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**Statement by Mr. Hougbo
International Labour Organization**



International
Labour
Organization

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International Labour Organization, to the IMF International
Monetary and Financial Committee and to the joint World
Bank-IMF Development Committee**

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Summary

- The ILO's research shows that in 2023, the global unemployment rate and the jobs gap (constituting the number of jobless individuals actively seeking work) declined below pre-pandemic values, with the latter remaining elevated at close to 435 million. But despite lower unemployment and positive employment growth, real wages declined in the majority of G20 countries as wage increases failed to keep pace with inflation. The number of workers living in extreme poverty grew by about 1 million globally, while large sectoral heterogeneity of earnings further widened within-country income inequality.
- Generative Artificial Intelligence (AI) will significantly impact the labour market: up to 75 million jobs across the world risk to be fully automated. Nearly two-thirds of those jobs (48 million) are held by women, who are over-represented in the clerical occupations that will be the most greatly affected by AI. Those workers will see their day-to-day tasks transformed in a large number of ways. Policy attention therefore needs to focus on managing the use of AI in the workplace and preventing it from leading to violations of rights at work. The ILO will continue to lead research and collaborate with the IMF and World Bank to better understand and address these transformations.
- Climate inaction costs lives, jobs, and growth: we need to accelerate the climate transition. Public and private finance is indispensable in order to expand green and low-carbon activities, to transform environmentally unsustainable business practices, and to attain social resilience and transformation. And financing for the social dimension must be an integral part of climate transition financing strategies. Private finance capital is required to complement public finance, as are international development finance and climate funds for developing countries. The ILO will further cooperate with governments, IFIs, the private financial sector and the social partners to advance a just transition and to support measures for its implementation, including the promotion of sustainable enterprises. The World Bank Board should take bolder action in scaling up development finance, while the IMFC needs to greenlight the rechanneling of special drawing rights (SDRs) to social and environmental just transitions.
- The world is on two very different and divergent social protection trajectories, with high-income-countries edging closer to universal coverage, while low-income countries have barely progressed since 2015. Under-investment in social protection continues to be one of the main reasons for inadequate coverage rates. In low- and middle-income countries there is a need to spend an additional USD 1.4 trillion or 3.3 per cent of GDP (2024) to extend a social protection floor to all. While domestic resource mobilization must remain the foundation of national social protection systems, in the case of low-income countries, the size of the financing gap of 52.3 per cent of their GDP is such that international solidarity is absolutely essential. Collaboration between the IFIs, the ILO and the UN system as a whole is of the utmost importance to expand the fiscal space for social protection.
- Addressing the current challenges requires a focus on social justice as the cornerstone of more sustained recovery and renewed multilateralism. This entails bolstering investment in social policies, institutions, and dialogue. Beyond employment, social justice encompasses access to fundamental necessities such as food, health, and education as well as decent work (i.e., access to jobs, rights at work, social protection, and social dialogue) given the importance of labour income and its link to the rise or fall of inequality in many countries. Prioritizing these principles in international development is critical for fostering equitable growth amid multifaceted challenges, and the ILO invites all relevant parties to join the recently established Global Coalition for Social Justice.

► Economic and social outlook

Recent IMF projections show a moderate upward revision global growth, reaching 3.1 percent in 2024 and 3.2 percent in 2025. Global headline inflation is expected to fall to 5.8 percent in 2024 and to 4.4 percent in 2025, with the 2025 forecast revised down. Central bank policy rates remain high to fight inflation, fiscal support is being withdrawn amid high debt weighing on economic activity, and underlying productivity growth remains low.¹

Global growth in 2023 was modestly higher than anticipated, in spite of the general economic slowdown, and both the unemployment rate and the jobs gap have declined below pre-pandemic values. The latter, nonetheless, remained elevated at close to 435 million.² The global unemployment rate in 2023 was 5.1 per cent, a modest improvement in 2022 and the labour market participation rates had largely recovered from their pandemic lows, especially among lower-middle-income and high-income countries. Large recovery differences across labour market groups, have contributed to labour market imbalances, notably in advanced economies. Average hours remained below their 2019 pre-pandemic levels, weighing on the overall available labour input and causing labour market imbalances, especially in key sectors in advanced and some emerging economies.

Despite lower unemployment and positive employment growth, real wages declined in the majority of G20 countries as wage increases failed to keep pace with inflation. Moreover, in 2023, the number of workers living in extreme poverty – earning less than US\$2.15 per day per person in purchasing power parity (PPP) terms – grew by about 1 million globally. A slowdown in aggregate labour productivity growth is underway despite the apparent acceleration of technological progress, especially that of digital technologies, and the rise in investment in many advanced and some developing countries. During periods of slow productivity growth, real disposable income and real wages are often vulnerable to sudden price shocks. As only a few firms have seen their profits accelerate, most workers have been unable to ask for stronger increases in their earnings, and so they and their households are facing an accelerating erosion of their real disposable income. Moreover, given the large sectoral heterogeneity of earnings, a further widening of within-country income inequality has ensued.

