



The Job Crisis

The question of how to reduce unemployment — while simultaneously creating productive, fulfilling jobs — is one of three core issues to be addressed by heads of State or Government when they gather at the World Summit for Social Development, 6-12 March 1995 in Copenhagen, Denmark.

This backgrounder offers an overview of productive employment as a factor in human development. It draws on a report (document A/CONF.166/PC/6) of the United Nations Secretary-General to the first meeting of the Summit Preparatory Committee, held 31 January-11 February 1994 in New York, as well as the report of an Expert Group Meeting hosted by the Government of Sweden from 4-8 October 1993.

WORLD SUMMIT FOR SOCIAL DEVELOPMENT

Copenhagen
Denmark
6-12 March 1995

Attacking
Poverty

Building
Solidarity

Creating
Jobs

A World in Crisis

"The world is suffering from a social and moral crisis", the Secretary-General of the United Nations, Boutros Boutros-Ghali, declared in his report to the first meeting of the Preparatory Committee for the World Summit for Social Development.

Symptomatic of this crisis, this "malaise of the modern world", as Mr. Boutros-Ghali put it, is the growing atmosphere of uncertainty which, he noted, affects virtually all areas of life.

In the realm of work, for example, such a state of crisis may be said to exist "when one out of every 10 people of working age cannot find work paying a decent wage and when the young no longer see the value of the education they are receiving" in terms of jobs and income.

The persistent increase in unemployment and low-productivity employment constitutes a major threat to social development the world over. It is a primary cause of poverty.

The lack of productive and fulfilling work also contributes to social disintegration, conflict and migration.

Social Darwinism?

It was once assumed that the globalization of economies and cultures would benefit all peoples. However, although real material progress has been achieved during the second half of the twentieth century in terms of annual per capita growth, increased life expectancy and other

economic and social indicators, the benefits of this progress remain unequally distributed.

Spectacular achievements in some industrialized countries stand side by side with increasing poverty and inequality in less developed regions. Instead of equalization, there is polarization as the rich get richer while the poor get poorer. The Secretary-General describes this phenomenon as a kind of "social Darwinism" in which only the "fittest" survive.

Of the world labour force of 2.8 billion people, an estimated 30 per cent — most of them in developing countries — are not productively employed. Of these, more than 120 million want to work, but cannot find jobs.

A far larger number — 700 million — are classified as underemployed: working long hours, but not earning enough to lift themselves and their families out of poverty. These people constitute the majority of the estimated 1.3 billion absolute poor.

In the last decade, the employment situation in most regions of the world — apart from the growth areas of East Asia and parts of South-East Asia — has worsened, both in terms of the number and quality of jobs.

Many developing countries — especially in Africa and parts of Asia and Latin America — are suffering the effects of a virtual standstill in new jobs, combined with vast declines in real wages in the formal job sector. Unemployment levels are quite high in the industrialized countries, as well as in Eastern Europe and the countries

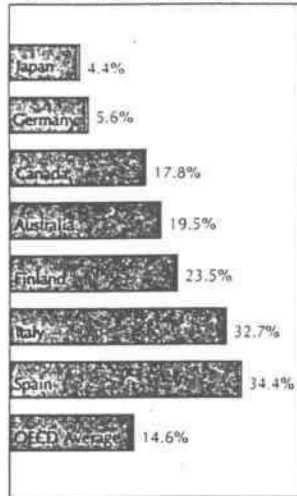


UNITED NATIONS



Youth Unemployment in Industrialized Countries

% of youth (15-24) unemployment in 1992.



Source: Human Development Report, 1994, p. 195.

tries of the former Soviet Union. At the same time, many workers, in both industrialized and developing countries, have been forced into precarious, low-security jobs.

In such socially primitive conditions, vulnerable groups suffer. For example, youth unemployment rates are often higher than the national average: in Latin America, they exceed 20 per cent, while some industrialized countries report over 30 per cent youth unemployment (Italy's was recently put at 33 per cent, Spain's at 34 per cent).

