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Rolph Van Der Hoeven

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# Full Employment Target: What Lessons for a Post-2015 Development Agenda?

ROLPH VAN DER HOEVEN

International Institute of Social Studies, Erasmus University, The Hague, The Netherlands

**ABSTRACT** *Traditional development aid interventions, as formulated in the Millennium Development Goals, might not be the most effective response for the poor to grow out of poverty due to the triple crises of nutrition, finance and environment, in addition to the changing geopolitical landscape. New challenges therefore need to be confronted in a post-2015 agenda, which could be the best part of a global social contract in which all concerns should therefore be discussed in order to reach the goal of full and productive employment. Coherent policies both at national and international levels are needed that go far beyond concerns of development aid and successful technical assistance projects. The challenge is to have these policies well articulated in a post-2015 development agenda, otherwise full employment would remain a lofty and elusive goal.*

**KEYWORDS:** Human development; Economic development; Poverty; Measurement; Employment; Global governance

## Introduction

Employment, and especially decent and productive employment, has become topical in the worlds of development and development cooperation. An indication of this are the events related to the “Arab Spring” of 2011. In only a few months, various Arab regimes were toppled by a population not just wanting more democracy, but, perhaps even more importantly, also by an educated youth wanting good jobs and prospects of advancement but faced with extremely high youth unemployment rates (International Labour Organization [ILO] 2011). Paradoxically, this turmoil took place in countries that scored well on progress on the Millennium Development Goals (MDGs). Tunisia and Egypt, as well as Jordan, are among the eight best-performing countries with respect to progress in the MDGs (CGD 2011). The events causing the discontent manifested by the Arab Spring point to a possible disconnect between policies pursued under the aegis of the MDGs and the attainment of full employment in developing countries.

This article therefore tries to shed some light on the somewhat checkered relationship between employment and the MDGs, and argues that a coherent set of national and international policies is needed to tackle unemployment and underemployment in order to achieve full employment. It then poses the question of how an application of such policies could be included in the formulation of a post-2015 development Agenda.

## Employment and the Formulation of the MDGs

Full employment was absent in the original formulation of the MDGs in 2000.<sup>1</sup> The first reason for this absence is the emphasis on measurable goals in the MDGs. The second, more political, reason is that a

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Correspondence Address: Rolph Van Der Hoeven, ISS, Kortenaerkade 12, 2518 AX The Hague, the Netherlands.  
Email: [hoeven@iss.nl](mailto:hoeven@iss.nl)

greater emphasis on employment might have involved difficult political changes, an issue avoided in the initial formulation of the MDGs.

The discussion on a global goal for full employment, like those on other goals, preceded the discussions on the MDGs. Full and productive employment was one of the four major subjects (together with an enabling environment for social development, eradication of poverty, and social integration) of the plan for implementation of the Copenhagen Declaration of the World Summit for Social Development (WSSD), only five years before the MDGs.<sup>2</sup> However, unlike poverty eradication, the plan of action of the WSSD contained no time-bound or quantitative goal for employment.

In reviewing the outcome of WSSD five years later, the UN General Assembly adopted on 1 July 2000 the resolution S-24/2: Further Initiatives for Social Development, which contained a special section on “Commitment 3: *To promote the goal of full employment as a basic priority of economic and social policies, and to enable all men and women to attain secure and sustainable livelihoods through freely chosen productive employment and work*” with 16 paragraphs detailing policies for full employment. These resolutions on the five-year follow-up of the WSSD were adopted in the summer of 2000 simultaneous with the conclusion of UN discussions on the formulation of the MDGs. But in these discussions on the MDGs full employment was not taken into account, as achievement towards a goal of full employment was seen as too difficult to measure.

A second reason for not including employment in the original formulation of the MDGs is the fact that concentration on direct poverty alleviation measures led to a relative neglect of policies dealing with employment in general. In that context, Amsden (2011) observes that:

to slay the dragon of poverty, deliberate and determined investments in jobs above starvation wages must play a central role, whether for self-employment or paid-employment. The grass roots approach as advocated in the MDGs to solving poverty doesn't go far enough, because it aims only at improving the supply side of the labor market, making job seekers more capable, and not the demand side, making new jobs available for them. ... Employment generation is different from poverty alleviation because it has a concept behind it, “capital.” This means that the labor market is influenced by, and influences, all flows through the savings-investment nexus, including accumulation, distribution and innovation. It is at the heart of political conflict. (Amsden 2011, 62)

### *Role of the ILO*

The WSSD of 1995 gave a special role to the ILO to implement the recommendations of the summit. Furthermore, the Secretary General of the WSSD, Juan Somavia, became Director General (DG) of the ILO in 1999, partly as recognition for his role in the WSSD. One of the first international activities of the ILO after Somavia had taken the helm were negotiations and discussions for the five-year follow-up of the WSSD. The ILO was furthermore heavily involved in assisting the UN to come up with a sound set of recommendations on full employment. The ILO was therefore not very active in lobbying for the inclusion of an employment target in the MDGs (Rodgers et al. 2009, 227) due to its focus on the follow-up of the WSSD. Many in the ILO regarded the MDGs as an exercise for aid donors rather than as an instrument dealing with substantive and difficult employment issues. Somavia introduced, partly based on the outcome of the WSSD, his own Decent Work Agenda and resisted a too-detailed formulation of goals so as to avoid the mistakes of the Third Development decade of formulating unrealistic goals and so portraying the UN as an organization high on declarations but low on implementation. He furthermore had to deal with a divided Governing Body of the ILO, where some labeled the MDGs as “Minimum Development Goals.”

