

EXECUTIVE SUMMARY



International
Labour
Organization

WORLD EMPLOYMENT SOCIAL OUTLOOK

**2016 Transforming jobs
to end poverty**

Poverty has been reduced in the majority of countries over the past two decades ...

Over the past two decades, significant progress has been made in reducing poverty in the majority of countries. In emerging and developing countries, taken as a whole, it is estimated that nearly 2 billion people live on less than \$3.10 per day (adjusted for cost-of-living differences across countries). This represents around 36 per cent of the emerging and developing world's population, which is nearly half the rate that was observed in 1990, when the initial international commitments to reduce poverty were undertaken. During the same period, extreme poverty – defined as people living on less than \$1.90 per day – declined at an even faster rate to reach 15 per cent of the total population of emerging and developing countries in 2012, the latest available year.

... but the gains have been uneven and fragile, particularly in developed countries where an increase in poverty has been recorded.

Progress, however, has been uneven. While improvements have been significant in a number of countries, notably China and much of Latin America, the incidence of poverty remains stubbornly high in Africa and parts of Asia. Moreover, in developed countries, an increase in poverty has been recorded, especially in Europe. It is estimated that, in 2012, over 300 million people in developed countries were living in poverty (defined in relative terms on the basis of incomes representing less than 60 per cent of the median income).

The gains have also been uneven across population groups. Poverty affects women disproportionately, and children to an even greater extent. In emerging and developing countries, more than half of all children under the age of 15 live in extreme or moderate poverty. In developed countries, 36 per cent of all children live below the relative poverty line.

Even where progress has been made, gains remain fragile. A significant proportion of those who moved out of poverty continue to live on just a few dollars per day, often with limited access to essential services and social protection which would allow them to exit precarious living conditions on a more permanent basis. Also, in those developed countries where quality jobs are scarce, there is growing anxiety among middle-class families about their ability to sustain their income position.

Similarly, the recent deterioration of economic prospects in Asia, Latin America, the Arab region and those countries rich in natural resources has begun to expose the fragility of the recent employment and social advances. Already, in a number of these countries, income inequality has begun to rise after being in decline for decades and thus a reversal of some of the progress made to date in tackling poverty is not inconceivable. Likewise, latest trends suggest a further escalation in relative poverty levels in Europe and other developed countries.

Without further progress in creating quality jobs, the goal of ending poverty by 2030 will not be met.

A continuation of the uneven and fragile progress in reducing poverty may compromise the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations in September 2015, including both SDG 1 – to end poverty in all its forms and everywhere by 2030 – and many of the other SDGs. Furthermore, the poor may completely miss out on the technological revolution which is transforming today's economies and societies. Already, although they represent 30 per cent of the world's population, the poor receive less than 2 per cent of the world's income. So, unless action is taken, poverty will tend to perpetuate itself across generations. This may exacerbate socio-economic instability and erode support for pro-growth policies.

A key finding of the study is that it will not be possible to reduce poverty in a lasting manner without decent work. In other words, decent work is a necessary (though not sufficient) condition for eradicating poverty. ILO estimates suggest that nearly \$10 trillion is needed to eradicate extreme and moderate poverty by 2030. However, this cannot realistically be achieved by income transfers alone. The solution requires more than simply the availability of resources. Indeed, the ability of people to sustain themselves through good jobs will need to be enhanced. Almost one-third of the extreme and moderate poor in emerging and developing countries actually have a job. However, these jobs are vulnerable in

nature: they are sometimes unpaid, concentrated in low-skilled occupations and, in the absence of social protection, the poor rely almost exclusively on labour income. In addition, two-thirds of the jobs are in typically low-productivity agricultural activities.

Among developed countries, a greater number of workers have wage and salaried employment, but that does not prevent them from falling into poverty. In fact, more than 80 per cent of the working poor in developed countries are in wage and salaried employment. Without an adequate supply of decent work opportunities, it will be difficult for the working poor to improve their working conditions, acquire a career and thus lift themselves and their families out of poverty.

It is therefore crucial to tackle the obstacles to ending poverty through a transformation of jobs ...

The report highlights the fact that a number of key structural obstacles are impeding quality employment creation and poverty reduction.

First, a narrow economic base has impeded the pace of poverty reduction. In fact, countries whose exports depend on natural resources and primary goods have seen the smallest improvements in this regard. And, in some of these countries, economic growth actually seems to have exacerbated poverty. This is mainly due to the fact that exports of primary products, especially those related to extractive industries, typically have limited spillover effects on the rest of the economy. As a result, their direct impact on job creation and poverty reduction, if any, remains modest. Narrowly based economic growth also exacerbates income inequality, as the benefits are concentrated among small groups of people who are better placed to capture the gains. The presence of a large informal and rural economy compounds the problem of the weak link between the exploitation of natural resources and poverty reduction.

