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Statement by Mr. Guy Ryder, Director-General, International Labour Organization, to the IMFC

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Summary

• An estimated 8.8 per cent of total working hours, equivalent to the hours worked in one year by 255 million full-time workers, were lost globally in 2020 and global labour income is estimated to have declined by 8.3 per cent. Lower-middle-income countries experienced the greatest losses in working hours, which stood at 11.3 per cent, and in labour income, amounting to 12.3 per cent. Women in the informal economy, children and migrant workers were disproportionately impacted.

• About 88 per cent of global government spending to mitigate the effects of the crisis during the early phase of the pandemic has been in advanced economies. The unprecedented social protection and labour market measures were mostly implemented in advanced economies, leaving 53.1 per cent of the global population unprotected.

• A human-centred recovery from the crisis is urgently needed, based upon inclusive economic growth and employment, protection of all workers, universal social protection and social dialogue.

• The policy window for embarking on a high-road strategy in support of robust social protection systems needs to be seized in order to make rapid progress towards universal social protection systems while preparing for present and future challenges.

• A green and just transition holds massive potential for all countries, particularly by investing in more sustainable and diversified economies as well as in the creation of new productive employment opportunities.

• It is time to show solidarity and to increase investments in universal social protection, decent work and gender equal societies. These areas of priority require committed financing from all sources for the short, medium and long term.

• The UN Secretary-General has launched, jointly with the ILO, a Global Accelerator for Jobs and Social Protection with the aim of creating at least 400 million jobs by 2030, primarily in the green and care economies, and extending social protection floors to over 4 billion people currently not covered.

• The advances made through the Financing for Development Initiative need to be taken forward and to scale not just to address the imminent debt crisis, but to unleash investment in an inclusive, sustainable and resilient recovery, rechannelling the IMF’s unprecedented allocation of Special Drawing Rights (SDRs) of US$650 billion to those countries and purposes that need it most.

• As proposed in the Secretary-General’s report, “Investing in Jobs and Social Protection for Poverty Eradication and a Sustainable Recovery”, the ILO will convene a multilateral forum in 2022 to review and accelerate progress towards a job-rich, green, gender-responsive, socially inclusive and human-centred recovery.
Economic and social outlook

A two-track recovery

The COVID-19 pandemic is the most serious global public health and socioeconomic crisis the world has faced in the past century, exacerbating pre-existing and systemic inequalities and threatening the long-term livelihoods and well-being of hundreds of millions of people.¹ The recovery is deeply uneven, spurred by vast differences between advanced and developing economies in access to vaccines, the fiscal capacity and ability of governments to respond, a growing digital divide and the threat of a looming debt crisis. This two-track recovery is creating a great divergence, which puts the recovery itself at risk and undermines trust and solidarity.

In 2020, an estimated 8.8 per cent of total working hours, equivalent to the hours worked in one year by 255 million full-time workers, were lost globally. Lower-middle-income countries experienced the greatest losses in working hours, which stood at 11.3 per cent, while low-income countries experienced the lowest working-hour losses of all country income groups, at 6.7 per cent. Global labour income is estimated to have declined by 8.3 per cent in 2020 relative to 2019. The estimates indicate that the greatest labour income loss, amounting to 12.3 per cent, was experienced by lower-middle income countries.²

A disproportionate impact on the most vulnerable

The impacts of the pandemic on the world of work disproportionately impacted the most vulnerable, especially women in the informal economy. Workers in the informal economy have been three times more likely to lose their jobs than those in formal employment and have suffered from a disproportionate decline in their income. Women’s employment declined by 5 per cent in 2020, compared with 3.9 per cent for men. Additionally, 90 per cent of women who lost their jobs in 2020 exited the labour force, often due to intensified care responsibilities.³

Children were particularly impacted. Child labour, which was already on the rise before COVID-19, is projected to increase by an additional 9 million to a total of 169 million children by the end of 2022, if current trends are not reversed.⁴ COVID-19-related containment measures have disproportionately impacted migrant workers and the channels for seasonal labour migration have been affected, with

implications for both the livelihoods of seasonal migrant workers and the business operations of their employers.⁵

