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**IMFC Statement by Gilbert Houngbo
Director General**

International Labour Organization



Statement by Mr Gilbert Houngbo, Director-General, International Labour Organization, to the International Monetary and Financial Committee

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Summary

- Global employment growth stands to be only 1.0 per cent in 2023, less than half the level in 2022.
- Global unemployment is projected by the ILO to rise slightly in 2023, by around 3 million, to 208 million (corresponding to a global unemployment rate of 5.8 per cent). It means that global unemployment will remain 16 million above the 2019 pre-crisis benchmark.
- Women and young people are faring significantly worse than men and adults, respectively, in labour markets. For every economically inactive man there are two such women. More than one-in-five of young people are not in employment, education or training (NEET).
- The gap between wage growth and labour productivity growth is widening further – there is room for real wages to increase, not just to catch up with inflation but also to become aligned with productivity growth.
- One of the main forms of wage inequality is the pay gap between women and men and greater efforts are required to further reduce gender pay inequalities. Platforms such as the Equal Pay International Coalition can guide countries in that regard.
- A revival of development finance, combined with a reshape of business incentive structures to encourage long-term investments in the real economy are needed to address the interlinked crises in purchasing power, ecological sustainability and human well-being.
- Countries must now prioritize long-term, sustainable investments that both favour human development and protect the planet. Major investment and innovation opportunities await in renewable energy and environmentally sustainable construction and retrofitting, with significant employment creation and reskilling impacts.
- It is critical that finance is mobilized to create productive employment, extend social protection coverage, and protect the chronically poor and those who are most affected by the multiple and overlapping crises. The Global Accelerator on Jobs and Social Protection for Just Transitions is a key part of this effort.
- Given its central importance to inclusive and sustainable socio-economic development, social justice constitutes one of the cornerstones of the renewed multilateralism that is required to overcome current challenges – a rallying point as well as an organizing principle. The Global Coalition for Social Justice will provide the platform for an effective and coherent multilateral effort to strengthen the social dimension of sustainable development and economic growth.

► Economic and social outlook

According to the IMF, uncertainties in the world economy remain exceptionally high, with global economic growth expected to fall below 3 per cent this year because of the war in Ukraine, scarring from the Covid-19 pandemic and monetary tightening.¹

This global economic slowdown is likely to force more workers to accept lower quality, poorly paid jobs which lack employment security and social protection, accentuating inequalities that were already exacerbated by the COVID-19 crisis.

Global employment growth stands to be only 1.0 per cent in 2023, less than half the level in 2022. Global unemployment is projected by the ILO to rise slightly in 2023, by around 3 million, to 208 million (corresponding to a global unemployment rate of 5.8 per cent). The moderate size of this projected increase is largely due to tight labour supply in high-income countries. This would, however, mark a reversal of the decline in global unemployment seen between 2020-2022. It means that global unemployment will remain 16 million above the pre-crisis benchmark (set in 2019).²

Women and young people are faring significantly worse in labour markets. Globally, the labour force participation rate of women stood at 47.4 per cent in 2022, compared with 72.3 per cent for men. This 24.9 percentage point gap means that for every economically inactive man there are two such women.

Young people (aged 15–24) face severe difficulties in finding and keeping decent employment. Their unemployment rate is three times that of adults. More than one-in-five – 23.5 per cent – of young people are not in employment, education or training (NEET).

Due to the slowdown in global employment growth, the ILO does not forecast the losses incurred during the COVID-19 crisis to be recovered before 2025. The slowdown in productivity growth is also a significant concern, given its essential role in addressing the interlinked crises we face in purchasing power, ecological sustainability and human well-being.

► Addressing the interlinked crises in purchasing power, ecological sustainability and human well-being

Wages and purchasing power

The severe rise in inflation, combined with a global slowdown in economic growth, are causing a striking fall in real monthly wages in many countries. The crisis is reducing the purchasing power of the middle classes and hitting low-income households particularly hard. The current inflationary context is biting into real wage growth in most regions in the world.