However, the attitude of the ILO and its DG changed rapidly. The World Commission on the Social Dimension of Globalization (WCSDG), installed by Somavia in 2001, adopted in its 2004 final report a

strong endorsement of the MDGs. One reason was that the WCSDG linked the implementation of the MDGs towards the establishment of a global social floor that had appeal to several members in the ILO's governing body:

At the Millennium Summit, Heads of State and Government agreed to work together to build a safer, more prosperous and equitable world for all by 2015. They adopted eight global goals, all of them to be achieved by 2015. These goals commit the entire global community – rich and poor countries together. We regard them as a minimum for a decent world. We should move, on this foundation, towards a common understanding of a socio-economic floor for the global economy. (WCSDG 2004, 106)

Furthermore, at a 2003 ILO conference the DG stressed the link between decent work and poverty alleviation (ILO 2003), and received a mandate to pursue this link further.

Another reason why the ILO gave more attention to the MDGs since 2003 is what I have labeled elsewhere (van der Hoeven 2012a) as the MDG paradox: the MDGs were originally designed to set, measure and monitor goals for some important aspects of (social) development, without prescribing a concomitant development trajectory. This was done so that all countries could agree with the goals, without being obliged to adhere to the same policy prescriptions, something developing countries had become very wary of since the introduction of the structural adjustment policies in the 1980s and 1990s. Yet, despite the intention of not having an underlying prescribing development theory, the MDGs have paradoxically led to a situation where issues not explicitly mentioned in the MDGs, such as employment, received less attention from the development aid community: the MDGs unintentionally became a kind of development theory. Donors started to allocate development aid on the basis of MDGs, especially those that were easily identified with doable projects and programs. Some donor countries even made a checklist to establish which of their programs were most “MDG compatible.”<sup>3</sup>

For all these reasons, the ILO became active in the preparations of the 2005 World Summit. This summit was a follow-up to the Millennium Summit in 2000, which had led to the Millennium Declaration and the MDGs.

#### *Inclusion of Full Employment as a MDG at World Summit 2005*

After intensive discussions, the World Summit 2005 accepted the importance of a global goal on Employment.<sup>4</sup>

The addition of full and productive employment as a MDG goal in 2007 (following the 2005 Summit) has been welcomed by non-governmental organizations, trade unions and various governments as it brought employment issues more forcefully into the discussion of development, development goals and aid delivery. However, some criticize the inclusion of a goal for full employment, as it is not easy to measure and thus deviates from the intentions behind the original MDGs (Vandemoortele 2011).

The addition of a new sub-target 1B, to achieve full and productive employment and decent work for all, including women and young people, led to the inclusion of four new indicators: growth rate of gross domestic product (GDP) per person employed; employment-to-population ratio; proportion of employed people living below \$1 (PPP) per day; and proportion of own-account and contributing family workers in total employment.<sup>5</sup> These indicators were the outcome of technical deliberations between OECD-DAC, the UN and the ILO. They were less politically underpinned than the discussions on the employment goal itself, and have their strengths and weaknesses (Martins and Takeuchi 2013) as they intend to measure progress on structural change and on type of employment as a proxy for full employment (Table 1) but fail to record the increase in precarization of labor that has taken place since 2000 (van der Hoeven 2010a).

**Table 1.** Strength and weaknesses of indicators for MDG 1B on full employment

Indicator	Description	Dimensions	Strengths	Weaknesses
Growth rate of GDP per person employed	Labor productivity growth	n/a	Links economic growth and employment	Lacks information on the quantity and quality of jobs
Employment-to-population ratio (by sex)	Employment rate	Quantity and inclusion	Measures employment creation	Ambiguous interpretation of high values and trends
Proportion of employed people living below \$1.25 (PPP) per day	Working poverty	Quality and inclusion	Links poverty and employment. Proxy for underemployment	Data demanding or disputed simplifying assumptions
Proportion of own-account and contributing family workers in total employment (by sex)	Vulnerable work	Quality and inclusion	Proxy for job quality	Ambiguous definitions and heterogeneity within categories
Share of women in wage employment in the non-agricultural sector	Gender parity	Inclusion	Measures women's access to (better) employment	Limited information on the quantity and quality of jobs
Youth unemployment (several)	Youth unemployment	Quantity and inclusion	Measures youth's lack of access to employment	Concept not very useful in poor countries

Source: Martins and Takeuchi (2013).

## Reactions to the Inclusion of the Goal of Full Employment

### *Reactions of the UN System*

The setting of the goal of full and productive employment leaves many questions about implementation. There has been a growing consensus that too little coordinated effort at the national and international levels has been undertaken to achieve it.

