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IMFC Statement by Guy Ryder,
Director-General
International Labour Organization

International Labour Organization

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

Washington D.C., April 21st, 2022

Summary

- The labour market recovery in 2022 will be slower than initially projected. Even before the Russian Federation's aggression against Ukraine, the deficit in hours worked globally was projected to be equivalent to 52 million full-time jobs relative to the fourth quarter of 2019.
- Global unemployment is expected to remain above pre-COVID-19 levels until at least 2023. The 2022 level is estimated to be at least 207 million, compared to 186 million in 2019.
- The war in Ukraine is already leading to a triple crisis – in finance, fuel and food – that will increase poverty and hunger and lead to substantially worse outcomes in the world of work.
- In addition, economic changes induced by the pandemic could become structural, with enduring implications for labour markets. There is uncertainty around whether the drop in working hours, employment and labour force participation is temporary, or whether the pandemic is expediting more structural labour market exits or labour-saving transformations – each of those requiring different courses of action.
- The International Labour Conference adopted in 2021 a Global Call to Action for a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilient, placing the aim of decent work, the needs of the most vulnerable and 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
- The UN Secretary-General's Global Accelerator on Jobs and Social Protection for Just Transition aims at creating at least 400 million jobs by 2030, primarily in the care and green economies, and extending social protection floors to over 4 billion people currently not covered.
- Plugging the existing, significant gaps in care services could generate close to 300 million jobs and create a continuum of care that would help to alleviate poverty, encourage gender equality and support care for children and the elderly.
- Just transitions to carbon-neutral societies can enable deeper ambitions for accelerated climate change mitigation and support the needed profound transformation of production and work away from fossil fuels.
- Transition finance is a crucial enabler to bring about a shift to carbon neutrality in a way that delivers positive social and economic outcomes. There are several levers that can be deployed by the financial sector, such as integrating decent work fully into their investments, engaging with investees and clients to promote social dialogue, ensuring access to finance for SMEs in green sectors, and robust just transition planning.
- Preventing inequalities from becoming entrenched requires a comprehensive human-centred policy agenda. The prerequisite is multilateral action and global solidarity – including with respect to vaccine access, debt restructuring and facilitating a green transition.

Economic and social outlook

Labour markets struggle to recover

With rising COVID-19 caseloads, higher inflation and the impact of the Russian aggression against Ukraine on the global economy, the outlook for 2022 remains fragile and the path to recovery slow and uncertain.

The labour market recovery in 2022 will be slower than initially projected. Even before the Russian Federation's aggression against Ukraine, estimations pointed to a deficit in hours worked globally equivalent to 52 million full-time jobs relative to the fourth quarter of 2019. While this latest projection is an improvement on the situation in 2021, it remains almost two per cent below the number of global hours worked pre-pandemic.[1]

Global unemployment is expected to remain above pre-COVID-19 levels until at least 2023. The 2022 level is estimated at, at least, 207 million, compared to 186 million in 2019. Additionally, the overall impact on employment is significantly greater than represented in these figures because many people have left the labour force. In 2022, the global labour force participation rate is projected to remain 1.2 percentage points below that of 2019.

The downgrade in the 2022 forecast reflects the impact that recent COVID-19 variants of are having on the world of work as well as significant uncertainty regarding the future course of the pandemic. Ongoing supply chain disruptions and high energy prices also impact the labour market.

Changes in market demand and rising online services, skyrocketing trading costs and pandemic-induced changes in labour supply have all created bottlenecks in manufacturing, impeding the return to pre-pandemic labour market conditions. Intense and prolonged supply chain shocks are creating uncertainty in the business climate and could lead to a reconfiguration of the geography of production, with significant implications for employment.

The war in Ukraine is already leading to a triple crisis – in finance, fuel and food – that will increase poverty and hunger and lead to substantially worse outcomes in the world of work.

The rise in prices of commodities and essential goods, while labour markets remain far from recovered, significantly reduces disposable income and adds to the cost of the crisis. Increasing food prices threatens food security. Food shortages emerged in Arab countries as wheat prices soar. Grains and vegetable oil from Ukraine and the Russian Federation are crucial to national diets across the region and the UN has warned the situation "could cause an escalation of hunger and poverty with dire implications for global stability"[2].

Going forward, policymakers face difficult choices, with important international spill-overs. Calls for monetary and fiscal policy to be tightened at a faster rate multiply to curb inflation. Yet, the economic recovery still requires macroeconomic support to be sustainable. Policy tightening and rising interest rates together with the supply shock from the war in Ukraine could lead to debt distress in several countries. Implementation of the G20 Common Framework for debt treatment beyond DSSI is a key priority and should be accelerated to address debt vulnerabilities.

Unequal impacts are deepening inequalities

The crisis is having a stark different impact across groups of workers and countries. These differences are deepening inequalities within and among countries and weakening the economic, financial and social fabric of almost every nation, regardless of development status. This damage is likely to require years to repair, with potential long-term consequences for labour force participation, household incomes and social cohesion.