A wage–price spiral has not materialized while lacklustre growth and the erosion of real disposable income can now weight on aggregate demand and a more sustained economic recovery. Moreover, faltering demand may affect productivity growth as firms fail to generate enough revenue to invest in and adjust to the latest technological developments.

As indicated by the IMF, “...policymakers’ near-term challenge is to successfully manage the final descent of inflation to target, calibrating monetary policy in response to underlying inflation dynamics and—where wage and price pressures are clearly dissipating—adjusting to a less restrictive stance”.³

► Long term challenges calling for immediate action

Artificial Intelligence is changing the world of work

The ILO’s research on the effects of generative AI on the labour market find that at most 2.3 per cent of jobs across the world have the potential to be fully automated, with a greater potential impact in high-income countries (5.1 per cent) compared with low-income countries (0.4 per cent). These figures translate into 75 million jobs across the world, nearly two-thirds of which (48 million) are held by women, who are over-represented in the clerical occupations that are most likely to be affected.⁴

Nonetheless, there are many tasks that cannot be replaced by AI, or it would not be cost-effective to do so. Indeed, many of the occupations deemed “essential” during the pandemic, such as emergency medical technicians or food preparers, are jobs that cannot be automated.

¹ IMF 2024. [Work Economic Outlook Update](#), January 2024.

² ILO. 2024. [World Economic and Social Outlook: Trends 2024](#). Geneva: International Labour Office.

³ IMF 2024, *Ibid.*.

⁴ Gmyrek, P., Berg, J., Bescond, D. 2023. Generative AI and Jobs: A global analysis of potential effects on job quantity and quality, ILO Working Paper 96 (Geneva, ILO). <https://doi.org/10.54394/FHEM8239>

Rather than redundancies, the larger impact of AI is for those workers who remain in their jobs, but see their day-to-day tasks transformed. According to ILO research, 13 per cent of employment or 427 million jobs across the world have the potential to be transformed by AI. The potential benefits are spread across countries (13.4 per cent in high-income countries and 10.4 per cent in low-income countries), although developing countries have larger bottlenecks to realizing these potential gains due to unstable electricity access, no access to broadband, lack of digital skills, as well as the cost of the technology itself.

Policy attention should also focus on managing, and in some cases limiting, the use of AI in the workplace, as well as establishing redlines that ensure that AI does not infringe upon workers' fundamental rights at work. For example, AI should not be used to monitor workers in private communications with union representatives or using hiring software that discriminates against certain job candidates because of ethnic background. There is an important role of regulation to ensure that workers' fundamental rights at work are respected, and there is a role for social dialogue at the workplace to best harness AI's use.

Moreover, AI requires human labour engaged to train, verify and monitor AI systems. Many of these workers are found in the Global South and work under poor conditions receiving low pay and often hired as independent contractors and thus not covered by the protections associated with an employment relationship. The ILO embarked in a process that will lead to standard setting in 2025-2026 on decent work in the platform economy as a first step in addressing these deficits.

The ILO will continue to lead research to better understand and address these transformations. These are areas that are fertile for collaboration with the IMF and World Bank, and we are thus pleased of the ongoing work focussed on the possible implications and consequences of AI for productivity and inequality including at the regional level.

Climate action and climate finance

We need to accelerate the climate transition as climate inaction is costing lives, jobs, and growth. The transition is now needed at a remarkable scale and speed, which can only be achieved if the transition is socially just.

The climate transition presents a unique opportunity to innovate in green technologies, and circular practices, creating millions of jobs. However, the transition generates change and challenges: job losses in certain sectors, skill mismatches, risks of labour and human rights violation in emerging and fast-growing green sectors. In the course of such transformation, all economic sectors, all peoples, across all geographies are affected and we cannot afford to leave anyone behind. Therefore, a just transition means maximising the social and economic opportunities of climate action, while minimising and carefully managing the challenges. Governments alongside workers and employers all face challenges and are asking for support to mitigate risks and harness the opportunities in this transformation.

Orchestrating an orderly and efficient transition that achieves ambitious climate targets requires understanding the nature and scale of changes to economic and social systems, as an indispensable starting point, and comprehensive and well-coordinated policies and actions including:

First, policies to manage potential negative effects by establishing robust social protection systems, and by strengthening the economic resilience of workers, enterprises, and communities.

Second, skills that prepare the present and future workers to new jobs in the green economy and associated sectors. Such readiness of the labour force is essential to shifting gear in technology development and adoption to meet climate targets.

Third, leveraging the potential of climate action to generate jobs and economic growth at the local level, strengthening backward and forward linkages and ensuring that the jobs created are decent work, safeguard workers' rights, and provide a route out of poverty.

