

Growth, Employment, Decent work and Development

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“More money in your pockets”
through decent work

Promoting Decent work for all

- Work provides income, can pave the way for broader social and economic advancement, strengthening individuals, their families and communities.
- Such progress, however, hinges on work that is decent – hinged on the four strategic objectives:
 - [Creating Jobs](#)
 - [Guaranteeing rights at work](#)
 - [Extending social protection](#)
 - [Promoting social dialogue](#)

Reaffirming the role of decent employment

Three examples

- Declaration on Employment and Poverty Alleviation adopted at the Third Extraordinary Session of the African Union Heads of State and Government (Ouagadougou, September 2004)
- General Assembly resolution 60/1 of 16 September 2005
- Ministerial Statement: Third Joint Annual Meetings of the African Union Conference of Ministers of Economy and Finance and the United Nations Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development (Lilongwe, 29-30 March 2010)

The presentation

- Argues that, while sound macroeconomic stability is necessary for growth and decent work, there is **need for a deliberate pro-employment macroeconomic framework.**

Key features of the mainstream macroeconomic framework in developing countries

- The focus is on stability and predictability in key nominal targets pertaining to **inflation, debts and deficits**.
 - low, single digit inflation
 - prudential limits on debt-to-GDP ratios
 - 40 per cent (or less) debt-to-GDP ratio
 - low fiscal deficits
 - usually below 3 per cent of GDP
- The design of **monetary, fiscal and exchange rate policies** has been largely influenced by these key nominal targets.
- That a commitment to these key nominal targets over the medium to long-run
 - boosts investor confidence,
 - promotes growth,
 - creates jobs and
 - reduces poverty.

Pro-employment macroeconomic framework

Key features

- Commitment to general principles of price stability and fiscal sustainability.
- Macroeconomic policy-makers need to play a dual role
 - Guardians of stability
 - Active agents of development

Pro-employment macroeconomic framework

Macro policies and the private sector

- Macroeconomic policy managers have a critical role to play in aiding and abetting the private sector to become the key actors of structural transformation and economic diversification.
 - an understanding of the binding constraints on private sector growth and using macroeconomic policy tools to alleviate such binding constraints.
 - access to finance, and resources to invest in infrastructure and skilling of the work-force.
 - maintaining stable and competitive real exchange rates.
- The role of the central bank and financial authorities: For instance, one of the top 10 binding constraint on private sector growth is lack of access to finance followed by electricity and transport needs (World Bank Enterprise surveys)
 - Central bank and financial authorities should promote financial inclusion by enhancing access to finance for private sector (including SMEs and the informal economy)
 - Role of central banks in employment creation
 - e.g. the goals of the US monetary policy as spelled out in the Federal Reserve Act are “to promote effectively the goals of maximum **employment, stable prices, and moderate long term interest rates**”

The need for a pro-employment macroeconomic framework

Public investment in infrastructure

- Raise public investment in infrastructure to about 7 per cent of GDP from current rates of 5 per cent in SSA (Commission on Growth and Development, 2008).
- Such infrastructure investments have the potential to alleviate the poverty of many through the jobs they create.
- Studies have shown that making greater use of local labour and resources is usually 20 per cent less costly and save as much as 50 per cent of foreign currency requirements, in addition to creating three to five times more jobs.
- Moreover there is a multiplier effect of indirect benefits of 1.6 to 2.0 more jobs.

Sustainable resources from domestic and external sources to meet core development goals

Investing in the social protection floor initiative

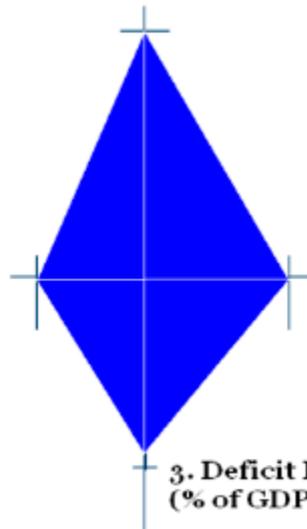
- Investing in the social protection floor initiative (SPF-I) because it can boost role of automatic stabilizers in developing and emerging economies.
- This goal can be met with enhanced mobilization and utilization of domestic resources. Improving budgetary execution and raising the tax-to-GDP ratio are core planks of a resource mobilization strategy to meet the financing gaps.
- Migrants' remittances are a key component of national development. What strategies are in place to harness this potential?
- Case studies of 12 countries, out of which seven are in Africa (Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal and Tanzania) to calculate the fiscal requirements using projections for the 2010 to 2030 period found that the fiscal requirement ranged from over 10 per cent of GDP (Burkina Faso) to a little over 4 per cent (Guinea) (ILO, 2008).