For example, the review of the MDGs (UNDG 2010), five years after the acceptance of the sub-goal of employment, reports on the progress or regress in employment issues globally as well as in some countries by means of a number of employment indicators. It also gives 18 narratives of how particular development projects have contributed to more or better employment in individual countries. The examples include successes of employment schemes, training schemes for entrepreneurs, training schemes for unemployed youth, improved collective bargaining, and social security. But looking at the different examples chosen in this review, it is not always clear how these projects have in general contributed to more and/or better overall employment.<sup>6</sup> Most of the examples do not make use of any counterfactual analysis or even mention whether other schemes *mutatis mutandis* were also contributing to employment creation. Notably absent is any macro analysis of the effects of these individual schemes and their possible impact on employment. It thus remains difficult to distill from that 2010 outcome review how successful development efforts have been at creating more and better employment as a result of the inclusion of full and productive employment as an MDG goal.

However, the continuing employment problems after the 2008 crisis have become a central topic in many international policy discussions. The ILO, for example, has been able to draw attention to employment internationally on the various agendas of the G-20 meetings and on national agendas through its decent work on country strategies. The IMF is taking one of its oldest objectives<sup>7</sup> more seriously, and successive Managing Directors of the IMF have voiced the need for more attention to creating full employment. An IMF–ILO seminar in September 2010 brought several world leaders together to support a plea for stronger attention to employment in global and national fiscal and monetary policies.

The World Bank devoted its *2013 World Development Report* to the creation of jobs. The report observes that the creation of jobs is not the outcome of labor policies themselves but depends on a larger number of fundamental policies, such as macroeconomic stability, an enabling business environment, human capital and the rule of law and respects for rights. This was a step forward in World Bank policies in acknowledging the complexity of the problem. However, in formulating policy prescriptions the report put the entire onus on benevolent policy-makers. It thus ignored that shaping a social agenda often entails an internal political process and struggle between different groups in society (social transformation), which, moreover, is increasingly being informed by external influence such as the globalization process. The report confirms that external influences shape the domestic labor agenda and therefore discusses the international effect of rights and standards, the benefits of liberalization of trade while managing adverse aspects on labor, the benefits of migration policies and the need for better international statistics on labor to inform all policies. However, what is missing is that financial globalization changes the nature of work, as we will show in subsequent sections. Nevertheless, one can conclude that full employment is starting to get more attention in international financial organizations.

### *Reaction from Donors*

Because of their complexity, it remains equally difficult to distill from the DAC statistics how aid flows in general have contributed to employment creation. The share of Official Development Assistance (ODA) commitments for the social sector (three-year moving averages) has greatly and steadily increased: from 16% in 1990, to 34% at the time of the introduction of the MDGs in the year 2000, to over 40% in 2008, mainly driven by substantial increases in the share of ODA commitments to government and civil society, and to a lesser extent to health, education and population programs (OECD 2011). Commitments to economic activities as well as to multi-sectoral activities all declined substantially over the same period. In all major developing regions, ODA commitments to social sectors were 42% or higher in 2009. The initial increase in ODA spending on social issues was a reaction by donors to the reduction in social spending, which many developing countries undertook following the World Bank-led Structural Adjustment policies in the 1980s and 1990s (van der Hoeven 1991). Undoing the harm done by the Structural Adjustment Programs, however, led to a neglect of donor activities on fostering structural change and employment creation.

New donors such as China and India almost certainly have a higher share of their aid in infrastructure, transport, mining, and so forth (De Haan 2011). These aid flows<sup>8</sup> and projects may in the long run add to new capacity and to greater generation of jobs, although in the short run the employment effects might be quite limited or even offset domestic employment creation, as projects are often undertaken by contractors and even by temporary imported workers from donor countries (see Mawdsley 2012). These flows are currently still considerably smaller than the flows from the traditional DAC countries, but are increasing faster than traditional ODA and therefore may change the current trend of ODA, which is increasingly benefitting the social sectors.

These changes in sectoral allocation cannot *prima facie* be taken as an indication of whether more attention was paid to employment in bilateral development aid following the MDGs. Aid programs to the social sectors could contribute indirectly to employment creation and improving the quality of employment by increasing human capital and governance. On the other hand, a shifting of resources away from investment in infrastructure and capital might well lead to reduced growth of production and thus lower employment growth. It is thus difficult to discern from aid allocation figures whether the MDGs led to a greater attention to employment issues by donors.

### **Has the Goal of Full Employment Been Achieved?**

Looking at the indicators established for goal 1B of full employment – growth rate of GDP per person employed; employment-to-population ratio; proportion of employed people living below \$1 (PPP) per day; proportion of own-account and contributing family workers in total employment as well as that of MDG 3 on promoting gender equality and empower women; and percentage of women employees in

**Table 2.** Progress on indicators for MDG on full employment

Indicator	Growth rate of GDP per person employed (%)		Employment-to-population ratio (%)		Percentage of employed people living below \$1.25 (PPP) per day		Percentage of own-account and contributing family workers		Percentage of women employees in non-agricultural wage employment	
	2001	2011 <sup>a</sup>	2000	2010	2000	2011 <sup>a</sup>	2000	2010	2000	2010
	World	0.6	2.1	61.2	60.2	26.4	14.8	52.8	49.6	37.5
Developing regions	1.4	4.3	62.8	61.6	33.5	18.2	64.0	58.8	31.6	33.9
Developed Regions	1.3	0.8	55.9	55.0	0.1	0.0	11.3	10.2	46.3	48.1

Note: <sup>a</sup>Preliminary estimates.

