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# A recipe for decent work

*The key to solving the global problem of income inequality will be to improve employment opportunities and ensure fairer rates of pay. How can this be achieved?*

By **Sharan Burrow**, General Secretary, International Trade Union Confederation, and **John Evans**, General Secretary, Trade Union Advisory Committee to the OECD

**T**he global workforce is in trouble. Fear and xenophobia have become even more prevalent in recent times as working people and their families struggle to live on their wages – or, worse, are marginalised by unemployment or insecure work.

The International Trade Union Confederation's May 2016 poll on wages across a group of countries that represent 55 per cent of global GDP makes for sober reading. It tells us that 45 per cent of the world's people are living on the edge, and 52 per cent are just getting by. This is a social and economic disaster. The overwhelming majority of these people have no buffer for the future, even if they get by day by day.

Global supply chains are now the dominant source of wealth in the economy.

Yet they depend on a hidden workforce (those not in a direct employment relationship) that makes up to 94 per cent of those working along the chain – a workforce for whom multinational enterprises take little or no responsibility. Companies know that this is a model for low wages, and for insecure and often unsafe work. They also know that, increasingly, informal work and modern slavery are aspects of harvesting and production processes. This is inequality by design. People know it and resent it.

◀ Tultitlán, Mexico. Three children from Honduras travel north, hoping to cross the border to the United States to reunite with their family. Migrants seeking decent jobs are dangerously exposed to exploitation and abuse

A significant share of households in industrialised countries have experienced flat or falling real incomes for a decade or longer, with serious intergenerational effects. The gap between men's and women's average income is not shrinking – neither is the level of youth unemployment, nor the share of youth not in education, employment or training.

These factors have combined to raise the real prospect of 'secular stagnation' – a condition of negligible economic growth. They have also contributed to a popular backlash against governments, institutions and the very functioning of economic systems.

The Brexit vote, the US election results and the tenor of ongoing election campaigns in Europe reveal a major crisis of trust. These trends are reflected differently across regions, age groups and genders, and are not universally evident in all countries. They are triggered by different issues: slow growth and stagnant median wages, rising inequality and persistent unemployment. The common feature is that significant segments of populations feel that while others have gained despite an economic slowdown, they have lost out. They feel more insecure about their future. The claim that 'elites are out of touch' has struck a chord.

### Inequality trend

In the industrialised economies over three decades, the proportion of national income generated by labour (as opposed to capital) declined by 10 percentage points of GDP on average. Income inequality increased within the wage share in 22 out of the 25 Organisation for Economic Co-operation and Development (OECD) countries with comparable statistics.

Between 2008 and 2011 market income inequality increased as much as it had in the previous 10 years. Latest OECD work on high-end incomes and taxation shows that across all countries it is the 'very top of the

income distribution' that have benefited the most. The trend has been most extreme in the US, where the bottom 60 per cent of the population did not see any increase in their living standards over the past 25 years. The top one per cent, on the other hand, increased its share of total income from 13 per cent in 1990 to 18 per cent in 2014.

### Reform needed

In the short term, inequality is stifling recovery. In the medium term, it is fuelling public mistrust and creating the conditions for rising populism across economies. In the longer term, inequality will result in rising skills gaps, increased unemployment and fears for survival as incomes stagnate or decline. This generates an anxiety that further mitigates against a smooth transition to a digitalised, globalised economy.

But with political will, we can achieve real reform. The UN Sustainable Development Goals (SDGs) – in particular SDG 1 (on eliminating poverty), SDG 5 (on gender equality), SDG 4 (on education), SDG 8 (on employment and decent work) and SDG 10 (on social protection) – can make a difference. The G20 summit in July in Germany can lead this work by resetting the parameters for rights, the rule of law, social protection, wage mechanisms and, consequently, shared prosperity. Specifically, the G20 must commit to:

- formalise work, requiring better business registration, universal social protection and the minimum wages on which people can live with dignity;
- begin to reverse the fall in labour's share of total national income through minimum living wage mechanisms and the strengthening of collective bargaining. The increase in minimum wages needed to allow people working in supply chains to live with dignity is around \$25-\$50 a month – a few cents on a product at most;
- uphold the UN Guiding Principles on Business and Human Rights, with responsibility for due diligence, grievance and remedy;
- endorse the OECD process to establish a general guidance note on due diligence, and use this as a foundation for mandating business responsibility.

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More generally, governments must shift from the austerity that has dominated policy thinking since 2010.

Jobs must be on the agenda. Fiscal room exists to increase public investment in infrastructure and to focus on creating jobs and increasing productivity. Policymakers must also seek to reduce the gender and youth employment gaps and speed the transition to a low-carbon economy by creating green jobs.

Equally, investment in the care economy is important – care of older people, childcare, health and education – to both create more jobs and to free women to participate in other economic sectors.

## *The promise of the SDGs and the Paris Agreement is a zero-carbon, zero-poverty world*

Implementation of the Paris Agreement on climate change affords more opportunities for green jobs with a commitment to a “just transition of the workforce”. National action, through dialogue with social partners on industrial transformation and support for the creation of a “just transition fund for workers and communities”, are vital elements to ensure progress towards a zero-carbon economy.

We also need urgent action to ensure decent jobs in the digital economy and for the next wave of digitalisation.

The recipe for decent work is simple: social protection, a minimum living wage, freedom of association and collective bargaining, and safe and secure work. This will only be realised if corporations are held to account. These policies and politics can reform market capitalism to make economies work for the advancement of both social justice and economic efficiency.

The promise of the SDGs and the Paris Agreement is a zero-carbon, zero-poverty world. Both business and workers will benefit if governments find the necessary political courage to make this promise a reality. ●

## 8 DECENT WORK AND ECONOMIC GROWTH



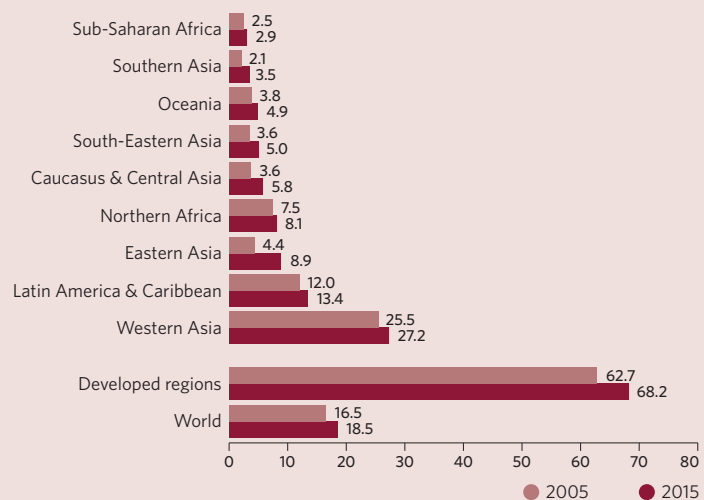
### Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

**Average annual growth rate of real GDP per capita, 2000-2004, 2005-2009 and 2010-2014 (percentage)**



**The least developed** countries' per capita growth has slowed to only 2.6 per cent on average during 2010-2014, less than half the target rate of at least 7 per cent a year.

**Labour productivity (GDP per worker) in constant 2005 US dollars, 2005 and 2015 (thousands of US dollars)**



**While labour productivity** increased in the developing regions from 2005 to 2015, the value for developed regions was still more than twice that of any developing region, and around 20 times greater than the values for sub-Saharan Africa and Southern Asia.

Source: *The Sustainable Development Goals Report 2016, United Nations*