Global monthly wages fell in real terms to minus 0.9 per cent in the first half of 2022. For the first time in the twenty-first century, real wage growth has fallen to negative values while, at the same time, the gap between real productivity growth and real wage growth continues to widen. In 2022, the gap between productivity growth and wage growth reached its widest point since the start of the twenty-first century, with productivity growth outstripping wage growth by 12.6 percentage points.³

The cost-of-living crisis comes on top of significant wage losses for workers and their families during the COVID-19 crisis. Rising inflation has a greater cost-of-living impact on lower-income earners. This is because they spend most of their disposable income on essential goods and services, which generally experience greater price increases than non-essential items.

¹ IMF 2023. [Work Economic Outlook Update](#), January 2023.

² ILO. 2023. [World Economic and Social Outlook: Trends 2023](#). Geneva: International Labour Office.

³ ILO. 2022. [Global Wage Report 2022-23: The impact of inflation and COVID-19 on wages and purchasing power](#). Geneva: International Labour Office.

Inflation is also biting into the purchasing power of minimum wages. Estimates show that despite nominal adjustments taking place, accelerating price inflation is quickly eroding the real value of minimum wages in many countries.⁴

From the second quarter of 2022 onwards, central banks and monetary authorities across the globe have responded to the current inflation crisis by, in particular, raising interest rates to stop inflation from soaring further. However, the tight monetary policy could lead to adverse outcomes for certain segments of the population and trigger a period of recession. Although central banks are aware of this risk, the alternative scenario of continued price inflation is considered even more undesirable. One key question in this regard is whether a wage–price spiral is likely to set in. ILO research shows that nominal wages are not catching up with inflation as measured by the CPI, and that the gap between wage growth and labour productivity growth in high-income countries is continuing to widen, with labour productivity increasing in the first half of 2022 and wages falling in real terms. Hence, there would appear to be scope in many countries for increasing wages without fear of generating a wage–price spiral.⁵

Impacts on inequalities, and the necessary policy responses

Income inequality and poverty will rise if the purchasing power of the lowest paid is not maintained. In addition, a much-needed post pandemic recovery could be put at risk. This could fuel further social unrest across the world and undermine the goal of achieving prosperity and peace for all. There is an urgent need to apply well-designed policy measures to help maintain the purchasing power and living standards of wage workers and their families.

Adequate adjustment of minimum wage rates could be an effective tool, given that 90 per cent of countries have minimum wage systems in place. Strong tripartite social dialogue and collective bargaining can also help to achieve adequate wage adjustments during a crisis. The bargaining process for future nominal wage adjustments should embrace a sufficiently large but prudent price expectation. This could contribute to safeguarding the standard of living of households – particularly low-income households – against unexpected future inflation hikes, while avoiding an undesirable wage-inflation spiral.

It is also important to ensure the adjustment of social protection benefits to the rising cost of living if we are to protect the purchasing power of households, especially those on low-incomes, and prevent an even greater number of persons from falling into poverty. More than half of all social protection schemes for which the ILO has data do not have any specific rules to adjust benefit levels to changes in the cost of living, while the remaining schemes have rules that adjust the amount of benefit to inflation, real wages or a mix of the two.

Other policies that can ease the impact of the cost-of-living crisis on households include measures targeting specific groups, such as giving vouchers to low-income households to help them buy essential goods, or cutting Value Added Tax on these goods to reduce the burden inflation places on households while also helping to bring down inflation.

Particular attention is needed to workers at the middle and lower end of the pay scale. Fighting against the deterioration of real wages can help maintain economic growth, which in turn can help to restore the employment levels observed before the pandemic. This can be an effective way to lessen the probability or depth of recessions in all countries and regions.

The pay gap between women and men continues to be an important factor behind wage inequality. Given that the gender pay gap remains persistently high across countries and regions, greater efforts are required to further reduce gender pay inequalities. This includes improving the educational situation of women and striving for a more equitable distribution of women and men across occupations and industries. It also includes reducing the motherhood pay gap, increasing pay in undervalued, highly feminized sectors and industries, and implementing legal frameworks and policies to increase pay transparency at the enterprise level with a view to eliminating pay discrimination. Countries across the world should make use of platforms like the Equal Pay International Coalition to learn from successful examples of how to measure and monitor pay gaps at the national level, and to familiarize themselves with the tools that some major economies are applying and understand which are most effective in reducing pay discrimination between women and men.