Source: Compiled from UN (2012).

non-agricultural wage employment – the patterns over the 2000–2010 period gives a mixed picture (Table 2). The growth rate of GDP per employed person is higher in 2011 than in 2000 but this is also partly the result of less people employed, as the employment-to-population ratio indicates. Also the percentage of women employees in non-agricultural wage employment has increased slightly, but, as Sen and Mukherjee (2013) argue, such an increase says little or nothing about an increase in women's empowerment, for which this indicator was developed.

Thus, rather than judging developments according to this limited and sometimes conflicting set of indicators, it is better to review a broader panel of employment trends to get a full comprehension of how various aspects of employment have developed since the formulation of the MDGs. In effect, the ongoing process of globalization has resulted for many countries in a growing precarization of labor,<sup>9</sup> illustrated by nine labor market trends.<sup>10</sup>

#### *A Decline in the Employment-to-population Rate for Most Regions in the World*

The global employment-to-population ratio has remained rather constant, but there are important regional differences. All three Asian regions and sub-Saharan Africa had the highest employment-to-population ratio at the beginning of the 1990s, but experienced declines by several percentage points by 2009. In contrast, the employment-to-population ratio increased slightly from much lower levels in the Middle East, North Africa and Latin America. The lower employment-to-population level in these regions at the beginning of the 1990s can be explained by very low female labor-force participation. At the global level, we notice a more or less constant ratio for female labor-force participation and declining male labor-force participation rate.

#### *Changing Pattern in Production*

A good indicator of development for developing countries is the size of the manufacturing sector. At the world level, the share of employment in industry has hardly changed between 1991 and 2008, remaining at 21.5%. But this hides important regional differences. The most dramatic increase is in Southeast Asia and the Pacific, where the share increased from 12.7% in 1991 to 19.4% in 2000, and in South Asia where it increased from 15.4 to 22.4% over the same period, almost reaching the share in East Asia, where the share remained more or less constant over the period (around 23.5%). Noticeable are the very low and stagnant share in sub-Saharan Africa (at around 8.5%) and a declining share in North Africa.

*The Increases in Non-standard Forms of Employment*

In developing countries, precariousness is most clearly manifested in the existence of a pervasive “informal sector” or “informal economy.” This phenomenon is not restricted to developing countries. There are, however, contradictory explanations of the pervasiveness of the informal sector. Some (for example, Maloney 2004) argue that the size of the informal sector is determined by the degree of labor market inflexibility. According to them, the more inflexible the labor market, the more incentivized employers will be to act informally. Others (for example, Kucera and Roncolato 2008) argue that the major cause of the informal sector activities is the lack of formal jobs. This interpretation has gained ground in ILO, OECD, and other UN organizations.

*A Declining Wage Share*

ILO (2008) reports that the wage share declined between 1995 and 2007 in two-thirds of the developing countries, including the major ones, as well as in the major developed countries. The only exception was the Latin American region, where some countries witnessed an increasing wage share. The ILO report attributes the declining wage share to increasing trade and globalization confirming other research findings (Diwan 2001; Harrison 2002), which, contrary to earlier conventional wisdom, saw the wage share in GDP as relatively constant.

*Growing Wage Inequality*

Not only has the inequality between wages and other components of GDP increased, but the distribution among wage earners has also worsened. The ratio of the average wage of the top 10% wage earners in relation to the bottom 10% is found to have increased in 70% of the countries (ILO 2008). Here also one notices similar regional differences, an almost uniform pattern for most regions, but a mixed pattern for Latin America.

*The Internationalization of the Production Process*

The some 82 000 transnational corporations (TNCs) with 810 000 affiliates in the world play a major role in the world economy. Exports from foreign affiliates of TNCs have grown from about one-quarter of total world exports of goods and services in 1982 to one-third in 2007. The number of people employed has increased fourfold since 1982, standing at about 77 million in 2008, implying a much faster rate of growth than that of the labor force. The largest 100 TNCs account for 11% of all TNC employment and for about 4% of world GDP. Over the last 15 years, the largest TNCs have undergone a rapid process of internationalization. There has also been a progressive increase in the proportion of companies operating in the service sector and of TNCs based in developing countries (UNCTAD 2009, 17-18).

*International Migration*

Global figures of migration do not show a substantial change: in 1960 the stock of total migrants in the world population was 2.7%, and in 2005 this percentage had not changed.<sup>11</sup> This has led some commentators to argue that globalization is characterized by increased flows of capital, trade and services but not labor. However, this characterization is misleading. If one looks at more disaggregated (by region) figures, one clearly sees a growing trend in some regions. In Europe, the stock of migrants as part of the population increased from 3.0% in 1960 to 8.8% in 2005. The same ratio increased from 6.7 to 13.6% in Northern America, from 13.5 to 16.4% in Oceania, and from 4.9 to 37.1% in the Gulf States. By contrast, the ratio of the stock of migrants to the local population declined in Africa, Asia and Latin America as a whole (UNDP 2009). The increase in the share of migrants in the local



population in developed countries is quite substantial despite the severe restriction most of these countries have put on immigration.