Second, widening income inequality – resulting from a number of factors in addition to those already discussed – has tended to dampen growth and its impact on poverty reduction. More specifically, in a world of limited resources, as greater gains from growth go to the rich, so the scope for reducing poverty is reduced. This finding points to the fact that the rich must assume a certain responsibility for the perpetuation of poverty.

Third, poverty is often the product of a weak institutional set-up, which effectively marginalizes vulnerable groups. Such weaknesses include a combination of limited worker rights, insufficient progress in setting up solid labour market institutions, inadequate environments for enterprise development and inefficient or corrupt governance arrangements. In many instances, employment and social programmes have failed to make significant progress in reducing poverty because, lacking adequate implementation capacity, they were unable to reach the poor. This is increasingly becoming a problem in some developed countries as well.

The report shows that each of these three obstacles can be addressed through decent work and by enhancing the ability of enterprises to create quality jobs.

... first, by broadening the productive base through the promotion of sustainable enterprises ...

For economic growth to facilitate poverty reduction, it needs to be broad-based and avoid the neglect that has sometimes characterized policy-making towards sectors such as agriculture. Raising the productivity of independent smallholder farmers is a key policy lever in tackling this issue and requires a range of interventions, including research and development, the supply of agricultural inputs and improved access to credit services, transport links and markets. Agricultural cooperatives can make important contributions in this respect. In Ethiopia and Nicaragua, for example, such arrangements have improved the connections between agriculture and the rest of the economy, while also strengthening the position of farmers in negotiating market access.

Boosting development of the rural non-farm economy is another key factor. Many households in extreme poverty lack the resources to take advantage of opportunities for agricultural productivity growth, but are well placed to diversify their livelihoods by establishing small off-farm businesses. A combination of initiatives is required to stimulate rural enterprise creation, in particular by helping small businesses to grow and upgrade their activities. Much of the progress in reducing poverty in China reflects such an approach to rural development. Of course, unless this is accompanied by improvements in working conditions in general, and in the rural economy in particular, any reduction in poverty will remain incomplete and fragile.

Promoting the transition to the formal economy and formal employment arrangements is the sine qua non for ending poverty. This will ensure that individuals have access to social protection, minimum wages and other employment and income support, which is central to poverty reduction. It will also help to strengthen the links between growing, export-oriented sectors and the rest of the economy.

In general, boosting sustainable enterprises is key. This calls for major adjustments in business regulations and a sound environment for facilitating the setting-up of new enterprises as well as the growth of existing ones. Moreover, the formalization of economic activities and jobs will boost the tax base, which is needed to fund poverty-reducing programmes. The report provides examples of country initiatives in this area, such as in some Central and Eastern European countries, Ghana and Uruguay.

... second, by strengthening rights ...

Although broad-based growth provides the economic foundation to improve the income of the poor, it is not enough. The poor and vulnerable groups need to be in a position to benefit from those opportunities in the manner that best suits their needs and aspirations. At the individual level, people should have some choice with respect to the type of job they perform and, in particular, they should be able to refuse unacceptable forms of work. On a collective level, the poor and vulnerable should have a voice and the capacity to influence policy-making in favour of measures that support their livelihoods, such as skills development, health and safety measures, collective bargaining, social protection and anti-discrimination. In short, fighting poverty requires both individual and collective capabilities.

International labour standards are of paramount importance in this regard. They are intended to equip workers with rights entitling them to claim a fair share of economic growth, thus tackling working poverty and inequality. The report identifies a number of key standards that are of particular relevance in the fight against poverty. They include, among others, the eight ILO fundamental Conventions, which provide framework conditions for fair income distribution. The UN Declaration on the Rights of Indigenous Peoples is another case in point as it can empower local communities if properly observed. Standards are also necessary for social dialogue, so that employer and worker organizations can express their views and help design effective policies for ending poverty.

Yet, the report points to gaps in ratification and compliance with some of the most vital Conventions, in both developing and developed countries. Coverage of certain workers and enterprises – such as unpaid family work and informal businesses – is limited in a number of cases, with consequent implications for effective poverty reduction.

So, it is crucial for poverty reduction to ensure that international labour standards reach the poor. The recently adopted ILO Convention on Domestic Workers (No. 189) is an example of what can be done in this respect. Private businesses also have an important role to play in enhancing the potential of standards to reduce poverty and there is further scope to engage them more actively. Furthermore, by enhancing the capacity of labour inspectorates and by promoting collaboration between enforcement institutions and other government services, as well as private entities, governments can improve the reach of rights.

