

Challenges of Growth, Employment and Social Cohesion

International Labour Office



In the discussion document ["Challenges of Growth, Employment and Social Cohesion"](#), published on the occasion

of a [joint high-level IMF-ILO conference](#) on September 13 in Oslo, the [International Labour Organization \(ILO\)](#) and the [International Monetary Fund \(IMF\)](#) have issued a stark assessment of the outlook for employment in the wake of the global financial crisis, saying that the world faces major challenges in creating enough quality jobs to sustain growth and development.

"The Great Recession has created a painful legacy of unemployment," Mr. Strauss-Kahn said, "and this devastation threatens the livelihood, security, and dignity of millions of people across the world. The international community must rise to meet this challenge. Now is the time for our collective action."

"We are now seeing signs of a fragile recovery, but for millions of people and enterprises around the world the crisis is far from over", Mr Somavia said. "A jobs-centered growth strategy should be our number one priority. Otherwise, the economic recovery may take years to reach those who need it

most, or it may not reach them at all. We must connect our policies with people's legitimate aspirations for a fair chance at a decent job".

Two years after the onset of the global economic



crisis, unemployment remains at record levels in many countries – the ILO estimates that unemployment is up by more than 30 million worldwide since 2007 – with little sign of an early decline. As world leaders seek the appropriate short-term and longer-term policy responses, the IMF and ILO have come together to stimulate discussion of the international cooperation and policy innovation that can improve the capacity of economies to generate enough good jobs to strengthen social cohesion.

The IMF and ILO have different mandates and constituencies, although in more or less the same member states. As a result, they bring different analytical approaches to the paper, which contains a joint overview; an IMF section on the human cost of recessions, and how to assess and reduce that cost; and an ILO section on building an employment-oriented framework for strong, sustainable and balanced growth.

07 September 2010



“Our objective at the Oslo Conference is to

improve the integration of employment and social policies with international and national macroeconomic policy strategies,” the discussion document says, and “focus thinking and action on how to ensure that policies have the same priorities as people – more and better jobs.” Improving policy coherence “is likely to play a big part in finding a better way to shape a fairer globalization”, the paper says.

IMF: The human cost of recessions

The IMF reports that “if the effects of past recessions are a guide, the cost to those who become unemployed could be a persistent loss in earnings, reduced life expectancy, and lower academic achievement and earnings for their children. And unemployment is likely to affect attitudes in a manner that reduces social cohesion, a cost that all will bear.” The IMF states that the impact on lifetime earnings is demonstrated in studies in the U.S. that show that “even 15-20 years after a job loss in a recession, the earnings loss amounts on average to 20 per cent.” In



terms of health, layoffs “are associated with higher risk of heart

attacks and other stress-related illnesses in the short run. In the long run, the mortality rate of laid-off workers is higher than that of comparable workers who kept their jobs.”

The IMF adds that “a recovery in aggregate demand is the single best cure for unemployment.” It states that “as a general strategy, most advanced economies should not tighten fiscal policies before 2011, because tightening sooner could undermine the recovery. The consolidation plans that these countries have for 2011 imply an average change in the structural balance of 1¼ percentage points of GDP. Clearly, however, the fiscal situation varies across countries, requiring adaptation of this general strategy to the available fiscal space.” Monetary policy can also remain supportive of aggregate demand as inflation pressures remain subdued.

ILO: Building an employment-oriented framework for strong, sustainable and balanced growth

Referring to the public debt challenges many countries are facing, the ILO warns that “a premature fiscal retrenchment could damage growth and lead to even larger deficits and debts”. It also calls for “well-sequenced coordinated short-term exit strategies and deficit reduction policies”, adding that they are linked to “a progressive recovery of the real economy and jobs and are fair in the sharing of the benefits and burdens of adjustment, especially in the protection of the most vulnerable.”

07 September 2010

The ILO paints a grim picture of the current global employment situation, with 210 million people out of work – the highest level in history – and 80 percent of the global population without any access to social protection. It also says that “despite impressive gains in recent years, approximately 1.2 billion women and men, or 40 per cent of the world’s labour force, still did not earn enough to keep themselves and their families above the \$2-a-day poverty level in 2008”.