Investing in the social protection floor initiative

Fiscal space diamond

1. Official Development Assistance, including Debt Relief (% of GDP)

4. Reprioritization
& Efficiency of Expenditures
(% of GDP)



2. Domestic Revenues
Mobilization (% of GDP)

3. Deficit Financing
(% of GDP)

Source: Roy, R., (2009)

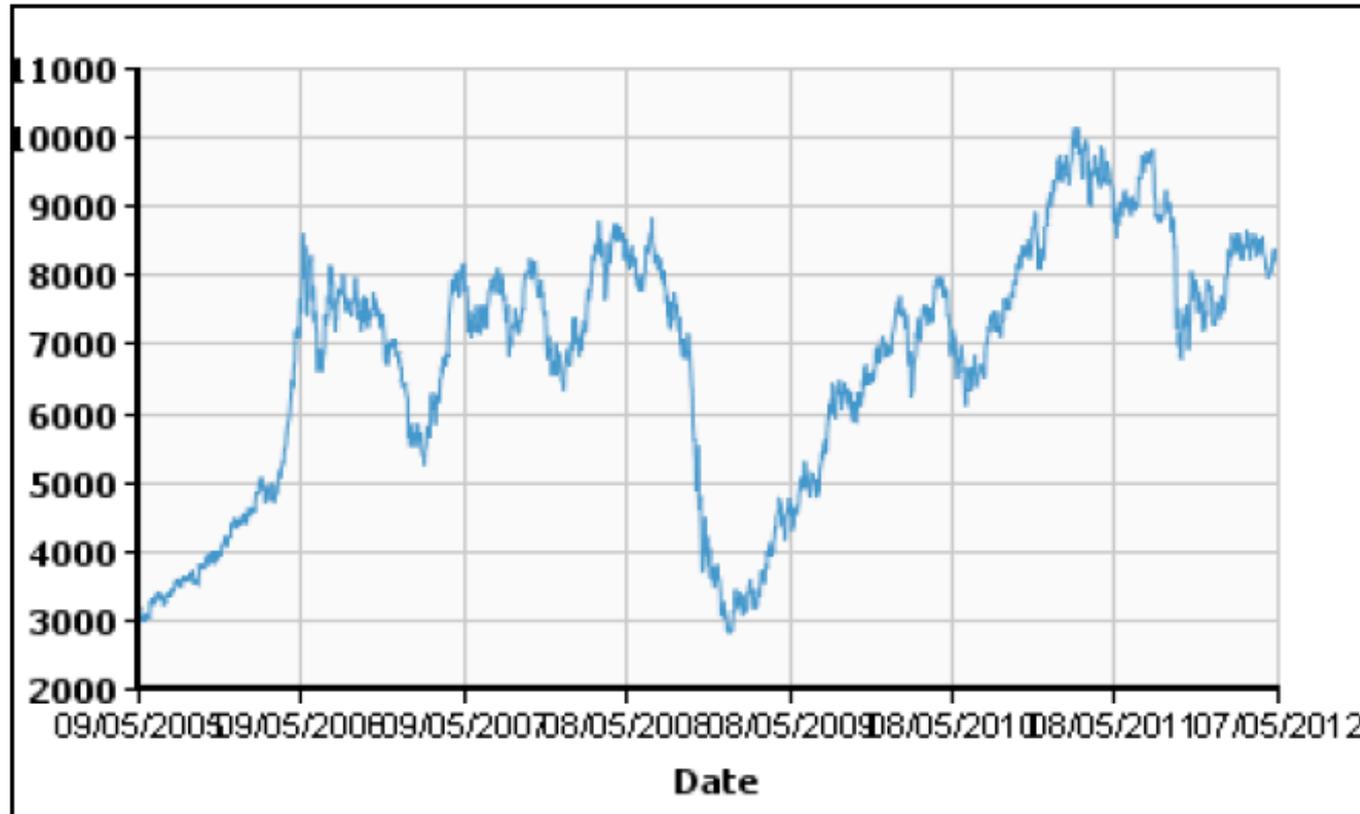
Copper prices are high, but projected to fall, although not very significantly

World Copper Prices (US\$/tonne) for May 8, 2012

Prompt Date	Seller (\$)
10/05/2012	8,234.00
08/08/2012	8,133.00
18/12/2013	8,085.00
17/12/2014	8,020.00
16/12/2015	7,930.00

Source: London Metal Exchange - [view-source:http://www.lme.com/copper.asp](http://www.lme.com/copper.asp)

Copper prices have fallen (and risen) in the past



Investing in the social protection floor initiative

Copper to finance core development goals

- How does Zambia guard against falling into a revenue deficits, and hence a financial crisis, if global demand slumps?
- Proceeds from the copper exports have financed social protection programmes that have lifted millions from poverty in Chile (J. C. Guajardo, 2008).
- Investment in agriculture and rural infrastructure development.

Final takeaways

Macroeconomic stability matters

- **Sound macroeconomic stability is necessary for growth and decent work.**
- **The quality of growth matters:** growth has to be job-rich, sustainable and inclusive.
- **Hence the need for a pro-employment macroeconomic framework.**
- **Employment and decent work have to be planned, and not treated as a residual of prudent macroeconomic management.**
- **Social dialogue** could be a valuable ingredient towards decisions on macroeconomic priorities especially in ensuring that economic growth is job-rich, sustainable and inclusive.

Final takeaways

Related strategies to promote DW

- There is need for a strategy of **economic diversification beyond copper** as part of pro-employment macroeconomic framework.
- **Fostering regional integration and intra-African trade.**
- **It is crucial that the ensuring labour legislative framework, currently under review, plays a positive role in protecting fundamental human rights at work, in promoting employment and economic growth, and in improving labour market performance.**
- The need for the involvement of the **new partners** (China, India, South Africa and Brazil) in infrastructure, social development, skills transfer, rural transformation, as well as vertical and horizontal linkages.
- **The role of the developmental state:** The 2011 Economic Report on Africa by the UN Economic Commission for Africa echoes the fundamental change in favour of this development philosophy.

Additional information?

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