Since the onset of the recovery, employment growth trends in low- and middle-income countries have remained significantly below those observed in richer economies, owing largely to the lower vaccination rates and tighter fiscal space in developing countries. The impact has been particularly serious for developing nations that experienced higher levels of inequality, more divergent working conditions and weaker social protection systems even before the pandemic

[1] ILO. 2022. World Employment and Social Outlook – Trends 2022. Geneva: ILO.

[2] IFAD. 2022. Press release No.: IFAD/11/2022

The disproportionate impact of the crisis on women's employment is expected to last in the coming years while the closing of education and training institutions "will have cascading long-term implications" for young people, particularly those without internet access.

As in previous crises, temporary employment created a buffer against the shock of the pandemic for some. While many temporary jobs were terminated or not renewed, alternative ones were created, including for workers who had lost permanent jobs. On average, the incidence of temporary work did not change.

There can be no real recovery from the global economic crisis without a broad-based labour market recovery. And to be sustainable, this recovery must be based on the principles of decent work – including health and safety, equity, social protection and social dialogue.

The recovery of labour demand to pre-crisis levels can be expected to take time. The sluggish and uneven recovery of working hours keeps labour incomes subdued. Since most workers in the world had insufficient, if any, income replacement, households were required to run down their savings. Higher commodity prices, including energy and food, are adding pressure to these already large challenges. The wage increases negotiated following the COVID-19 crisis are being eroded by higher inflation, with real wage growth very low or even negative in many countries. The effect is particularly pronounced in developing countries, where the share of economically vulnerable populations is larger, dependency on food imports greater and the size of stimulus packages has been smaller. The consequent loss in income is further depressing aggregate demand, creating a vicious circle that underscores the need for concerted policies to mitigate scarring, expedite labour market recovery, tackle inequities and reduce poverty, and return the global economy to a path of sustainable growth.

The pandemic has started to induce economic changes that could become structural, with enduring implications for labour markets. The confluence of various macroeconomic trends is creating uncertainty around whether the drop in working hours, employment and labour force participation is temporary, or whether the pandemic is expediting more structural labour market exits or labour-saving transformations – each of those requiring different courses of action.

▶ Building a Greener, More Inclusive Future

To prevent inequalities from becoming entrenched, urgent action is needed to create productive employment in the green, care and digital economies that contribute to a just transition to carbon neutral economies. This requires sustained investments in sectors with high productive employment potential as well as in social protection, which acts as an important shock absorber in times of crisis, including those caused by natural disasters. It also requires policies with a strong life-cycle approach, a focus on vulnerable groups and a rethink of social infrastructure more broadly.

The UN Secretary-General's Global Accelerator on Jobs and Social Protection for a Just Transition aims at creating at least 400 million jobs by 2030, primarily in the care and green economies, and extending social protection floors to over 4 billion people currently not covered.

Investing in care for a more gender equal world of work

Plugging the existing, significant gaps in care services could generate close to 300 million jobs and create a continuum of care that would help to alleviate poverty, encourage gender equality and support care for children and the elderly.[3]

There is a strong investment case for creating a transformative package of care policies, based on universal access, that would create a pathway for building a better and more gender equal world of work. Investment in gender equal leave, universal childcare and long-term care services could generate up to 299 million jobs by 2035 - 96 million direct jobs in childcare, 136 million direct jobs in long-term care, and 67 million indirect jobs in non-care sectors. Over three-quarters of these new jobs will be held by women and 84 per cent will be formal employment.

[3] ILO. 2022. Care at work: Investing in care leave and services for a more gender equal world of work. Geneva: ILO.

This would require an annual investment of US$5.4 trillion (equivalent to 4.2 per cent of total annual GDP) by 2035, some of which could be offset by an increase in tax revenue from the additional earnings and employment. Some countries are paving the way with massive investments in the care economy. Others will need support and increased fiscal space to follow suite.

Investing in the just transition to jump-start a healthier and greener recovery

Climate change and environmental degradation are already disrupting millions of jobs and livelihoods. Yet countless opportunities lie ahead to boost the economy and improve the quality of working lives. We have the opportunity to take action now to reduce carbon emissions while creating millions of productive jobs in the green economy. The reconstruction of the economic fabric and reduced dependency on fossil fuels should lay the foundations for environmentally sustainable and socially inclusive production and consumption as we move into the future.

