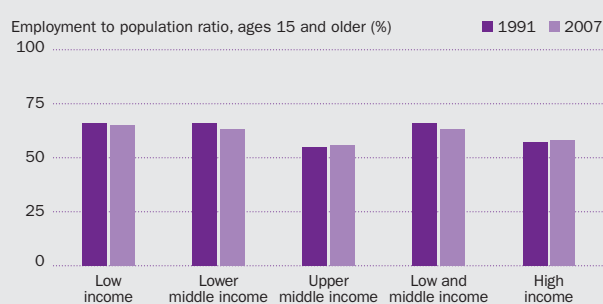
The employment to population ratio—the number of people employed as a percentage of the population for the corresponding age group (ages 15 and older or ages 15–24) and sex—is a good indicator of the efficiency of an economy in providing jobs. Although there is no optimal employment to population ratio, most economies have ratios in the range of 55–75 percent. Ratios above 80 percent could point to an abundance of low-quality jobs.

The ratios for people ages 15 and older changed little between 1991 and 2007 (figure 2c), but they hide wide variations across regions (figure 2d). Developed economies have lower ratios than developing economies because their higher productivity and incomes require fewer workers to meet the needs of the entire population.

For developing economies there is no correct, or optimal, ratio. During the development process employment to population ratios and poverty indicators can both be high because people must work to survive, which is the case for some countries in South Asia and Sub-Saharan Africa (figure 2e). When unemployment rates are very high, signifying

Employment to population ratios have not changed much over time. . .

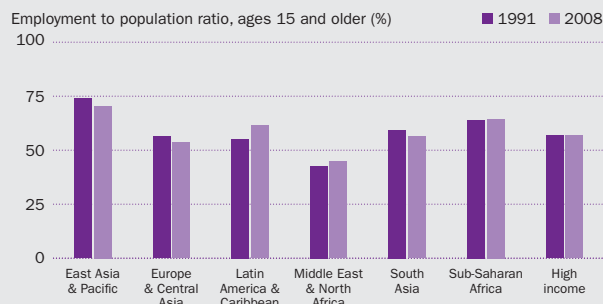
2c



Source: ILO database Key Indicators of the Labour Market, 5th edition.

. . . But variations are wide across regions

2d



Source: ILO 2008.

that people are looking for work but not finding it, efforts are needed to increase the employment to population ratio. Efforts to boost ratios are also needed when unemployment rates are low as a result of discouragement, indicating that people may have given up hope of finding a job. On the other hand, increases in employment to population ratios should be moderate, since sharp spikes could be the result of a decline in productivity.

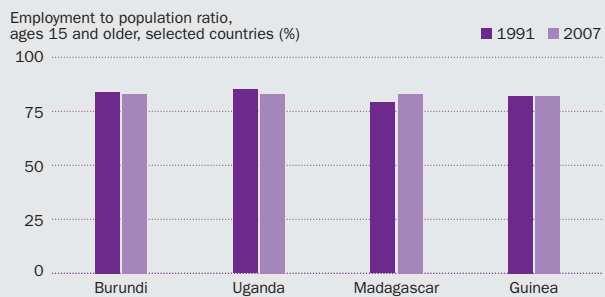
Two regions experienced increases in employment to population ratios over this period: Latin America and the Caribbean and Middle East and North Africa. In both, the increases were fueled by increases in the labor force participation of women. But despite this, the employment to population ratio in the Middle East and North Africa remained the lowest in the world.

Globally, employment to population ratios are lower for women than for men, resulting in a large untapped potential of female labor (figure 2f). The Middle East and North Africa has the largest gender gap, attributable to low participation of women in the workforce. The opposite is true in East Asia

and Pacific, where the high employment to population ratio is in part explained by the high employment to population ratio for women, and the gender gap in employment to population ratios is the lowest of all regions. Gender gaps in these ratios may be the result of women choosing not to work, but especially in developing countries women are likely to face cultural or other constraints to labor market participation. If such constraints become less binding over time, ratios for women will gradually increase.