### *The Effects of the 2008 Crisis*

The crisis of 2008 had great repercussions on labor markets around the world. As in other crises, employment did not recover as fast as GDP growth, but what was unique about this crisis was that most workers in the north and in the south did not benefit during the bubble. Actually poor workers and their families were hurt three times (van Bergeijk, de Haan and van der Hoeven, 2011): firstly, because they were left behind in the run up to the crisis; secondly, because they were severely affected during the crisis; and thirdly, since 2010 from reduced government expenditure as a consequence of increased public debt, which was to a large extent created to bail-out banks and stimulate the economy during the crisis.

### *Youth Unemployment*

A disturbing development taking more momentum is the high level of youth unemployment. The rate of youth unemployment rose globally from 11.7% in 2007 to 12.7% in 2011, the advanced economies being particularly hard hit, where this rate jumped from 12.5% to 17.9% over the same period. A growing number of youth in long-term unemployment have dropped out of the labor market altogether. Furthermore, young employed people are increasingly likely to find themselves in part-time employment and often on temporary contracts. In developing countries, youth are disproportionately among the working poor (ILO 2012).

## **Policy Priorities**

The above discussion on trends has illustrated that aiming for full and productive employment requires a combination of different policies. Nayyar (2012) lists the following: necessity of economic growth, institutional mechanisms to translate growth into meaningful development by improving conditions of people, importance of public action, and employment as the only sustainable means of poverty reduction. In order to elucidate how to anchor employment concerns in a post-2015 development agenda, the following sections discuss various policies for employment creation at first the national level and then the international level.

### *National Policies for Employment Creation*

In discussing national policies for employment creation, it is important to distinguish between short-term (macroeconomic) policies and longer-term structural policies. The first should strive<sup>12</sup> for full capacity utilization, so that all productive forces, including labor, can be fully engaged in the production process, while the second should strive for an expansion of capacity and in the employment content of growth, to the extent that increasing the employment content of growth does not jeopardize growth itself (or at least not to the extent that the economy arrives at a declining growth and employment trajectory). Furthermore, in assessing outcomes of employment policy it is necessary to consider not only the quantity but also the quality of employment, because in poorer countries most people cannot afford to be unemployed and have to be engaged in whatever survival mechanisms are possible (Ghose, Majid, and Ernst 2008).

### *Short-term Policies for Employment Creation*

In developed countries, policy debates on employment over the last 30 years have been dominated by the so-called Non-Accelerating Inflation Rate of Unemployment.<sup>13</sup> The influence of the Non-Accelerating Inflation Rate of Unemployment, and the dominance of inflation corrections rather than employment

creation as the principle aim of macroeconomic policy, has also taken hold in policy prescriptions for many developing countries (Freeman 2007). I have argued elsewhere (van der Hoeven 2010c) that such a policy stance is not appropriate and that greater concern for employment creation is better macroeconomic policy.

Furthermore, misconceived (short-term) macroeconomic policies can prevent economies from achieving sustained growth and employment. Taylor (2009) gives various examples of how stability in interest rates and foreign exchange can contribute to steady growth. However, with increasing financial openness, pro-cyclical macroeconomic policies have become the rule rather than the exception.

### *Longer-term Policies for Employment Creation*

Although economic growth depends on many factors, one contributing factor is structural change. Although this necessitates labor reallocation and can thus generate frictional unemployment, the higher value-added created in the growth process results in higher incomes from wages and capital, which, together with increased demand from abroad, can lead to higher growth and employment. This virtuous picture may be disturbed when structural change and production and productivity increases in some sectors do not lead to higher national productivity. McMillan and Rodrik (2011) argue that structural change in Asia has led to higher national productivity and growth, but that in Africa and Latin America, until recently, policies were based on capturing comparative advantage in primary products, leading to lower labor productivity and lower growth, with negative consequences for employment and wages. Asian countries had, and have, an industrialization process in which industrial policies have been applied successfully, in contrast to Africa where industrial policies were mainly absent and in Latin America where, at least until recently, these policies, constrained by the legacy of the Washington Consensus, were not robust enough to be effective. The current debate is therefore not whether public policies for industrialization are useful, but which type of public policies will best work under which circumstances (Lin 2011).

It is thus important to consider appropriate policies for structural change and well thought out industrial policies in a meaningful debate on employment creation.<sup>14</sup>

Melamed, Hartwig, and Grant (2011), based on the work of Khan (2007) and others, surveyed the literature on findings on the relation between growth, poverty and sectoral employment. In 24 growth episodes, detailed information on growth and employment was available; and in 18, poverty decreased with rising employment in services and in manufacturing (see Table 3). The six cases where poverty increased or remained stable were mostly characterized by an absence of increases in employment in every sector. This analysis thus gives support for a link between growth and employment. However, the link is far from robust and needs further research.