Governments across the world have implemented an unprecedented employment and social protection response to protect people’s health, employment and incomes. Approximately 1,700 social protection and labour market measures were rolled-out. But while these measures acted as important shock absorbers, they remained insufficient to mitigate the full impact of the crisis and were mostly implemented in advanced economies, leaving 53.1 per cent of the global population unprotected - some 4.14 billion people. Despite the disproportionate impact of the crisis on women’s employment and incomes, only 13 per cent of these measures were aimed at strengthening women’s economic security and only 11 per cent provided support in the face of rising unpaid care demands.⁶ Additionally, in many countries, social protection measures, including income support, have been temporary or ad-hoc in nature and now risk being rolled-back despite their positive impact on poverty prevention and mitigation.⁷

A persistent and growing financing deficit in social protection

The pandemic caused the financing gap for social protection to widen by approximately 30 per cent. To guarantee at least a basic level of social security through nationally defined social protection floors, lower-middle-income countries would need to invest an additional US$ 362.9 billion annually, and upper-middle-income countries a further US$ 750.8 billion annually, equivalent to 5.1 and 3.1 per cent of their GDP, respectively. Low-income countries would need to invest an additional US$ 77.9 billion annually, equivalent to 15.9 per cent of their GDP.⁸ The fiscal stimulus gap for economic and labour market recovery is also estimated at around US$ 982 billion in low-income and lower-middle-income countries (US$ 45 billion and US$ 937 billion, respectively). This gap represents the resources that these countries need to match the average level of stimulus relative to working-hour losses in high income countries.⁹

The persistent and growing financing gap has been further exacerbated by uneven levels of private investments and declining trade within and between countries. Medium-sized, small and micro-enterprises were 50 per cent more likely to face significant financial difficulties due to the crisis than their larger counterparts.¹⁰ Foreign direct investment declined by 42 per cent, remittances by 7 per cent¹¹ and global trade by approximately 9 per cent in 2020, with trade in services decreasing 16.5 per cent.¹²

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⁸ Ibid.
¹² UNCTAD, Global Trade Update, February 2021.
These trends have placed even greater pressure on the fiscal capacity of developing countries, many already burdened by high debt levels, to implement stimulus response measures. While the global fiscal response to the crisis amounted to US$ 16 trillion between March 2020 and March 2021, this support has largely been rolled out in advanced economies, which were able to mobilize their social protection systems and labour market policies. Many developing countries, however, constrained by plunging revenues and rising debt burdens, were unable to mount a similar stimulus response. About 88 per cent of global government spending to mitigate the effects of the crisis during the early phase of the pandemic has been in advanced economies. The average stimulus per capita spending in developed countries was USD 10,000 compared to USD 20 in LDCs in 2020.

**A situation aggravated by the climate crisis**

Climate change and environmental degradation are likely to further compound these risks, as natural disasters wipe out years of development progress, undermine global employment and add to national debt burdens. An estimated 1.2 billion jobs depend on the environment, in particular in farming, fishing and forestry, the equivalent of 40 per cent of the global labour force. To protect livelihoods, it is essential that climate action and decent work are pursued in tandem to support a just transition towards the 1.5-degree target pledged at the Paris Climate Summit, while creating millions of new and decent employment opportunities in the growing net-zero economy. Comprehensive social protection systems will facilitate a green and just transition, as they can improve the resilience of people and countries affected by climate hazards while promoting the ecological transformation needed to mitigate the scale of global warming. Further, to tackle gender segregation and inequalities in the world of work, social protection and labour market measures must be carefully designed to ensure that women are among the beneficiaries from new green jobs.

It is time to show solidarity and to increase investments in universal social protection, decent work and gender equal societies. These areas of priority require committed financing from all sources for the short, medium and long term.

**National strategies for human-centred recovery**

At the 109th International Labour Conference in June 2021, representatives of governments, employers’ and workers’ organisations of the ILO’s 187 Member States adopted a Global Call to Action for a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilient. The Global Call commits the ILO’s constituents to place the aim of decent work, the needs of the most vulnerable and

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hardest hit by the pandemic and support for sustainable enterprises, employment and incomes at the heart of national strategies to build forward better from the crisis.\(^\text{17}\)

A human-centred recovery from the crisis calls for inclusive economic growth and employment, protection of all workers, universal social protection and social dialogue, not only to improve people’s living standards and reduce inequalities, but to empower people to navigate the challenges imposed by a rapidly changing world of work and by the green transition required to meet the goal of net zero emissions by 2050.