Women are doubly vulnerable. Not only do they bear a disproportionate share of the unemployment burden, but even when they find work, they earn a global average of 30-40 per cent less than their male counterparts. For many others as well — the disabled, older, migrant, indigenous and tribal workers and the long-term unemployed — there are simply no jobs to be had.

Jobless Growth

There was once a time when job supply outstripped demand; when almost any college graduate in an industrialized country could pick and choose a plum position from a number of offers. When unemployment was minimal and real wages grew commensurate with the economy.

Today workers are confronted with a vanishing job market. Even the world's foremost economies are suffering the ill effects of so-called jobless growth — although there are some major areas of success in the developing world (India, Pakistan and China, for example).

Africa's plight, especially in Sub-Saharan Africa, is especially dire. There, average unemployment stands at 20 per cent, while wages have fallen steadily in the last decade. Sixty per cent of Africa's rural population — 300 million people — live in absolute poverty, a 50 per cent increase between 1988 and 1990, according to the International Fund for Agricultural Development and other sources.

Viewed from a gender perspective, as unemployment rises like a flood tide, women

all too frequently become the "shock absorbers", marginalized in employment policies that often put profits before people.

Clear proof of the widespread alarm caused by rising unemployment is provided by the fact that, for the first time, the Group of 7 (Canada, France, Germany, Italy, Japan, the United Kingdom and the United States) devoted their March 1994 Summit in March 1994 in Detroit, Michigan, to jobs—and included labour ministers, as well as finance ministers, in talks among the heads of State or Government.

At this so-called "Jobs Summit", statistics were cited indicating that the global unemployment crisis is particularly critical in countries of the European Union, where 1993 output fell by 3.5 per cent as a result of unemployment, underperformance and lack of competitive incentive.

Statistical data covering more than two decades reveal that, while the United States has created 41 million new jobs since 1970, Europe has produced only 8 million.

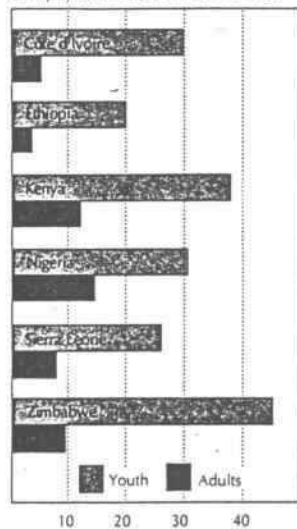
The signs of distress are everywhere, amid recession and accumulated debt. In Spain, the boom times of the 1980's gave way to an unemployment rate that recently reached 24.5 per cent, the highest in Europe. In the United Kingdom, the proportion of the population with incomes less than half the national average doubled between 1961 and 1991, to 11 million people—or 20 per cent of the populace. In Finland, unemployment reached as much as 20 per cent in the early 1990s, compared with levels of about 3 per cent in the years soon after World War II.

There are many theories for the European situation. According to the *Europa Times*, this jobless crisis in Europe may be largely "self-inflicted" — a result of "artificially high wages, lavish fringe benefits and prohibitive payroll taxes" that have devastated the job market.

But Europe is not the only victim. Countries around the world are facing crises of unprecedented proportions: from Afghanistan to Haiti, Myanmar to Mozambique, Zaire to the Sudan, and Iraq to Angola (the aforementioned countries are the topic of special studies in the

Youth and Adult Unemployment Rates in Selected African Countries

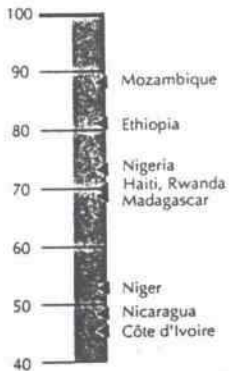
Unemployment rates (%) Data for mid-1980s



Source: World Labour Report, 1993, ILO, p. 28.

Falling Incomes Threaten Human Security

1991 GNP per capita as a percentage of 1980's



Source: Human Development Report, 1994, UNDP, p. 26.

