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**Linking growth and equity:
addressing exclusion, discrimination and
exploitation in labour markets**

**Ursula Grant and Kate Higgins
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Objectives

1. To demonstrate that labour markets are at the growth-equity nexus.
 - Employment is an important transmission mechanism between growth and poverty reduction.
2. To show how exclusion, discrimination and exploitation can play-out in labour markets.
3. To make the case that more attention should be paid to labour markets in international development policy.



Structure

- Define terms
- Labour markets: a critical nexus between growth and equity
- Urban labour markets: engines of growth and expanding opportunities; a place of exclusion, discrimination and exploitation
- An assessment: labour markets and international development policy
- The policy agenda
 - Immediate term
 - Longer term



Defining terms

- Labour markets
 - Labour as a commodity (remuneration)
 - Waged work and self employment
 - Formal and informal sectors
- Growth with equity
 - Long term development and productive investments
- Exclusion, discrimination and exploitation
 - Terms of engagement (hours, pay, conditions)



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Labour markets:

A critical nexus between growth and equity?

| | Growth | Equity |
|--|---|---|
| <i>Inclusive labour markets</i> | People across income distribution benefit from and included Higher levels of national productivity and bigger tax base | Empowered people – sense of identity Capacity to invest in household assets Social cohesion |
| <i>Exclusive, discriminatory and exploitative labour markets</i> | Un- and underemployment Lower productivity, tax base, public investment Low quality private sector investment | Increased social, political and economic inequality Higher levels of poverty (degrading work resulting in hardship and exhaustion) Social unrest, crime and violence. |

Evidence: The working poor

| | GDP growth rate(%) | US\$1/day working poor (% share of total employment) | US\$2/day working poor (% share of total employment) |
|--------------------|--------------------|--|--|
| South Asia | 7.5 | 47.1 | 80.9 |
| Sub-Saharan Africa | 6.6 | 58.3 | 82.2 |

Source: ILO, Global Employment Trends, Jan 2009 (data for 2007)

Urban labour markets (1):

Engines of growth and expanding opportunities

- Rapid urbanisation in developing contexts
- Opportunities for work, commercial activity and access to services
- Rising urban inequality & ‘urbanisation of poverty’
- Urban poor people need jobs (unskilled & semi-skilled)
- Poor people need decent jobs

Urban labour markets (2): *A place of exclusion, discrimination and exploitation*

- **Poor terms of engagement:**
 - Urban poor characterised by weak labour market position (e.g. informal, unregistered and illegal work, casual labour)
 - Low remuneration and poor working conditions (e.g. most urban poor have to work until they die)
 - Profitable informal sectors can be controlled by particular groups
- **Long term impacts:**
 - Work can increase vulnerability and limit escape from poverty (e.g. older people, women, children, rural migrants, bonded labourers, etc.)
 - Coping strategies undermine escape from poverty
 - Urban livelihoods can be difficult to sustain.

An assessment:

How does international development policy respond?(1)

- Labour markets marginalised in international development policy, despite being at this critical growth-equity nexus
 - Gulf between attention paid to labour markets in public policy in developed world and international development policy
 - Labour market issues feature in discussion on private sector development, investment, trade, skills development, rarely tackled ‘head on’
 - Marginalised now, but not always



A question: *Is this marginalisation justified? No*

- Employment critical for poverty reduction
- ‘Jobless’ growth and underemployment means we’re ‘missing a trick’
- Employment is ‘...the best safety net’
- Labour markets a site of exclusion, discrimination and exploitation
 - E.g. urban labour markets

The policy agenda:

Immediate term (1)

- Impact of global financial crisis
 - More than 200 million workers, mostly in developing countries, pushed into extreme poverty
 - Poor and vulnerable people ‘hardest hit’ during economic downturns
 - Young people, older workers, unskilled workers, migrants

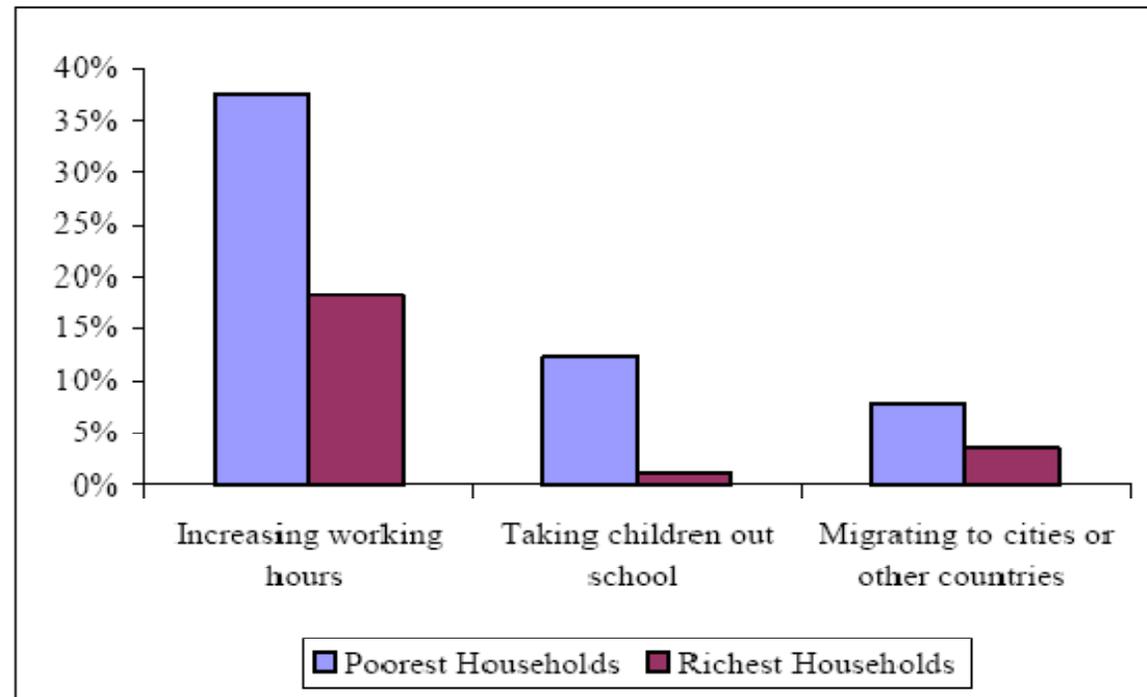


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The policy agenda:

Immediate term (2)

Figure 1: Filipino Household Responses During East Asian Crisis (1998)



Source: Esguerra et al (2001)



The policy agenda:

Immediate term (3)

- **Priorities**
 - Public works programs
 - Conditional cash transfers
 - Active labour market programs
 - Analysis of impact of crisis on labour markets (formal and informal) to inform policy choices



The policy agenda:

Longer term

- Crisis an opportunity to position employment and labour market issues?
- Priority – a more comprehensive approach to labour market issues
 - ILO’s decent work agenda
 - Standards and rights and work; employment creation and enterprise development; social protection; and social dialogue
 - World Bank’s MILES framework
 - Macroeconomic policies; investment climate, institutions and infrastructure; labour market regulations and institutions; education and skills; and social protection

Growth-Equity and Labour: A simple model