**The high road to social protection**

Countries stand at a crossroad, facing a choice over the future of their social protection strategies.\(^\text{18}\) Based on the lessons learnt from the COVID-19 crisis, many countries have taken the first step towards a ‘high road’ in support of a human-centred and resilient recovery by investing in universal, comprehensive, adequate and sustainable social protection systems, in line with human rights principles and international social security standards. Without adequate financing and political will, however, governments could fall back on a ‘low-road’ turn, marked by minimal benefits and wide coverage gaps. Moreover, COVID-19 presents a critical opportunity to ensure that social protection strategies are inclusive, leave no one behind and have the capacity to respond to multiple and compounding crisis effectively. The policy window for embarking on a high-road strategy in support of robust social protection systems will not remain open indefinitely. Governments must seize upon the momentum created by the current crisis to make rapid progress towards universal social protection systems while preparing themselves for present and future challenges.

**The green road to decent work and social justice**

A green and just transition holds massive potential for all countries, particularly by investing in more sustainable and diversified economies as well as in the creation of new productive employment opportunities.

Such investments are crucial for rural economies, which account for more than two in five of the world’s workers, who often work informally. Expanding green infrastructure in rural areas would help small-scale farmers to have access to renewable energies and enhance productivity and sustainability, which are key to the creation of decent work and poverty reduction. Combined with better access to digital technology, these investments will facilitate the transition to formal employment.

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To benefit from these opportunities, the transition to renewable energy-based economies will require comprehensive packages of support for countries and regions that rely heavily on revenues and work generated by the fossil fuel industry. The financing needs are significant, but these investments would yield enormous returns in the long-term, adding 4 per cent to Global Domestic Product (GDP) by 2030, while potentially generating over 100 million jobs by 2030.19 With women accounting for 32 per cent of the renewable energy workforce compared with 22 per cent for the overall energy sector, the transition could also contribute significantly to closing the gender employment gap if well-designed policies and targeted funding are put in place.

A just transition is thus necessary to seize the benefits of this economic transformation, while effectively managing its risks. Investing in social protection, productive employment, re-skilling and up-skilling in support of the green economy will be essential in that regard and to protect populations at increased risk of climate-related hardship.

A Global Accelerator for Jobs and Social Protection

To enhance multilateral cooperation to achieve the goals of a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilient, the UN Secretary-General has announced the launch of a Global Accelerator for Jobs and Social Protection, together with the ILO and in close collaboration with other United Nations entities, governments, social partners, the private sector and civil society. It is an initiative to enhance multilateral cooperation in the social sphere, in line with the Secretary-General’s report, Our Common Agenda. The Accelerator builds upon pre-existing initiatives with the aim of bringing stakeholders together to achieve universal social protection and green and job-rich economic development, and put the world back on track to achieve the UN 2030 Sustainable Development Agenda.

The Accelerator aims to create at least 400 million jobs, primarily in the green and care economies, and extend social protection floors to the 4.14 billion men, women and children currently not covered by any social protection measure by 2030. This would require:

- US$ 982 billion in fiscal stimulus measures to respond to the immediate labour market shocks of the crisis and to support a just transition, building systems when needed; and
- US$ 1.2 trillion annually for social protection floors in low- and middle-income countries.

The investments required should be generated from a combination of domestic and international resources, with social protection and just transition a focus in the attribution of additional finance. 20 In this context, the IMF’s unprecedented general allocation of Special Drawing Rights (SDRs) of US$650 billion to foster the resilience and stability of the global economy needs to be rechannelled by their initial recipients, mostly the advanced economies, to those countries and purposes that need it the most.

The Accelerator will require additional ODA allocations for countries in special situations, including to support the transition from humanitarian financing towards sustainable social protection systems, just transition and job-rich recovery strategies in fragile contexts. It will also play a critical role in crowding in expertise and resources of the private sector.

The operationalisation of the Accelerator will build on solid foundations:

- the Climate Action for Jobs Initiative can and must be scaled up to promote just transition to carbon neutrality as we head for COP 26.
- the USP 2030 Global Partnership provides a rallying point for universal social protection.

The advances made through the Initiative on Financing for Development in the Era of COVID-19 and Beyond likewise need to be taken forward and to scale not just to address the imminent debt crisis, but to unleash investment in an inclusive, sustainable and resilient recovery. The Accelerator provides a mechanism for this.

The Global Call to Action for a Human-Centred Recovery adopted by the ILO Conference in June 2021 commits the ILO to work with all others in the international system to these ends. The ILO will be convening a multilateral forum in the first half of 2022 with a view to reviewing progress and to scaling up commitments in support of Member States’ human-centred recovery strategies, including through joint initiatives and enhanced institutional arrangements among international and regional institutions.