Human Development Report 1994, commissioned by the United Nations Development Programme.)

The reasons behind the phenomenon of jobless growth are multiple. To name just two of the most obvious:

- ◆ Too many people, resulting from a global population increase that will create a demand for one billion new jobs within the next 10 years;
- ◆ Too few labour-intensive jobs, making technologically sophisticated societies victims of their own success.

Insecurity and Exclusion

The results are reflected in a pervasive sense of insecurity, exclusion and social disintegration that poses serious problems in contemporary societies. Not only is insecurity — in the traditional military and territorial context — increasing both within and across borders but today there is also a new, more subtle variety that has its roots in economic factors.

For example, the chronically unemployed, the youths who are unable to find work and the migrants — fearful of expulsion, whose rights are exploited — live in a continuous state of anxiety over the uncertainty of their futures. Such conditions are hardly conducive to the kind of social harmony and productive well-being that are vital to social development.

Joblessness and Crime

The combination of economic crisis and ever-increasing unemployment has contributed to a marked rise in crime, which, as people run out of lawful options, is increasingly being perceived as the only way to survive.

Burgeoning cities, teeming with unemployed economic migrants, are especially fertile breeding grounds for crime. The problem is compounded by economic upheaval, crumbling infrastructures, unplanned urbanization, and rapid social change.

Recession-battered Europe, with its newly opened frontiers, is especially vulnerable to both joblessness and crime. Money laundering, drug trafficking and gun trading threaten such cosmopolitan capitals as London, Berlin and

Brussels, and Europol has predicted that the rising crime wave will not be stemmed without an improvement in Europe's economic climate.

Global Nervous Breakdown?

While some symptoms, such as crimes, are external, others are internal, invisible, lodged in the psyches of individuals who can no longer rely on their jobs to define their worth or their place in society. As the contagion of jobless growth spreads, it brings with it a sense of isolation, social exclusion and uncertainty.

All these symptoms of dysfunctional societies are interactive and have produced, in the words of a non-governmental organization delegate to the first meeting of the Summit Preparatory Committee in 1994, a world experiencing a "global nervous breakdown".

Against this backdrop of mounting tensions, there is no question of the need for Governments to address the issue of employment at the Social Summit. The cost of political inaction, many experts believe, is likely to be exceedingly high.

The Right to Work

"Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment."

— Article 23

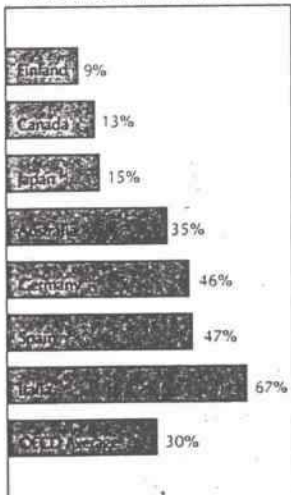
Universal Declaration of Human Rights

The Universal Declaration of Human Rights dates back to 1948. Yet some of its concepts remain revolutionary even today. Although most people in civilized society readily embrace the "right to life, liberty and security of person" (Article 3) as self-evident, the "right to work" may appear almost a contradiction in terms. The word "work" frequently conjures up an image of drudgery, deprivation, even servitude. How, then, should it be construed as a right?

Work transforms itself into a right and privilege the moment it is linked to rewards that are life-sustaining and enhancing; to conditions that ensure, in the words of the Declaration, "an existence worthy of human dignity..."; to "a standard of living adequate for health and well-

Long-term Unemployment (More than 12 months)

% of total unemployment, 1991-92



Source: Human Development Report, 1994, UNDP, p. 195.

“Social development cannot be pursued in a society that is stagnant or prone to high inflation.”

— Secretary-General Boutros Boutros-Ghali

being..., including food, clothing, housing and medical care and necessary social services...”.

