



► Responding to the crisis and fostering inclusive and sustainable development with a new generation of comprehensive employment policies

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Report V

▶ **Responding to the crisis and fostering inclusive and sustainable development with a new generation of comprehensive employment policies**

Third recurrent discussion on the strategic objective of employment

Fifth item on the agenda

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► Introduction

1. Labour markets around the world are undergoing major transitions caused by future of work drivers, including climate change, demographic shifts, globalization and technological changes. In this context, both challenges and opportunities exist and the success of such transitions will depend on whether and how the structure of economies and labour markets around the world are transformed. In addition, the impact of the ongoing COVID-19 crisis “has affected the most disadvantaged and vulnerable disproportionately ... [and] has exacerbated pre-existing decent work deficits, increased poverty, widened inequalities and exposed digital gaps within and among countries”.¹ Under such conditions, the road towards recovery and inclusive structural transformation for sustainable development and poverty reduction requires comprehensive policy frameworks that continually adapt to changing circumstances while pursuing a clear long-term vision. These frameworks need to provide innovative solutions based on up-to-date evidence, must adopt a human-centred approach that leaves no one behind, must contribute to sustainable development and a just transition and should seek to transform and strengthen economies and labour markets via the creation of decent jobs. There is a widespread need for such frameworks at global and national levels in industrialized, emerging and developing economies alike.
2. Against this background, the third recurrent discussion on the strategic objective of employment at the 110th Session of the International Labour Conference in 2022 provides an opportunity for the tripartite constituents of the International Labour Organization (ILO) to critically review the actions taken in Member States and by the Office, since the last recurrent item discussion held in 2014,² to assess the effectiveness of these actions and to consider options for the future. The discussion aims to provide an update on the progress made by the Office and Member States in terms of the implementation of comprehensive employment policy frameworks to ensure social justice and a fair globalization, as called for in the ILO Declaration on Social Justice for a Fair Globalization.³
3. The first recurrent discussion on the strategic objective of employment,⁴ held at the 99th Session of the International Labour Conference in 2010, inaugurated the discussion cycle of the ILO’s strategic objectives following the adoption of the ILO Declaration on Social Justice for a Fair Globalization in 2008. That first discussion was held one year after the adoption of the Global Jobs Pact⁵ in 2009 in the aftermath of the great recession, at a time when the international community was taking coordinated action to prevent the crisis from deepening and to support economic and labour market recovery. The second recurrent discussion on employment⁶ was held in 2014 during a period of global economic slowdown, austerity and fiscal consolidation measures

¹ ILO, [Resolution concerning a global call to action for a human-centred recovery from the COVID-19 crisis that is inclusive, sustainable and resilient](#), International Labour Conference, 109th Session, June 2021, para. 3.

² ILO, [Employment Policies for Sustainable Recovery and Development](#), ILC.103/VI, 2014.

³ ILO, [ILO Declaration on Social Justice for a Fair Globalization](#), 2008.

⁴ ILO, [“A Discussion on the Strategic Objective of Employment”](#), Report of the Committee for the Recurrent Discussion on Employment, International Labour Conference, 99th Session, Provisional Record No. 18, 2010.

⁵ ILO, [“Recovering from the Crisis: A Global Jobs Pact”](#), International Labour Conference, 98th Session, 2009.

⁶ ILO, [“A recurrent discussion on the strategic objective of employment”](#), Report of the Committee for the Recurrent Discussion on Employment, International Labour Conference, 103rd Session, Provisional Record No. 12(Rev.), 2014.

adopted in many countries, as well as an uncertain environment for enterprises, which severely constrained investment and efforts to tackle the structural and cyclical dimensions of the employment crisis.

4. The third recurrent discussion on the strategic objective of employment will be held at a time when future-of-work drivers and the impact of the COVID-19 crisis are determining labour market outcomes, while at the same time long-lasting labour market challenges continue to persist, including informality, low productivity, labour market inequalities and discrimination, some of which reflect the failed process of structural transformation. Therefore, this report will set the framework for inclusive, sustainable and resilient recovery processes as called for in the call to action ⁷ and longer-term sustainable structural transformation processes towards greener, fairer, more inclusive and more resilient economies and successful and equitable transitions of workers towards a better future of work as called for in the ILO Centenary Declaration for the Future of Work. ⁸
5. This background report consists of the following five parts. To set the stage, Chapter 1 reviews the impact of the future-of-work drivers and the COVID-19 pandemic on labour markets and the evolution of policy responses. Chapter 2 provides a conceptual framework for understanding the narrative that will lead to successful employment policy frameworks. It introduces a “new generation of employment policies” and examines why such employment policies are key for inclusive structural transformation and why equality and inclusion matter for reaching the ultimate goals of poverty reduction and inclusive, human-centred societies. It discusses policy areas and provides examples of successful implementation. Chapter 3 analyses the progress made since the second recurrent discussion and attempts to outline what is required from the ILO to deliver even more effective services with regard to comprehensive employment policy frameworks. Chapter 4 summarizes the findings of the report.

⁷ ILO, Resolution concerning a global call to action.

⁸ ILO, [ILO Centenary Declaration for the Future of Work](#), 2019.