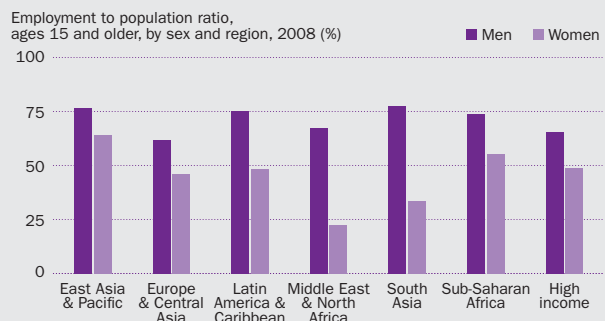
High ratios among youth, as in some East Asian and Pacific economies, indicate that more young people are working rather than attending school and investing in their future (figure 2g). A reduction in youth employment to population ratios can be a positive trend if related to increased enrollments. Ratios generally are negatively correlated to school enrollment: the higher the enrollment, the lower the employment (figure 2h). But Nigeria and Sudan have low secondary school enrollments and low youth employment, indicating that young people are neither working nor preparing for future work.

High employment to population ratios in some countries reflect high numbers of working poor 2e



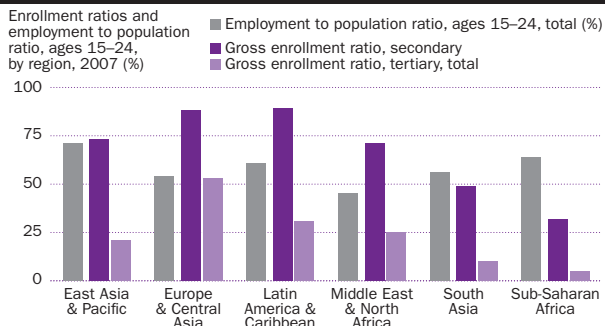
Source: ILO database Key Indicators of the Labour Market, 5th edition.

Fewer women than men are employed all over the world 2f



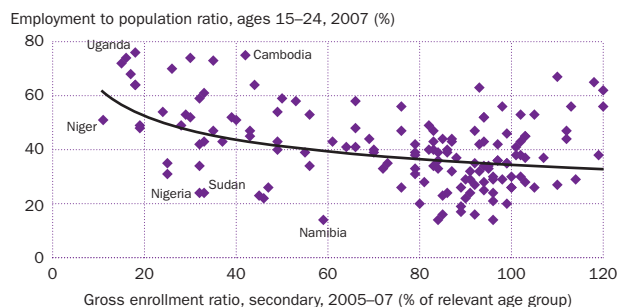
Source: ILO 2008.

Many young people are in the workforce, at the expense of higher education 2g



Source: UNESCO Institute for Statistics and ILO database Key Indicators of the Labour Market, 5th edition.

For many poor countries, there is a tradeoff between education and employment 2h



Source: UNESCO Institute for Statistics and ILO database Key Indicators of the Labour Market, 5th edition.

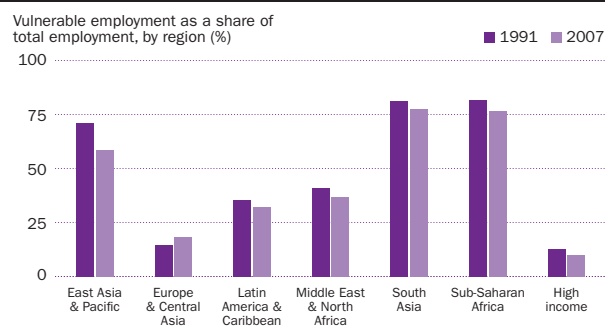
Share of vulnerable employment in total employment

The share of vulnerable employment in total employment captures the proportion of workers who are less likely to have access to social security, income protection, and effective coverage under labor legislation—and are thus more likely to lack critical elements of decent work. Such elements include mechanisms for dialogue that could improve their working conditions or ensure rights at work. The fact that the vulnerable are most likely to lack social protection and safety nets in times of low economic demand can increase their poverty, a big concern in the current global economic crisis.