The latest UN report by the Intergovernmental Panel on Climate Change (IPCC) says that without immediate and deep emission reductions across all sectors, limiting global warming to 1.5°C will be beyond reach. It also says that reducing global warming is possible if there are major transitions in the energy sector. This will involve a substantial reduction in fossil fuel use, widespread electrification, improved energy efficiency and the use of alternative fuels such as hydrogen, all of which will have implications for workers in carbon-intensive sectors.[4]

The IPCC report notes that "equity and just transitions can enable deeper ambitions for accelerated mitigation" and makes clear the transformational potential of just transition, saying it can "build social trust, and deepen and widen support for transformative changes". The Just Transition Declaration, agreed at the UN Climate Change Conference (COP26) in December 2021, recognizes the need to ensure that no one is left behind in the transition to net zero economies – particularly those working in sectors, cities and regions reliant on carbon-intensive industries and production. The Declaration reflects the ILO's 2015 Guidelines for a Just Transition, which outline the necessary steps towards well-managed, environmentally sustainable economies and societies, decent work for all, social inclusion and the eradication of poverty.

Transition finance is a crucial enabler to bring about a shift to carbon neutrality in a way that delivers positive social and economic outcomes. However, this does not happen by default. Many transition finance frameworks and instruments still do not explicitly address social and employment impacts. Developing investment strategies for quality employment creation and measuring these investments' employment impact form an integral part of just transition finance approaches.

There are key areas for transition finance to look out for, be it in financing green activities or in the decarbonisation of emission intensive ones. There are several levers that can be deployed by the financial sector to make a substantive contribution to a transition where benefits are shared widely and the most vulnerable are supported. For example, integrating decent work fully in financial investments, engaging with investees and clients to promote social dialogue, ensuring access to finance for SMEs in green sectors, and robust just transition planning.

▶ Prevention of scarring requires a comprehensive human-centred policy agenda

We have a joint responsibility to rebuild the global economy in ways that address systemic and structural inequalities and other long-term social and economic challenges that pre-date the pandemic. The prerequisite for achieving such resilience is multilateral action and global solidarity – including with respect to vaccine access, debt restructuring and facilitating a green transition.

The ILO organised a Global Forum for a human-centred recovery in February 2022 that succeeded in producing a strong expression of multilateral alignment behind the human-centred approach framed by the ILO Centenary Declaration on the Future of Work and the Global Call to Action for a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilient. Fourteen heads or deputies of the Bretton Woods institutions, regional multilateral development banks and key UN agencies articulated how they were increasing efforts,

[4] IPCC, 2022: Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge, UK and New York, NY, USA.

individually and with the ILO, to support Member States' human-centred recovery strategies on decent jobs and inclusive economic growth; universal social protection; protecting workers and sustaining enterprises; and a just transition.

The Global Forum was a unique exercise in social dialogue within the multilateral system. Eight senior representatives of workers' and employers' organizations participated in panel discussions with representatives of international organizations. The participation and inputs of the social partners provided an opportunity for them to raise issues critical to the world of work, but not necessarily within the ILO's direct purview, with the leaders of those other international organizations.

The Global Forum was an unprecedented exercise in engaging multilateral organizations on a systemic basis more deeply into the ILO's mission of advancing social justice and promoting decent work. A substantial number of specific joint initiatives and enhanced institutional arrangements were announced. Much remains to be done to realize that potential and we call on the Bretton Woods Institutions to join forces with this unprecedented multilateral effort.

Achieving a human-centred recovery will require the successful implementation of four pillars that each has a key part to play.

First, **inclusive economic growth and development**. The recent setbacks to the recovery call for a careful balancing of macroeconomic policies, between sufficient support and reigning in inflation. Addressing debt vulnerabilities and ensuring quick and efficient use of the SDR allocations, including through the operationalisation of the Resilience and Sustainability Trust, are critical to mitigate the impact of policy tightening in developed countries on developing ones. In the long-term, fiscal policies must address structural challenges and root causes of decent work deficits across the world. Depending on country constraints and priorities, this will involve a mix of fiscal policies targeting the widespread creation of productive employment, supported by industrial policies, skills development and active labour market policies (including ones to bridge the digital divide), as well as sustained investment in universal social protection.

Secondly, **protection of all workers**. The pandemic has revealed the vulnerability of many groups of workers – including essential, informal, self-employed, temporary, migrant, platform and low-skilled workers – who are often highly exposed to the health and labour market impacts of the crisis. Extending and ensuring the protection of all workers entails guaranteeing fundamental rights at work, ensuring health and safety at the workplace and implementing a transformative agenda for gender equality.

Thirdly, **universal social protection**. Closing social protection gaps and providing universal access to comprehensive, adequate and sustainable social protection must remain a key priority. Identifying equitable and sustainable financing for such systems in times of limited fiscal space requires multilateral action to complement domestic resource mobilization.

Fourthly, **social dialogue**. Today more than ever, solutions based on consensus and participation are called for. Social dialogue has demonstrated its worth during the pandemic and will remain crucial in the recovery period to find solutions that are mutually beneficial to firms and workers and have positive macroeconomic repercussions and spillover effects. While traditionally held with Ministries of Labour and Employment, these tripartite discussions must also take place with Ministries of Economy and Finance to mitigate the impact of the crisis on employment and livelihoods, limit scarring effects and reduce inequalities by protecting the most vulnerable.

The ILO calls on all international organisations to place the aim of decent work, the needs of the most vulnerable and 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.