As argued above, policies for employment need to take into account both the quantity of employment and the quality of employment, or as Khan (2006) has put it: policies for employment need to be concerned with the quantity of employment, the factor productivity of employment, the factor remuneration of employment and the terms of employment. The poor can escape working poverty when policies achieve a combination of the following (Khan 2007):

- (a) an increase in wage employment;
- (b) an increase in the real wage;

**Table 3.** Growth, employment and poverty, a summary of evidence

Number of episodes	Rising agricultural employment	Rising industrial employment	Rising services employment
Growth episodes associated with falling poverty rates			
18	6	10	15
Growth episodes associated with no fall in poverty rates			
6	2	3	1

Source: Melamed, Hartwig, and Grant (2011).

- (c) an increase in self-employment;
- (d) an increase in productivity in self-employment; and
- (e) an increase in the terms of exchange of the output of self-employment.

Ernst and Berg (2009) have conceptualized these policy concerns in what they call the virtuous circle of links between growth, employment and poverty reduction, namely economic growth, productive capacity, employment with rising productivity, higher incomes of the poor, greater investments in health, education and infrastructure leading to an empowering of the poor, all contributing again to economic growth. However, there are many obstacles for such a virtuous circle to become effective in practice. Policy interventions are needed to overcome these obstacles and to stimulate employment creation.

### *Global Governance and Policy Coherence for Employment*

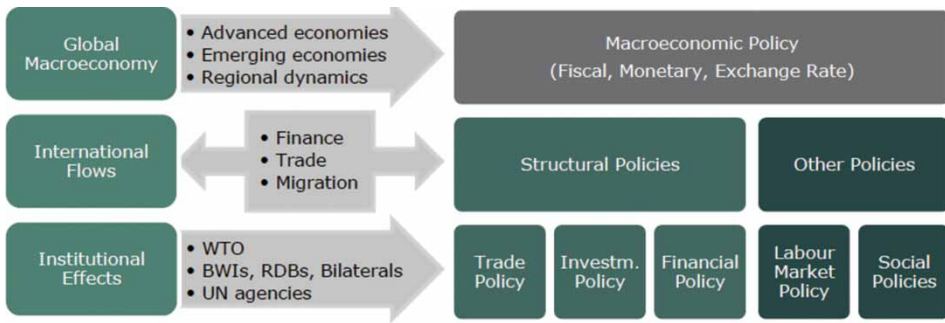
Although the Millennium Declaration had a paragraph on strengthening the role of the UN and on improved global governance in general, the MDGs did not contain explicit references to global governance, except some vague references in MDG 8. Yet, with hindsight, one can conclude that a lack of global governance had a negative impact on the implementation of the MDGs and on efforts for full employment. Whether the absence of global governance was the major cause for missing some of the targets, and that of full employment in particular, is open for debate; but it has been at least one of the major causes.

An important element of an improved global governance system is better policy coherence in areas of employment, economic, social and environmental policies at the national and international level (WCSDG 2004; van der Hoeven 2010b; UN-DESA 2010). Although there is a notion of policy coherence in the current MDG 8, all observers agree that a post-2015 framework must place much greater attention on policy coherence than what is now formulated in MDG 8.

However, there is the risk that policy coherence could lead to a ganging up of major international players in the international institutions, dictating a certain development ideology and providing smaller actors less policy space, as happened in the 1990s with the Structural Adjustment Programs of the International Financial Institutions (IFIs) (van der Hoeven 2010b). This fear was still expressed by World Commission of the Social Dimensions of Globalization in 2004, but has since lessened. Since the financial crisis of 2008, major emerging and developing countries have played an increasingly bigger role in global governance, minimizing the risk of a dominant industrial countries' development model (see, for example, G20 2010).

There should therefore be a reasonable understanding of major and non-controversial development trends that contribute to achieving the MDGs and which need to be made more explicit in a coherent post-2015 development agenda: necessity of economic growth, institutional mechanisms to translate growth into meaningful development by improving conditions of people, importance of public action, and employment as the only sustainable means of poverty reduction (Nayyar 2012). This requires coherence between various aspects of economic policy (macroeconomics, trade, investment), social policy and environmental policies. The G20, born out of the 2008 financial crisis, might be seen as a first attempt at improved coherence at the international level, but it is neither adequate nor sufficient. It is not adequate because the IMF mainly forms its secretariat and it is not sufficient as it lacks international legitimacy. Ocampo and Stiglitz (2011) suggest using the increased acknowledgment for improved policy coherence and momentum of support for a body like the G20 to strive for a Global Economic Coordination Council (GECC), which would have more global political legitimacy. A GECC would be an ideal forum to foster the necessary policy coherence for a post-2015 framework of development.