Vulnerable employment accounted for just over half of world employment in 2007 (50.5 percent), down from 52.6 percent in 2000. It is very high in South Asia and Sub-Saharan Africa (figure 2i), accounting for three-quarters of all jobs, and in East Asia and Pacific. The lowest share of vulnerable employment outside high-income economies is in Europe and Central Asia. Women are more likely than men to be vulnerable (figure 2j), and the difference is more than 10 percentage points in Sub-Saharan Africa, South Asia, and the Middle East and North Africa. Shares of women in vulnerable employment are very low in high-income regions.

Although there are large regional variations in vulnerable employment . . .

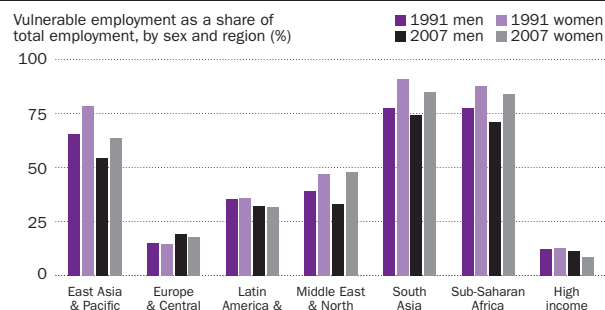
2i



Source: ILO 2008.

. . . Women are more likely than men to be in vulnerable employment

2j



Source: ILO 2008.

The share of working poor in total employment

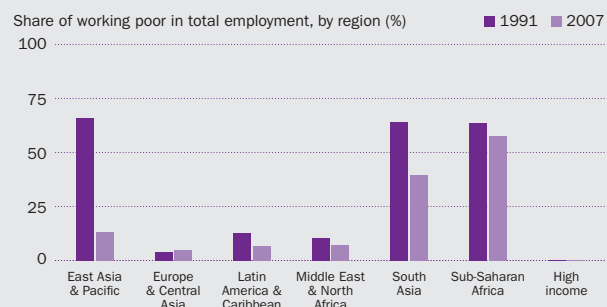
Working poor are employed people living in a household in which each member is estimated to be below the poverty line (\$1.25 a day). Measurements of the working poor indicate the lack of decent work: if a person's work does not provide a sufficient income to lift the family out of poverty, this work does not fulfill the income component of decent work. Unemployment is not an option for the poor, who have no savings or other sources of income and cannot rely on safety nets. Measuring decent work remains a challenge.

Harsh labor market conditions in South Asia and Sub-Saharan Africa are reflected in the share of working poor in total employment (figure 2k). Almost 60 percent of workers in Sub-Saharan Africa and 40 percent in South Asia are extremely poor (\$1.25 a day). It will take many years in these regions to make decent work for all a realistic objective. East Asia and Pacific advanced most toward improving the incomes of workers, reducing the share of working poor from 36 percent to 13 percent.

The global financial crisis, which has turned into a global jobs crisis, will likely increase the share of working poor and the share of vulnerable employment in developing economies. But with 2008 data not yet available for many countries, it is difficult to estimate the impact (box 2m).

Share of working poor in total employment is highest in South Asia and Sub-Saharan Africa

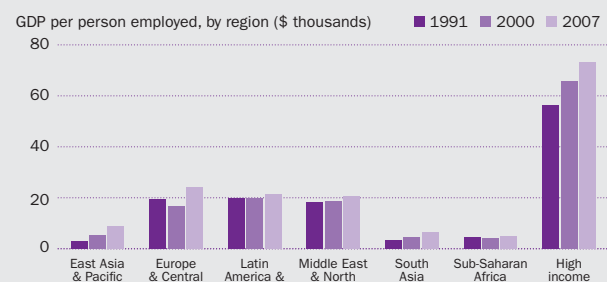
2k



Source: ILO 2008.

Labor productivity has increased across the world

2l



Source: ILO 2008.

Labor productivity growth rates

Labor productivity assesses the likelihood that an economy provides the opportunity to create and sustain decent employment with fair and equitable remuneration and better working conditions. Higher productivity improves the social and economic environment, reducing poverty through investments in human and physical capital, social protection, and technological progress.

Higher productivity comes from enterprises' combining of capital, labor, and technology. There has been an increase in labor productivity since 2000 across the world.

