

# Commentary

BUFFIN PARTNERS INC.

ECONOMIC INVESTMENT AND ACTUARIAL RESEARCH

## The Employment Imperative

The United Nations has continuously emphasized the role of productive employment in reducing poverty and promoting social development ever since the 1995 World Summit for Social Development. Every two years the United Nations issues a *Report on the World Social Situation*. The key findings from the latest report in this series relate to the Millennium Development Goals in the context of globalization. The report has a specific emphasis on promoting social development and achieving poverty reduction through policies for productive employment of labor. In the current phase of globalization, labor markets have been evolving in the direction of greater economic insecurity and greater levels of inequality, adversely affecting the opportunity of people to achieve satisfactory employment in a decent work environment. Many of the world's young persons live in poverty; an estimated total of 130 million young persons are illiterate. Indigenous peoples are among the poorest members of the global population. In most countries, unemployment rates among indigenous peoples are significantly higher than the national average. Governments and employers around the world, in their desire to become economically competitive, have taken numerous steps to increase flexibility in labor markets, thereby producing greater insecurity among workers. Globally, there has been a spread of informal employment and short-term contracts, giving workers fewer entitlements and very little actual security in their employment. Deregulation and privatization of social services are powerful forces that have led to reductions in employment and income security as well as loss of representation for workers providing these services. Standard collective contracts are giving way to contracts based on terms of employment established at an individual level between employers and workers, resulting in a shift in the balance of power and control in favor

of the employers. Labor security is being eroded by the globalization of industry and financial markets and the emergence of global labor supply. Statutory regulation is being replaced by self-regulation as part of the liberalization that has accompanied globalization, engendering greater work insecurity. The principle of social insurance, a component of social protection systems, is weaker in economies dominated by informal economic activities and employment in the informal economic sector.

According to the United Nations report, policies and strategies devised to promote employment should also address issues of income and socio-political inequalities. The design of policies to promote employment also needs to reflect demographic and social changes in society. Political reforms and legal provisions for achieving greater equality among ethnic groups, cultures, genders and age groups, as well as protecting immigrants' workplace rights and civil rights are also essential. With more and more workers in employment situations that are casual, informal and outside of standard collective contracts, either by choice or by necessity, the universality of social protection coverage becomes even more important. Decent work opportunities, balanced with economic growth and job creation, should be placed at the center of economic and social policymaking.

Global demographic forces have had a significant impact on the employment and unemployment situations. The aging populations and declining birth rates in developed countries contrast with the younger populations and relatively higher fertility rates in developing countries. In 2006, about 84 per cent of the global labor force was located in developing countries, with Asia and the Pacific region accounting for about 60 per cent of world employment. It is estimated that in 2006, about 1.4 billion of workers did not earn enough to lift themselves and their families above the

\$2-a-day poverty level. The proportion of the \$2-a-day working poor in total employment decreased from around 60 per cent over the previous ten years to around 48 per cent. Nevertheless, the number of people surviving on less than \$2-a-day actually increased in sub-Sahara Africa over the same period.

Deindustrialization has been a characteristic of developed countries since the 1980s; it has been occurring in many developing countries as well, where a net transfer of jobs from agriculture to the service sector has taken place. The world is rapidly becoming an economic system dominated by the service sector in which many jobs are low-paying and not covered by formal arrangements for social protection. The issue of long-term unemployment is of particular concern since it results in impoverishment, loss of networks of support, individual dignity, energy and willpower. Concern about the extent and seriousness of long-term unemployment is pervasive; given the lack of long-term unemployment benefits in many countries, many of the unemployed drift into informal activities and underemployment. The world of work is being profoundly transformed. Sectoral shifts are themselves making the concept of full-time single-occupation employment almost an anachronism. Above all, the sense of insecurity accompanying the different types of informal economic activity, and the lack of employment security, pose major challenges for policymakers that make the employment imperative one of the highest economic priorities in today's world.

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