Social Summit Goals

Transforming noble rhetoric into nuts-and-bolts reality is the primary objective of the Social Summit, whose three core issues are:

- ◆ Reduction and elimination of widespread poverty;
- ◆ Productive employment and the reduction of unemployment; and
- ◆ Social integration.

As Secretary-General Boutros-Ghali noted, all three issues are closely interwoven within a tapestry of values, especially social justice and democracy, the common thread being “their crucial importance for the development of individuals and societies”.

We are beginning to realize that territorial security does not guarantee human security. Nor are GNP and economic growth sufficient. Nor is environmental sustainability an end in itself.

Rather, people of all citizens of all countries—need to be placed at the centre of development strategies, with their welfare paramount over more narrowly focused economic objectives.

This commitment at the local, national, regional and international levels embraces even the outermost periphery—the socially marginalized and disadvantaged groups in the least developed countries who are perhaps most of all in need of legal protection, effective social welfare, education, training and meaningful livelihoods.

General Assembly resolution 47/92 of 16 December 1992, which mandated the convening of a World Summit for Social Development, identifies eleven major objectives aimed at fulfilling Article 55 of the Charter, which calls for the promotion of “higher standards of living, full employment, and conditions of economic and social progress and development.”

“Creating the Charter” is what the Social Summit is all about: that is, creating real-life conditions for sustainable human development and following through on commitments to bring it about. There is a prerequisite to the

attainment of this goal, however: a nurturing economic environment.

An Enabling Environment

“Social development cannot be pursued in a society that is stagnant or prone to high inflation and instability”, according to the Secretary-General’s report. “With the growing interdependence between countries, the international economic environment must be such as to promote employment and poverty reduction.”

Rather than viewing the jobless purely from the welfare standpoint, there is a need for economic policies that can generate gainful employment. Donor countries and financial institutions must re-examine the social costs of structural adjustment and find ways to support longer-term, labour-intensive projects.

As countries become ever more economically interdependent, the expansion of productive employment must be designed in a new context of globalization, with domestic efforts directed at promoting greater market access for labour-intensive products.

Productive Employment

While there is no set recipe for creating a culture in which “dynamism, tolerance and compassion co-exist in harmony”, it is clear that “full and productive employment is the most effective method to combat poverty”.

This was one of the conclusions reached by experts from Bangladesh, Ethiopia, France, Nigeria, Poland and Peru, who met with representatives from the International Labour Organisation and the World Bank in Saltsjobaden, Sweden, from 4 to 8 October 1993 to examine the issue of employment in preparation for the World Summit for Social Development.

These experts concluded that societies have both the knowledge and the means to overcome the unemployment crisis, using “a cooperative strategy based on national responsibility, buttressed by international solidarity”.

“This could best be achieved”, they said in their report, “in an international environment of free flow of private investment, free trade, reversal on the part of industrial countries of the

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recent trend toward protection directed against developing countries, and a new regime of international aid where the developing countries contribute according to their ability, and aid is distributed on the criteria of need and effective use."

But all of this, the experts warned, will require "a degree of international cooperation which has been rare in recent history".

The Secretary-General's report targets three fundamental policy concerns for national and international action:

- ♦ Enabling higher rates of economic growth;
- ♦ Ensuring that growth creates jobs; and
- ♦ Achieving balance between the quantity and quality of jobs.

Both the Expert Group Meeting on the Expansion of Productive Employment and the Secretary-General's report suggest certain approaches, including the following:

♦ **Creating Opportunities:** There is consensus that tomorrow's employment opportunities will be generated primarily by small to medium-sized individual, private and cooperative enterprises that should enjoy opportunities and incentives in an atmosphere of governmental support so that they may grow freely in a competitive market.

♦ **Encouraging Investments:** Businesses, especially small and medium-sized enterprises, must be encouraged by simplifying regulations and procedures and by facilitating access to credit, markets, training, etc. There must also be increased support for micro-enterprises in the heretofore largely ignored informal sector—the sole source of sustenance for an estimated 300 million people worldwide.

