

**WORLD EMPLOYMENT REPORT 2004-05**  
**EMPLOYMENT, PRODUCTIVITY AND POVERTY REDUCTION**



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## **2004-05**

**EMPLOYMENT, PRODUCTIVITY AND POVERTY REDUCTION**

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## Preface

Productive employment is the economic foundation of decent work. Laying this foundation is the central challenge we now face. Decent and productive employment remains only an aspiration for many hundreds of millions of people, frustrated by a reality of rising unemployment or employment that does not provide the chance to escape poverty.

Access to productive work that provides an adequate income for working women and men and their families is the surest route out of poverty. The slow-down in the rate of poverty reduction since 1990 bears witness to the fact that much more needs to be done to meet the widespread call to “give workers a fair chance at a decent job”. A rapid fall in the numbers living in absolute poverty in China and other Asian countries in the 1980s gave way to a slower pace of poverty reduction in the latter part of the 1990s. Throughout this period poverty has continued at very high levels in large parts of Africa.

Increased focus on the generation of decent work opportunities is central to achieving the goals established by the United Nations Millennium Summit. The Millennium Development Goals underscore the need for “decent, productive employment” for young people, echoing the call for the promotion of “freely chosen, productive employment” in the ILO’s Convention concerning Employment Policy (No. 122).

In most of the developing world, “employment” and “unemployment” are crude measures of the state of people’s livelihoods and life chances. More than three times the number of unemployed people in the world are indeed “employed”, but under conditions so poorly remunerated as to prevent them and their families from earning more than US\$1 a day per person. “Unemployment” as such is thus only the tip of the iceberg of the decent work deficit. We need not just more, but better jobs.

Thus, a major policy priority, as articulated in the recent report of the World Commission on the Social Dimension of Globalization, is to make “decent and productive employment” a central, rather than residual, objective of macro-economic and social policies for a fair globalization.<sup>1</sup>

This *World Employment Report* takes as its starting point that, in today’s world of widening inequality, productivity performance is a central issue for all policy-makers concerned with a more equitable, pro-poor pattern of world development. Productivity growth, after all, is the engine of economic growth, and it is only through increases in productivity that economies are able to sustain the levels of economic growth needed to increase opportunities for decent and productive work.

The *World Employment Report 2004-05* brings together three linked themes: employment, productivity and poverty reduction. Investing in improvements in

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<sup>1</sup> The report of the Commission, *A fair globalization: Creating opportunities for all*, was published in February 2004 and is available at [www.ilo.org/public/english/fairglobalization/report/index.htm](http://www.ilo.org/public/english/fairglobalization/report/index.htm)

productivity enables working men and women to obtain income and assets to lift themselves out of poverty. With decent and productive jobs, workers can invest in the health and education of their children, and thus in the future of the economy as a whole.

The main aim of this Report is to explore the evidence regarding the impact of productivity performance on both employment growth and poverty reduction. The Report finds that there are tradeoffs to be made in striking the right policy balance between employment and income growth, and between productivity growth and poverty reduction. The Report tackles four questions central to narrowing the decent work deficit in the world.

- How do we ensure that we get the right balance between productivity growth and job creation for each country?
- Since agriculture remains a major part of the economy in most developing countries and employs a very large number of the world's poorest people, what are the most appropriate rural development policies for the improvement of productivity, the generation of decent work opportunities and for fostering poverty-reducing growth?
- Productivity growth depends on both worker and capital mobility between firms and sectors and also on employment stability to ensure continuous quality improvement in successful enterprises. How do we balance flexibility and security in the labour market to promote economy-wide productivity growth?
- Productivity performance varies widely between firms, with larger, more heavily invested companies generally having higher levels of performance than smaller firms. Policies which enable smaller firms to close this productivity gap will have a big impact on a country's economic performance. Which policies work best for small and medium-sized enterprises?

The Report concludes that bridging the "global productivity divide" is an important channel towards achieving the "fair globalization" called for by the World Commission on the Social Dimension of Globalization, as well as the chief means towards the reduction of poverty. The Report argues that the focus needs to be on the parts of the economy where the majority of people work – such as in agriculture, small-scale activities in the urban and rural informal economy, and in services as well as manufacturing.

Increasing opportunities for decent work is central to shaping a fair globalization and creating an enabling environment for the achievement of the goals of the Millennium Declaration. This will entail crucial choices about the pattern of development. Dialogue, involving trade unions, employers' organizations and others, is vital to finding the right balance of policies for employment creation, productivity growth, and poverty reduction. This Report will help inform and enrich that dialogue.

Juan Somavia  
Director-General  
November 2004

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