⁴ Ibid.

⁵ Ibid. IMF 2022. World Economic Outlook: Countering the Cost-of-Living Crisis [October 2022].

Just green transitions and ecological sustainability

The major transformations under way, involving new technologies, demographic shifts and climate change, are having both disruptive and transformative effects on our economies and on work. A human-centred agenda requires major investments that shape and guide these transformations to create decent work and promote social justice.

Countries need to now prioritize long-term, sustainable investments that favour human development and protect the planet. New rules, business incentives and economic policy targets can better direct investments towards areas of the economy that advance decent work, gender equality and sustainable development, at the same time providing a foundation for high value-added activities.

The action needed to mitigate climate change will necessarily have a transformative impact on the world of work. We do not underestimate the scale of disruption to businesses and workers that this transformation will cause. But carefully designed adaptation strategies hold the potential for a net positive employment impact through a just transition for all actors in the world of work, in line with the ILO Guidelines for a just transition towards environmentally sustainable economies and societies for all⁶. Investing more in the green economy can advance an inclusive future of work, because environmental degradation disproportionately affects vulnerable populations and low-income countries. Major investment and innovation opportunities await in renewable energy and environmentally sustainable construction and retrofitting, with significant employment creation and reskilling impacts. Micro-, small and medium-sized enterprises are especially important partners in designing local adaptations to climate change.

International measures to support just transitions

A revival of development financing would support strategic investments in priority sectors. Public development banks (PDBs), including multilateral development banks (MDBs), are uniquely positioned to play a more important role in accelerating this investment. PDBs can scale up long-term financing that is “non-concessional” but still significantly below the market rates currently paid by developing countries, including to meet investment needs in middle-income countries. Reinforcing collaboration and strengthening practices through platforms such as the *Finance in Common Initiative*, which gathers many PDBs, can ensure a strong alignment of investments for social and climate action, thus multiplying their impact.

The international community should also continue to explore or accelerate the implementation of other mechanisms that can increase liquidity and boost available resources for sustainable development. The recent operationalization of the IMF Resilience and Sustainability Trust (RST) is a welcome development. It is expected to support countries in building resilience to external shocks such as climate change and pandemics, while contributing to sustainable growth and long-term balance of payments stability. But the scale and ambition are not commensurate with the challenges faced by the world and the growing demand for resources. The idea of a Green Fund based on SDRs contributed as capital has been revived under the Bridgetown Agenda. Debt for climate swaps, which have attracted growing interest, can be helpful for countries that do not yet have unsustainable debt burdens but do have limited fiscal space for green investment. Such swaps allow countries to redirect debt service payments toward investments in sustainable development and climate action.

This investment agenda needs to be underpinned by a supportive business climate and incentives for long-term financing. There is a need to explore innovative measures that require enterprises to account for the impact – positive and negative – of their activities on the environment and on the communities in which they operate. However, financial market conditions place strong pressure on businesses to meet short-term financial targets and shareholder expectations. With incentives geared heavily to the delivery of short-term benefits, enterprises can find it difficult to engage in longer-term planning and investment strategies that would ultimately be more conducive to their competitiveness, growth and success and the alignment of their activities with the human-centred agenda. There is therefore strong need for the development of market-based incentives to help promote such alignment.

Many companies have already embraced this approach. Two types of change are needed in corporate governance and conduct. The first change is to extend stakeholder representation, making corporations more accountable to wider social and community interests. This can involve instituting advisory stakeholder councils, or establishing stakeholder representation on financial regulatory bodies, among other measures. The second change is to establish incentives for long-term success. This may, for example, involve ending the requirement for quarterly

⁶ ILO. 2016. [Guidelines for a just transition towards environmentally sustainable economies and societies for all](#). International Labour Organisation: Geneva.

financial reporting. Other ideas discussed include incentives for long-term shareholders and a more inclusive bottom line reporting.⁷