♦ **Enabling Growth:** Concrete governmental contributions to enable growth should include an appropriate legal framework, a sound fiscal policy, a clear investment code and supportive investment environment, nondiscriminatory labour legislation and the necessary infrastructure. Such supportive environments are particularly needed in developing countries, where the vast majority of workers find themselves in precarious, marginally productive jobs.

♦ **Ensuring that Growth Creates Jobs:**

Employment is the result of an intricate interaction between supply and demand that is increasingly interlinked across political borders. Although there is no miracle cure for jobless growth, government taxation and spending can, under certain circumstances, promote job creation and stimulate growth in employment.

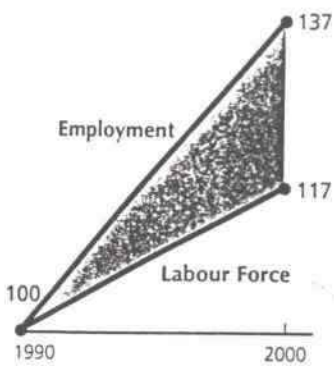
♦ **Adapting Outward:** There should be an export-oriented industrialization strategy to catalyze job growth in newly industrializing countries. The experience of East Asia confirms the value of substantial investment in an educated work force, export diversification and continual adaptation to the changing global marketplace. Governments have frequently made active contributions to the economic transformations of such countries.

♦ **Supporting the Service Sector:** Just as labour moved from agriculture to industry, the hallmark of post-industrial societies has been the emergence of a dynamic service sector. Although technological changes may have a labour-displacing and/or wage-lowering effect, other factors support the growth of service sector jobs: a) generation of additional jobs through environmental protection measures, health care and personal services for the aging and expansion of the travel and leisure market; b) rising productivity/remuneration in many service sector jobs; and c) rehiring/new jobs spurred by the end of the recession.

♦ **Improving Labour Markets:** Well-being for workers means both employment and income security. On the job side, active labour-market policies should include self-employment and small-enterprise support programmes; public works projects and job-creating community development activities. On the income side, Governments and the private sector should support job training and re-training, geographic labour mobility assistance, incentive assistance and support services, (e.g., child-care facilities, housing and transportation).

♦ **Investing in Education:** There is undeniable evidence that investment in education pays off. So does investment in vocational and apprenticeship training, as well as enterprise-

Job Surplus Predicted in East and South-East Asia



East and South-East Asia's surplus of jobs contrasts with high levels of unemployment in the rest of the world.

Source: Human Development Report, 1993, UNDP, p. 37.

based training, which helps develop new skills and allows employees and businesses to adjust rapidly to changing technological requirements.

♦ **Protecting Vulnerable Groups:** As previously mentioned, particularly vulnerable groups in all societies include youth; women; the disabled, older, migrant, indigenous and tribal workers; and the long-term unemployed. All of these marginalized and disadvantaged groups need protection and affirmative action measures to assist them in finding gainful employment.

♦ **Quality Job Balance:** "Productive and freely chosen employment constitutes the key link between job creation and poverty alleviation", the Secretary-General's Report states. At the same time, a healthy, well-motivated and educated work force is essential for economic growth.

♦ **Protecting Workers' Rights:** Workers' rights must be protected in word and deed. Since its founding in 1919, the International Labour Organisation has made significant contributions to this end, from raising awareness and gathering data to formulating landmark international conventions such as those requiring ratifying States to implement national policies governing occupational safety and health and the fitness of the working environment.

The Ultimate Challenge: Growth with Justice

Few would question the assertion that economic growth is a reliable indicator of a society's overall well-being. What is becoming apparent is that economic growth alone is not enough: it must be combined with social justice, equitable sharing and the inclusion of all the diverse elements that constitute any given society.

In developing this new work ethic, the ultimate challenge will be to create economically sustaining and psychologically fulfilling work which, at the same time, values each individual. These are vital to socially sustainable development and human progress.