... and labour market institutions ...

Labour market institutions are an essential complement to international labour standards in terms of reaching the poor. These efforts must be supported through effective labour administrations and inspections, and enhanced access to justice. Various countries have effectively covered traditionally vulnerable groups by implementing legislation consistent with international labour standards, such as in the case of contributing family workers in Honduras. In Mozambique, the labour inspectorate works closely with governmental legal assistance services and, in Brazil, the Labour Prosecution Service works to improve access of the most vulnerable to judicial systems. Furthermore, labour inspectorates can link with technical services to provide advice to enterprises on productivity improvement, as in the case of the WIND project in Thailand.

Another central channel is through the establishment of an enabling environment for representative employer and worker organizations. This enabling environment includes, as an essential element, freedom of association, which also helps to ensure a more effective and inclusive process leading to the achievement of the SDGs, as strong social partners are able to contribute to improving the accountability of government policies. By extending their reach to emerging forms of work, both worker and employer organizations can play a crucial role in the design of poverty eradication strategies. Tunisia provides a recent illustration of the strategic role of social partners in formulating youth employment strategies, which are essential for ending poverty.

... third, by enhancing the effectiveness of employment and social policies and extending their reach ...

Employment and social policies can help individuals to find a job, improve their existing working and income conditions and assist them in transitioning to new – and better – jobs. The report provides many examples of such policies, in both developed and developing countries. One general lesson that emerges is that it is crucial to conceive these policies as part of a strategy with a view to improving synergies between the different tools.

For instance, the Ethical Family Income programme (*Ingreso Ético Familiar*) is a key component of Chile's strategy to eradicate poverty by 2018. The programme aims to expand the coverage and increase the values of transfers but it also incorporates new forms of employment support and thus places greater recognition on the importance of enabling households to lift themselves out of poverty and to sustain themselves by their own means. The achievement of relatively low poverty rates in some developed countries (Japan and certain northern European countries, for example) has been aided by the implementation of a well-designed package of employment and social policies. Such policies often have a targeted component (e.g. lone-parent families) to address groups disproportionately hit by poverty.

Social dialogue can strengthen policy synergies. Through social dialogue, policies can be put in place and enforced to ensure that responsibility is shared and accountability boundaries drawn between different actors. Social dialogue may also serve as a device to counter corruption and to promote solid governance structures.

... and, finally, by devoting sufficient resources to the strategy.

Many of the policy tools identified in this report entail a reorientation of existing efforts, rather than new resources. A policy focus on decent and productive jobs, improvements in regulatory and implementation tools and making international trade and investment more socially inclusive with a view to tackling inequalities may be complex tasks, but they do not require significant additional government resources.

Nevertheless, there are cases where public funds are called for, such as the extension of social protection floors and the reinforcement of labour market institutions. Yet, in many instances, measures can be fiscally neutral or even positive. For example, formalizing the informal economy may usefully broaden the tax base. In the case of some Latin American countries, the introduction of a simplified tax collection scheme (known as *monotributo*) has proved to be an effective instrument for promoting the formalization of micro and small businesses, which has, in turn, significantly contributed to the creation of formal jobs and the extension of social security. This process raises government receipts, which enables the implementation of additional poverty-reducing efforts.

This approach may still prove to be insufficient in developing countries, which highlights a new role for development aid, with greater focus on programmes to generate decent work. The fight against international tax competition and tax evasion should also be regarded as an opportunity to fund poverty-reducing programmes. And those who benefit from such tax practices should be made fully aware of the gravity of their responsibility.

The future of work and the end of poverty: Two faces of the same coin.

Finally, the fight against poverty should take into account developments which are currently shaping the world of work. Rapid technological change and the emergence of new patterns of globalization, including the extension of global value chains, offer new opportunities for reaching remote areas, making policy tools more responsive and improving institutional frameworks. The proliferation of mobile devices and their use in enterprise development in Africa provides a ray of hope in the fight against poverty.

However, these potential benefits will not be realized automatically and do entail new risks, especially for vulnerable groups, which may lack adequate skills or sufficient bargaining strength to share in the gains. It is therefore a matter of urgency for countries to move ahead with the kind of strategy advocated in this report, adapting it to the ongoing transformations in the world of work. Provided this path is followed, the dynamics within the future of work could prove a major driver in ending poverty and thereby make a vital contribution to the realization of the 2030 Agenda for Sustainable Development.