Productivity gains have been greatest in high-income economies and in Europe and Central Asia (figure 2I). Productivity increased slightly in Latin America and the Caribbean, and the share of working poor subsequently fell. The fairly low and often volatile productivity changes in Sub-Saharan Africa may explain the limited decline in workers in vulnerable employment there. The number of working poor is unlikely to decline without increased productivity.

Challenge of measuring decent work

The multifaceted Decent Work Agenda links full and productive employment with rights at work, social protection, and a social dialogue. A major challenge lies in refining indicators of the qualitative elements of decent work and collecting the data. Future action will include:

- Compiling definitions for statistical indicators based on agreed international statistical standards and providing guidance on interpreting indicators, including limitations and possible pitfalls.
- Carrying out developmental work on statistical indicators in areas highlighted by experts, such as maternity protection, paid annual leave, sick leave, and sustainable enterprises.
- Generating reliable and reproducible indicators to comply with fundamental principles and rights at work.

The indicators are a start at measuring progress toward decent work, but challenges remain, particularly for developing economies, at different stages of statistical development and with different statistical capacities.

Scenarios for 2008

2m

In response to the financial crisis and dwindling access to funding, many businesses are reducing operating costs by postponing investments and shedding workers. The economic weight and market size of the high-income economies, and the global linkages of the financial sector, mean that the crisis is hitting funding and export markets in other parts of the world, especially those for commodities.

Since data on working poverty and vulnerable employment are lacking for 2008, global scenarios for 2008 are presented instead (ILO 2009).

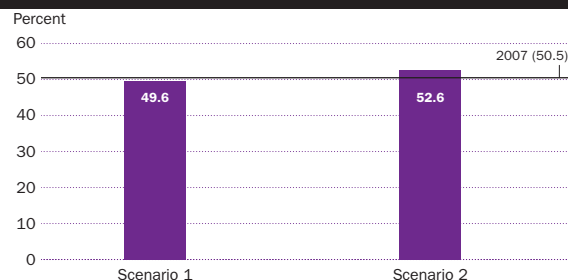
Both the share of working poor and workers in vulnerable employment will have increased in 2008, reversing the encouraging trends to 2007. The slight decline in vulnerable employment in recent years raised hopes that in 2008, for the first time, the share of workers in vulnerable

employment would fall below 50 percent (figure 1). But a second scenario finds it likely to rise to 52.6 percent. The projections in figure 2 would result in a decrease in the share of extreme working poverty in total employment from 2007 in the first and second scenarios. However, in the third scenario, the share would increase 4 percent over the share from 2007 (figure 2). Given the sharp decline in economic growth for many economies in 2008, the third scenario may be most likely.

The negative impact in these scenarios is realistic, since people who lose their wage and salaried employment will most likely end up out of work altogether or working as own-account workers and unpaid contributing family workers. And new entrants to labor markets will have fewer opportunities in wage and salaried jobs, most likely ending up in vulnerable employment.

Two global scenarios for vulnerable employment in 2008

Figure 1



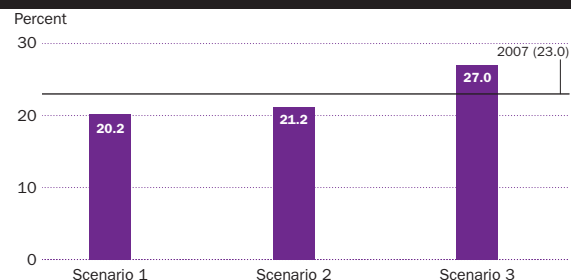
Source: ILO 2009.

Scenario 1. Based on labor market data to date and IMF November 2008 revised estimates for economic growth.

Scenario 2. Based on a simultaneous increase in vulnerable employment in all economies equal to half the largest increase since 1991 and IMF November 2008 revised estimates for economic growth.

Global scenarios for working poor (\$1.25 a day) in 2008

Figure 2



Source: ILO 2009.

Scenario 1. Based on labor market data to date and IMF November 2008 revised estimates for economic growth.

Scenario 2. Based on a 5 percent higher poverty line.

Scenario 3. Based on a 10 percent higher poverty line.