As the Secretary-General noted after the first meeting of the Preparatory Committee, the Summit itself cannot "solve the problems of poverty, unemployment and social disintegration, but it should be capable of generating the political momentum and clarity of vision to intensify national action and international cooperation through a renewed commitment to better the life of people in all societies."

The Summit's objectives reflect an evolution of premises expressed in the Rio Declaration on Environment and Development, which resulted from the ground breaking 1992 United Nations Conference on Environment and Development in Rio de Janeiro, Brazil.

The Social Summit takes the next logical step towards the Declaration's goal of placing "human beings... at the centre of concerns for sustainable development" and by addressing Rio-generated issues, such as "unsustainable patterns of production and consumption."

Creative Coalitions

Dealing effectively with the complicated phenomenon of jobless growth will require mutually reinforcing policies, including:

Growth: promotion of sustainably high growth;

Stability: achievement of macroeconomic stability with high and equitably distributed levels of employment;

Efficiency: policies that encourage efficient labour-market functioning;

Incentives: fairly allocated incentives to support productivity;

Solidarity: enhancing economic policies through human development.

Keeping in mind the implications of economic globalization on the quantity, quality and distribution of jobs, a balance between labour-market flexibility and employment security needs to be created by workers and employers together in a partnership that is beneficial to both the private and the social good.

Facts about World Employment

The Situation

The Global Workforce: Out of a 1994 global population totaling some 5.6 billion people, 2.8 billion constitute the current global workforce. Of these, more than 120 million are estimated to be unemployed.

The Widening Income Gap: The annual per capita income in industrialized countries stands at \$20,000, as compared to only \$500 in the least developed countries of the world.

The top 20 per cent of income earners receive 83 per cent of world income, while the bottom 20 per cent receive only 1.5 per cent.

Employment Facts: An estimated 30 per cent of the labour force—over 800 million people—are not productively employed; that is, they are either hunting vainly for jobs or are underemployed, working at tasks that do not allow them to make ends meet. There are 700 million people in the underemployed category. These people constitute the majority of the 1.3 billion "absolute poor" in the world.

♦ *Industrialized nations:* One out of every 10 persons in the 24 major industrialized countries is unemployed.

♦ *Developing countries:* 63 per cent of the overall population in developing countries live in rural areas, depending primarily on agriculture for their livelihood.

Even though export crop prices have declined substantially in recent years, as the dominant sector of the economy, agriculture accounts for the bulk of the labour force and contributes an average 40 per cent of Gross Domestic Product.

♦ *Subsistence workers:* Some 300 million people, most of them women in developing countries, live hand-to-mouth lives in the so-called informal employment sector, without any sort of social security, insurance, disability or retirement benefits.

♦ *International migration:* Mounting fear of unemployment has led a number of major

immigration countries to further restrict the flow of an estimated 30-35 million economically active migrants, 1.3 per cent of the global workforce.

The Debt Crisis: External debt in developing countries nearly doubled over the past decade, reaching \$1.4 trillion in 1992, resulting in a development standstill and increasing unemployment.

The Trends

In most regions of the world, unemployment and underemployment are major problems.

♦ *Industrialized countries:* The average unemployment rate is predicted to reach 8.6 per cent in 1994; Western Europe is expected to reach 12 per cent, while Eastern Europe may reach 15 per cent.

♦ *Africa:* Exacerbated by two decades of economic crises, the urban unemployment rate in Sub-Saharan Africa stands at about 20 per cent, with the vulnerable informal sector comprising over 60 per cent of the urban labour force; in rural areas, underemployment affects well over half the labour force.

♦ *North Africa and the Middle East:* Unemployment ranges between 10 and 20 per cent, with youth being hardest hit;

♦ *Latin America:* Despite stringent structural adjustment policies, urban unemployment has once again climbed to 7 per cent, the same level as in 1980.

♦ *East and South East Asia:* 50 per cent of the world's 1.3 billion poor live in South Asia, while another 15 per cent live in East Asia

Source: World Summit for Social Development: An Overview, Report of the Secretary-General (A/CONF.166/PC/6), 4 January 1994.