Analyzing the longer-term policy challenges of unemployment, the ILO estimates that “in the next 10 years, more than 440 million new jobs will be needed to absorb new entrants into the labour force, and still more to reverse the unemployment caused by the crisis.”

The ILO goes on to explain that the pressures of globali-



zation have increased the vulnerability of workers through increased intensity of work, a shift towards more flexible contracts, diminishing social protections, and decline in workers’ bargaining power and voice, adding: “Improving the quality of employment – more productive jobs offering better earnings – is also essential to sustain poverty reduction and development”.

“The strength and quality of labour market institutions can make a substantial contribution to international efforts to generate sustainable growth and development,” the conference

document says. “Although each country’s labour market institutions have a particular history and character, countries face many common challenges in shaping policies that create decent work opportunities for all. A consensus is building for the coordination of efforts to prioritize employment growth, because strong and steady growth in jobs and household incomes in many countries at the same time will buttress global demand, creating still more jobs.”

References

ILO; IMF. 2010. [*The Challenges of Growth, Employment and Social Cohesion* \(pdf 1.99 MB\)](#), Discussion document, Joint ILO-IMF conference in cooperation with the office of the Prime Minister of Norway, Oslo, 13 Sep.

Further resources

ILO Publications

Cazes, S.; Verick, S.; Heuer, C. 2009. [*Labour market policies in times of crisis* \(pdf 699 KB\)](#) (Geneva, ILO).

ILO. 2010. [*Accelerating a job-rich recovery in G20 countries: Building on experience* \(pdf 542 KB\)](#) (Geneva).
• [Français](#) (pdf 561 KB) •
[Español](#) (pdf 597 KB)

ILO. 2010. [*Employment policies for social justice and a fair globalization* \(pdf 1.55 MB\)](#), Report VI, International Labour Conference, 99th Session, Geneva, 2010 (Geneva).

ILO. 2010. [*Employment and*](#)

07 September 2010

[social protection policies from crisis to recovery and beyond: a review of experience \(pdf 819 KB\)](#), an ILO report to the G20 Labour and Employment Ministers Meeting, Washington, DC, 20–21 April 2010 (Geneva).

ILO. 2010. [Global Employment Trends \(January 2010\) \(pdf 11.6 MB\)](#) (Geneva).

ILO. 2010. [Global Employment Trends for Youth - August 2010 \(pdf 3.22 MB\)](#) (Geneva)

ILO. 2010. [Promoting employment recovery while meeting fiscal goals \(pdf 698 KB\)](#) (Geneva).

ILO. 2010. [Recovery and growth with decent work \(pdf 542 KB\)](#), Report of the Director-General, Report I(C), International Labour Conference, 99th Session, Geneva, 2010 (Geneva).
• [Français \(pdf 923 KB\)](#) • [Español \(pdf 761 KB\)](#)

ILO. 2010. [World social security report 2010/11: providing coverage in times of crisis and beyond \(pdf 3.88 MB\)](#) (Geneva).

ILO. 2009. [Protecting people, promoting jobs: a survey of country employment and social protection policy responses to the global economic crisis \(pdf 1.05 MB\)](#) (Geneva).

ILO. 2009. [Recovering from the crisis: a global jobs pact](#)

(pdf 93 KB) (Geneva).
• [Français \(pdf 105 KB\)](#) • [Español \(pdf 108 KB\)](#)

ILO. 2009. [World of Work Report 2009: Global jobs crisis and beyond \(pdf 1.42 MB\)](#) (Geneva).

ILO. 2008. [Global Wage Report 2008/09: Minimum wages and collective bargaining: towards policy coherence \(pdf 1.79 MB\)](#) (Geneva, ILO)
• [Français \(pdf 1.6 MB\)](#)

ILO Websites

- [ILO and IMF Conference in Oslo to address ways of accelerating a job-rich crisis recovery](#)
- [Global Job Crisis Observatory: Employment Promotion](#)
- [Global Job Crisis Observatory: National Recovery Policies](#)
- [Global Jobs Pact](#)
- [Global Statistics on the Labour Market](#)