Public and private finance is indispensable to expand green and low-carbon activities, to transform environmentally unsustainable business practices, to enhance social resilience and to support transformation. And financing for the so-called social dimension of the transition must be also an integral part of climate transition strategies. For instance, financing green skills development and occupational safety and health measures to adapt working conditions to the effects of the climate change is not merely a social expenditure, but a critical investment for climate action.

An efficient combination of different public and private sources of financing, at the domestic and international level is crucial. Private capital is required to complement public finance, as are international development finance and climate funds for developing countries. For example, blended finance solutions and risk-sharing mechanisms can

enable public capital providers to act as catalysts for attracting additional private sector capital. Such instruments have the potential to improve the risk-return profile for private investors and decrease the cost of funds for just transition projects in developing countries. Through an efficient allocation of capital, financial decision makers can positively influence the direction, speed, and inclusiveness of the ecological transition.

International Finance Institutions (IFIs) are particularly well-positioned to advance the integration of social and employment dimensions in financing operations. At this critical juncture, embedding a just transition perspective more systematically in their strategies and throughout their investment cycle would be instrumental to leverage their role in supporting sustainable development in an integrated manner. Given the complementarity of mandates, roles and levers to stimulate change, cooperation and partnerships are not just beneficial - they are essential to ensure sufficient investment for a just transition. The WB Board should take bolder action in scaling up development finance, while the IMFC needs to greenlight SDR rechanneling for social and environmental just transitions.

The ILO leverages its tripartite structure to foster partnerships that are inclusive, ensuring that governments, employers, and workers collectively shape the solutions for a low-carbon future. The ILO stands ready to further cooperate with governments, the IFIs, the private financial sector and the social partners to advance a just transition and measures for its implementation.

Social protection financing

Universal social protection is a pivotal policy lever to prevent and address the adverse consequences of the climate crisis and enable a just transition towards environmentally sustainable economies and societies for all. Yet, just under 4 billion people are still left entirely unprotected. Slightly more than half of the world's population is covered by at least one social protection benefit, despite some progress since 2015. The world is currently on two very different and divergent social protection trajectories, with high-income countries edging closer to universal coverage, while low-income countries have barely progressed since 2015. Public expenditure on social protection (excluding healthcare) is on average 13.0 per cent of GDP worldwide and under-investment in social protection continues to be one of the main reasons for the low coverage rates.⁵

In low-and middle-income countries there is a need to spend an additional USD 1.4 trillion or 3.3 per cent of GDP (2024) to extend a social protection floor to all.⁶ This means that governments of low-and middle-income countries should progressively increase their social protection expenditure by 10.6 per cent of their existing government expenditure. Such investment will ensure universal coverage of basic benefits to all children, mothers of new-borns, those who are severely disabled, and all persons in old age, the unemployed as well as universal essential health care. In low-income countries, the financing gap is considerable, amounting to 52.3 per cent of GDP and a striking 310.0 per cent of government expenditure.

There is no one-size-fits-all approach for closing the financing gap and extending fiscal space for social protection. The key principles of the ILO Social Protection Floors Recommendation, 2012 (No. 202) provide a useful basis for defining financing approaches and mechanisms: universality of protection based on broad risk-pooling; solidarity in financing to achieve an optimal balance between the responsibilities and interests among those who finance and benefit from social security schemes; overall and primary responsibility of the State for social protection; social inclusion, including of workers in the informal economy; respect for the rights and dignity of people covered by the social security guarantees; non-discrimination, gender equality and responsiveness to special needs; right to adequate and predictable benefits; progressive realization of universal coverage, including by setting targets and time frames.

Domestic resource mobilization, including progressive taxation and social security contributions, are key sources of financing for social protection, considering that building social protection systems and floors imply long term commitments. It is critical that countries develop policies to formalize employment, enterprises and economic transactions, as well as strengthening the institutions required to collect taxes and social contributions. Budget reprioritization, higher spending efficiency, combating illicit financial flows, macroeconomic policies that favour

⁵ Forthcoming ILO estimates to be released with the new World Social Protection Report in September 2024.

⁶ Forthcoming ILO estimates to be released in the Financing for Development Forum in New York in April 2024.

decent job creation, and innovative sources of financing, are some of the important options that can strengthen the finances of social protection systems and floors.