One important issue on the GECC agenda of policy coherence must certainly be a global response to national and international financial crises and the inherent financial instability that characterizes the current financial system. Such an increased attention to crises and global financial instability is important in a post-2015 agenda for development. The global financial crisis in 2008 caused a major setback in the achievements of the MDGs (World Bank 2010) and halted the upward trend in development assistance. A formulation of the post-2015 agenda should therefore refer to possible risks of future financial crises, should contain a statement about how resources for achieving goals and targets to



**Figure 1.** Improved global governance for employment creation. *Source:* Martins and Lucci (2013).

reduce poverty should be safeguarded in times of global financial crises, and should indicate how policies for economic recovery should include special measures to reduce poverty and social deprivation. This could take the form of automatic stabilizers at a global level, such as a global social floor, or of more specific policy interventions.

Another aim of the GECC is to ascertain that national policy space still can be exercised under a system of increased global governance. Rodrik (2011) argues for a system of global governance that respects national policy space as much as possible, allowing countries and people to choose their preferences in terms of, for example, social policies and social protection. Improved global governance with ample room for exercising national employment policies therefore needs to be a cornerstone of a post-2015 framework of development. Martin and Lucci (2013) provide an overview of how improved global governance can influence national policy-making for employment (Figure 1):

As one of the objectives of the MDGs was to have a greater impact of ODA on achieving the desired social outcomes, a separate reflection on the effects of development aid on employment might also be in order. Van der Hoeven 2012b summarizes potential policies directed towards the short-term objective of increased capacity utilization and the longer-term objective of an increase in capacity, both of which might be supported by international aid. It also includes a number of policies that are favored by current aid donors, but also emphasizes policies for structural change and policies that affect the demand side of the economy. This follows our analysis and is in line with a recent observation by Taylor (2009) that orthodox economists in short-term macro analysis place a great deal of emphasis on the supply side, ignoring the demand side, and that in relation to longer-term development, conventional economic analysis favors letting markets work rather than supporting the policies for structural change and industrial capacity-building. Policies that influence employment creation and potentially interact with aid policies span a rather wide spectrum. However, there is no single general framework of development policy, like the Washington Consensus, to promote structural change. Policies need to be time and context specific. A post-2015 development agenda should therefore acknowledge the importance of structural changes without prescribing a (western) development model.

## Conclusions: Employment in a Post-2015 Development Agenda

New challenges need to be confronted in a post-2015 agenda that is part of a global social contract in which all concerns should be discussed: precluding certain issues or concerns beforehand with the argument that these may make a future set of development goals too broad is, for the moment, not relevant. If issues are now kept off the table, a future agreement on a post-2015 development agenda might well be seriously compromised from the beginning. The discussions leading to such a global social contract for a post-2015 framework are perhaps as important as the outcome itself. The best way to start these discussions would be to start from the Millennium Declaration of 2000 and to consider whether and where the various elements of the Declaration need to be actualized (van der Hoeven 2012a). On this basis, a restricted set of development goals and targets in a post-2015 era could then be formulated. Framing

the deliberations for a Post-2015 Development Agenda on an actualization of the Millennium Declaration would thus ground its preparations on a set of issues that carry a globally accepted political consensus and would avoid a laundry list of badly formulated good intentions. Table 4 provides some elements that could be discussed in the leading up to a global post-2015 agenda for development,<sup>15</sup> juxtaposing these elements against the original formulation of the MDGs and the recommendations of the recently published report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda (HLP) (HLP 2013).

Table 4 is not exhaustive but serves to guide discussions and deliberations for a post-2015 development agenda. It is based on the notion that preparations for a post-2015 agenda should be inclusive and should not be secretariat driven, which is reflected in the establishment of the HLP and in the HLP report. A post-2015 agenda should include an appropriate macroeconomic framework for development and employment with an agreement for a global approach to macroeconomic stability, in which developing countries have space to pursue macroeconomic policies for development. This is partly touched upon in the HLP report but is not elaborated in detail. A global approach for development and employment also implies that the principle means to achieve the goals should extend way beyond development aid and national public expenditure, and should take into account changes in the international financial system to reduce volatility as well as systems for fairer collection of taxes and non-traditional forms of development financing (UNDESA 2012).

The HLP is much more outspoken on a goal for full and productive employment than the MDGs. However, the report limits its recommendations mainly to liberalization of labor markets and facilitation of business, giving only scant attention to the more important issues of structural change. Furthermore, the HLP chooses in its report not to include a goal and an indicator on inequality, on the grounds that “When everyone, irrespective of household income, gender, location, ethnicity, age, or disability, has access to health, nutrition, education, and other vital services, many of the worst effects of inequality

**Table 4.** Elements for a more employment focused 2015 Development Agenda

	Post-2015 Development Agenda focused on employment	MDGs	HLP recommendations
Process	Wider consultations	Secretariat, donor driven	Wider consultations
Macro-economic framework	Sustainable and equitable growth	Absent	Sustainable and equitable growth but not explicitly defined
Principle means to achieve goals	Changes in international system, national public expenditure, aid for fragile and low-income states	Development aid, national public expenditure	Some changes in international system, national public expenditure, aid for fragile and low-income states
Measurement	Improved measurements of goals/targets including inequality and sustainability	Inequalities, sustainability, well-being not fully captured	Improved measurements of goals/targets including inequality and sustainability
Target group	Poor in all countries	Poor in developing countries	Poor in all countries
Employment	Better approach and indicators	Added in 2005	Employment creation through labor market deregulation
Inequality	Explicit attention, including goals and targets for income deciles and vulnerable groups reflecting gender specificity	Not adequately reflected	No explicit target but indicators for lower income deciles and vulnerable groups
Environment	Inclusion of sustainable development goals	Not adequately reflected	Inclusion of Sustainable Development Goals (SDGs)
Human rights	Re-emphasizing existing rights, global social floor, claims for redistribution	Absent	Emphasis on good governance and rule of law
Targets	Global and link to national	Global	Global and link to national

will be over” (HLP 2013, 16). This is a rather traditional approach to inequality that looks at inequality purely from a supply-side argument (Amsden 2011).