Social protection floors for all and human well-being

Universal social protection is a human right and a State responsibility. In addition, there is increased recognition that social protection is fundamental in reducing poverty and inequality, in improving human capital and productivity and in supporting decent work and economic dynamism. The ILO is committed, therefore, to contributing to the development of sustainable and resilient social protection systems and extending their coverage, comprehensiveness, and adequacy.⁸

The COVID-19 crisis highlighted how crucial national social protection systems are to protect people from both routine life-cycle risks as well as systemic crises and shocks. In addition to claiming more than 6 million lives, the COVID-19 pandemic has caused an unprecedented loss of jobs and livelihoods. This has exacerbated income insecurity around the world, particularly for the more than half of the global population without any access to social protection, including the 2 billion workers in the informal economy. However, the pandemic has contributed to increasing the financing gaps for social protection by at least 30 per cent, as countries have sought to mitigate the health and economic effects of the crisis, at the same time as revenues were falling due to lower growth and trade.

Constrained by higher debt burdens, many countries now face a difficult trade-off between on the one hand, increasing much-needed public investments to overcome the multiple crises they face, achieve a human-centred recovery and facilitate the structural transformations and just transitions that are necessary to achieve the SDGs and beyond, and, on the other hand, containing debt vulnerabilities.

Mobilizing financing on the scale required to address the financing gaps and overcome the devastating socio-economic hardship and job losses caused by the current multiple crises and the growing climate emergency is vital. It is critical that finance is mobilized to create productive employment, extend social protection coverage, and protect the chronically poor and those who have been most affected, including women, children, persons with disabilities, migrants, and workers in the informal economy, among others.

Boosting international support for social protection

The international community must support existing or new financing strategies which can mobilize additional resources, support better use of existing resources, and enhance coordination between multiple domestic and international sources of finance including development, climate, and humanitarian finance. Harnessing Integrated National Financing Frameworks (INFFs) and sustainable budgeting is key to support and guide policy decisions. Multilateral partnerships need to focus on complementary streams of work: domestic public resources, domestic and international private financing and international development cooperation. These actions will contribute to addressing debt sustainability and increase fiscal space for the implementation of the integrated policy actions prioritized by the UN Global Accelerator on Jobs and Social Protection for Just Transitions (described in more detail below).

The collaboration between the International Monetary Fund and the ILO on social protection and fiscal space has been strengthened since 2021, building on the IMF strategy to deepen engagement on social spending and the request by ILO constituents to engage with the international financial institutions in building social protection floors. Based on a jointly conducted self-assessment that was completed in March 2023, collaboration needs to be expanded and deepened based on the complementarity of mandates and expertise of the two institutions. This collaboration has so far spanned a range of policy issues, including pension reform considering not only the criteria of fiscal sustainability but also adequacy of benefits and equity; undertaking actuarial valuation for universal access to health care; extending fiscal space for social assistance; and exploring different financing options for investment in social protection.

⁷ ILO. 2022. [Greening Enterprises: Transforming processes and workplaces](#). Geneva: International Labour Office.

⁸ Social Security (Minimum Standards) Convention, 1952 (No. 102) and Social Protection Floors Recommendation, 2012 (No. 102).

► Conclusion: A Global Coalition for Social Justice

Social justice makes societies and economies function more cohesively and productively, by reducing poverty and hunger, inequalities, and social tensions. Given its central importance to inclusive and sustainable socio-economic development, social justice should be seen as one of the cornerstones of the renewed multilateralism that is required to overcome current challenges – a rallying point as well as an organizing principle for a more efficient and coherent multilateral system that supports national efforts across a range of policy areas and interventions.

The quest for social justice goes beyond the world of work and requires the involvement of the multilateral system as a whole. Failure to act on social justice in one domain undermines progress in others. This has been particularly evident during the recent COVID-19 crisis and the subsequent energy and food crises.

Accordingly, the ILO is forging a Global Coalition for Social Justice that will act as a platform to elevate the political debate on social justice, strengthen understanding of the urgent need for social justice and the economic case for increased investment in it. The joint efforts under this initiative will aim to generate more social investments that can act as a catalyst for the mobilization of funds and strengthen domestic and international support for on-the-ground actions. The Global Coalition for Social Justice will provide the platform for an effective and coherent multilateral effort to strengthen the social dimension of sustainable development and economic growth.