Managing sovereign debt is another important option to expand fiscal space for social protection. The higher borrowing costs, combined with the substantial sovereign debt accumulated during the COVID-19 pandemic, have escalated debt servicing costs of many developing countries that were already facing unsustainable debt burdens even on the eve of the COVID-19 shock. To contain debt 134 governments have cut public spending, including on social protection. Starting already in 2021, this trend is expected to continue until at least 2025. If a portion of government debt could be renegotiated with lower interest rates this could free a sizable share of financial resources to devote to social protection.⁷

While domestic resource mobilization remains the cornerstone of national social protection systems, international solidarity becomes necessary in the case of low-income countries, where the financing gap reaches 52.3 per cent of GDP. For them, ODA has remained at levels below the internationally agreed goal of 0.7 per cent of gross national income of the high-income countries (in 2022 the average rate was 0.37 per cent). According to data collected by the OECD/DAC, only four countries met this goal. Despite some increase in the share of ODA allocated to employment and social protection as a result of the pandemic, ODA allocations to social protection still remain very low.⁸

Collaboration between ILO, the IFIs and other UN entities is of utmost importance to expand the fiscal space for social protection. Since 2019, the ILO and the IMF have been collaborating both at the global and at the country-level on the sustainable extension of fiscal space for social protection. In close consultation with the respective country teams, the ILO and the IMF are now in the second phase of their collaboration with joint work on financing social protection carried out in nine countries (i.e. Cambodia, Comoros, Eswatini, Lebanon, Morocco, Mozambique, Paraguay, Senegal, Thailand). Collaboration is cross-fertilizing the dialogue between ILO and IMF constituents and authorities and have resulted in more coherent policy advice to governments.

Fruitful collaboration between the ILO and the World Bank is advancing the Multistakeholder Engagement to implement the Global Accelerator on Jobs and Social Protection alongside the World Bank Social Protection and Jobs Compass (M-GA). This collaboration aims to reinforce and extend social protection systems and enhance the availability of Active Labour Market Policies (ALMPs), including for informal workers and micro-enterprises. The M-GA will foster equitable economic, demographic, and ecological transitions, ensuring fairness for all workers, businesses, and communities. Funded by Germany, with interest from Spain and Ireland, the initiative will launch its first funding cycle through the World Bank's RSR ADSP Umbrella Trust Fund and the Joint SDG Fund.

► Conclusion: social justice as the cornerstone of more sustained recovery

Our world faces multiple challenges, stemming from overlapping crises and long-term structural economic transformations. The convergence of global crises, including geopolitical tensions, economic instability, and environmental disasters, has exacerbated social setbacks worldwide. Millions have slipped back into poverty, and disruptions in education have intensified youth unemployment. Many small enterprises have struggled to survive. While some nations effectively navigated COVID-19 pandemic challenges through robust public policies, others faltered due to institutional shortcomings. Beyond the individual human tragedies, the converging crises have shown the crucial need for concerted, coordinated action at all levels.

If we are to build just, sustainable, and resilient societies to achieve lasting peace, we need greater social justice as the cornerstone of more sustained recovery. This entails bolstering investment in social policies, institutions, and dialogue. Beyond employment, social justice encompasses access to fundamental necessities such as food, health, and education. Decent work (i.e., access to jobs, rights at work, social protection, and social dialogue) is key, given

⁷ Ortiz, Isabel, and Matthew Cummings. 2022. [End Austerity: A Global Report on Budget Cuts and Harmful Social Reforms in 2022–25](#)

⁸ OECD, 2024. [Official Development Assistance \(ODA\) - OECD](#).

the importance of labour income in determining household income, and its link to the rise or fall of inequality in many countries. Prioritizing these principles in international development is critical for fostering equitable growth amid multifaceted challenges.

In response to this call, the ILO Governing Body endorsed in November 2023 the establishment of the Global Coalition for Social Justice, to translate political commitment into reality by ensuring social justice that makes societies and economies function better, reduces poverty, inequalities, and social tensions, and plays an important role in achieving shared prosperity, stability for peace and more inclusive and sustainable socio-economic development. It is a ground-breaking initiative bringing together multiple stakeholders, aimed at intensifying collective efforts to urgently address social justice deficits and to accelerate the implementation of the 2030 Agenda for Sustainable Development and the ILO Decent Work Agenda. The aim of the Coalition is to achieve a greater balance amongst the economic, social, and environmental dimensions of sustainable development, and to promote strong, sustainable and inclusive development through reinforced global solidarity, policy coherence and concerted action among a wide array of stakeholders.

The Coalition now boasts over 200 participants including over 50 governments, some 80 workers' and employers' organizations, more than 30 international and regional organizations, over 20 international non-governmental organizations and a range of academic institutions. In this collective endeavour, we particularly need the international financial institutions to ensure that international development not only addresses immediate economic challenges but also lays the groundwork for long-term social and economic resilience in developing countries. We need a space for advancing and exploring these discussions and strategies, inter alia through the ongoing IDA21 replenishment discussions.

The IMF and the World Bank have worked closely with the ILO in a variety of areas. Our collaboration has been effective and constructive, and it has shown that cooperation is mutually reinforcing. Our institutions need to continue to work together with a view to broadening the range of national dialogue partners, including among ministries and social partners, and providing coherent policy advice to all.