The outfall of the 2008 crisis once again demonstrated the world’s interconnectedness. It makes little sense to target a post-2015 development agenda only to the poor in developing countries as the MDGs did. Developed countries should be equally held responsible for reducing poverty and inequality and for increasing productive and decent employment in their respective countries, as acknowledged in the HLP report. This should not imply lowering development aid from developed countries, but a refocusing of macroeconomic policies in developed countries and drawing on other budgetary outlays than development cooperation to reduce poverty and precariousness in these countries. Thus targets on poverty, inequality and employment should not only be set at a global and country level to hold all countries accountable to their citizens. The HLP report also reflects a growing agreement that a post-2015 development agenda should contain better formulated goals for sustainable development and should reflect the basic tenants of human rights in terms of non-discrimination, human dignity, participation and accountability, issues which are also important to achieve productive and decent employment.

Achievement of the goal of full and productive employment depends both on conducive international conditions warranting more attention to global governance issues on trade, finance and macroeconomic coordination and on a set of appropriate national policies. As regards indicators for national policies, the discussion above has made it clear that, because of the complexities of the employment problem in countries at different levels of development, a dashboard of indicators serves a discussion on and an assessment of employment better than a single indicator. Martins and Takeuchi (2013), for example, propose three sets of indicators tracking progress on full and productive employment: those relating to improving *the inclusiveness of growth*, to *promoting productive employment*, and to *ensuring equal access to opportunities*. Yet there might be, in order to have an eye-catching figure like for other current MDGs, also a need for a single indicator. Kenny (2013) therefore argues for an overarching indicator: *the percentage of workers working in a formal regular job*. This percentage is currently low for developing and for emerging countries. However, in developed countries, where it is substantially higher, it is currently declining as work gets more precarious. It is thus important for all different country groupings in the world to monitor progress on this indicator.

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## Notes

1. Two specific indicators on employment, mentioned in the Millennium Declaration, were included in the original formulation of the MDGs, namely: share of women in paid employment in MDG 3 and youth unemployment in MDG 8. Sen and Mukherjee (2013) are rather critical of the indicator of the share of women in non-agricultural employment because it does not give a good indication of women’s empowerment.
2. The World Summit for Social Development was one of the major substantive World Summits in the 1990s that formed the basis for the Millennium Declaration.
3. See, for example, the 2011 DFID review on efficiency of Multilateral Organizations (DFID 2011).
4. The outcome document of the World Summit 2005 contains the following reference (paragraph 47) to employment issues: “We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals. These measures should also encompass the elimination of the worst forms of child labour, as defined in International Labour Organization Convention No. 182, and forced labour. We also resolve to ensure full respect for the fundamental principles and rights at work.”
5. Alongside the indicators already accepted in 2000 of the share of women in wage employment in the non-agricultural sector and of youth unemployment.
6. UNRISD comments: “Despite an ambitious agenda, the MDGs nonetheless represent a cautious approach to social development. A number of critical issues and obstacles to overcome poverty have not been addressed including ... the role of employment, growing levels of inequality; the often contradictory impact of certain macroeconomic policies ...” (2010, 3)

7. IMF article 2 (ii): "To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy."
8. Brautigam (2011) argues that it is difficult to speak of Chinese development aid as many Chinese activities do not fall under strict ODA categories. Mawdsley (2012) discusses the importance of emerging non-DAC donors.
9. See, for example, recent issues of the *World of Work* report published annually by the ILO.
10. For a more elaborated discussion on this, see van der Hoeven (2010a).
11. This figure excludes the former Soviet Union because after the independence of the former Soviet Republics remaining soviet citizens are counted as migrants.
12. It may not be possible to get full use of all productive forces given fixed factor proportions in the short run.
13. See, for example, Ball (2009).
14. See also the recent discussion on growth, employment and structural change in preparation for the 2015 Development Agenda: <http://www.worldwewant2015.org/node/301803>
15. For an elaboration, see van der Hoeven (2012).

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## About the Authors

**Rolph van der Hoeven** (PhD, Free University Amsterdam) is Professor of Employment and Development Economics at the International Institute of Social Studies, Erasmus University, The Hague and a member of the Committee on Development Cooperation of the Dutch Government. He also serves on the board of several international institutions and journals. Earlier activities include Director of Policy Coherence and Manager of the Technical Secretariat of the World Commission on the Social Dimension of Globalization at ILO, Geneva, Chief Economist, UNICEF, New York and policy analyst for ILO in Ethiopia and Zambia.