► Chapter 1

Labour market trends and the evolution of employment policies: Setting the scene

1.1. Labour market trends ⁹

1.1.1. The crisis impact

6. The pandemic maintained a firm grip on the global economy for a second consecutive year in 2021 and continued to cause severe disruptions in large parts of the world. Every new wave causes setbacks and slows down recovery, which follows different patterns across different sectors and countries. Gains in decent work made prior to the pandemic have largely been reversed. Already-existing labour market deficits are diminishing the prospects for a sustainable and swift recovery in many countries.
7. Employment losses and reductions in working hours diminished incomes. The absence of adequate social protection systems in many countries compounded the financial stress to already economically vulnerable households, with cascading effects on health and nutrition. ¹⁰ This again contributed to increased inequalities both within countries and between countries and regions. ¹¹ Moreover, the pandemic pushed millions of children and adults into poverty, with new estimates suggesting that in 2020, an additional 77 million children and adults fell into extreme poverty (living on less than US\$1.90 per day measured in purchasing power parity). Moreover, the number of extreme working poor – workers who do not earn enough from their work to keep themselves and their families above the poverty line – increased by 8 million. ¹² Close to 12 per cent of the global population – 928 million people – were severely food insecure in 2020. ¹³
8. Overall, key labour market indicators in all regions have not returned to pre-pandemic levels (figure 1). Countries in Europe and Asia and the Pacific are predicted to come closest to reaching that objective, whereas the forecast remains gloomy for South-East Asia and Latin America and the Caribbean.

⁹ This trends section is based on current and previous issues of the following sources: ILO, “ILO Monitor: COVID-19 and the World of Work. Eighth edition”, October 2021; ILO, *World Employment and Social Outlook: Trends 2022*, 2022.

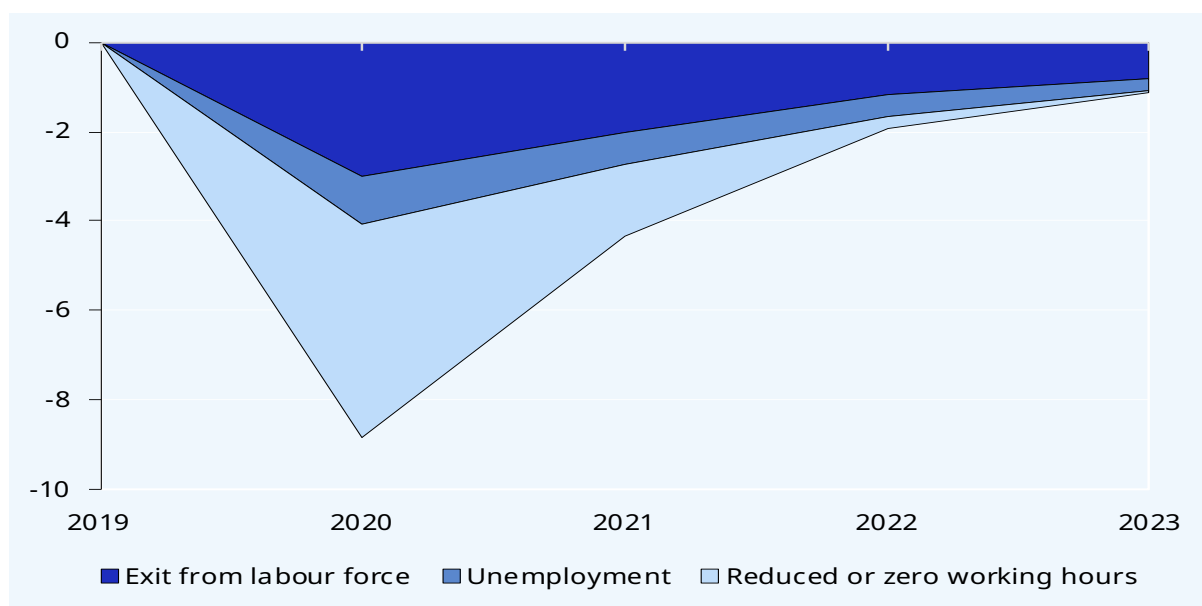
¹⁰ ILO, *World Social Protection Report 2020–22: Social Protection at the Crossroads – in Pursuit of a Better Future*, 2021.

¹¹ This is also a clear message from the World Bank’s latest *Global Economic Prospects* report. See: World Bank, *Global Economic Prospects, January 2022*, 2022.

¹² ILO, *World Employment and Social Outlook*, 2022.

¹³ Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development, UNICEF, World Food Programme and World Health Organization (WHO), *The State of Food Security and Nutrition in the World 2021. Transforming Food Systems for Food Security, Improved Nutrition and Affordable Healthy Diets for All*, 2021.

► **Figure 1. Decomposition of the working-hour deficit**



Source: ILO, *World Employment and Social Outlook: Trends 2022*, 2022.

9. A return to pre-pandemic performance remains elusive for large parts of the world in the near future. Based on the latest economic forecasts, the ILO predicts that total hours worked globally in 2022 will remain almost 2 per cent below their pre-pandemic level after adjusting for population growth. This corresponds to a shortfall of 52 million full-time equivalent jobs (based on a 48-hour work week). Global unemployment is predicted to reach 207 million in 2022, exceeding the 2019 level by approximately 21 million.
10. Labour market recovery patterns differ across sectors, countries and regions. Since the very first indications of recovery, employment growth trends in both low- and middle-income countries have remained significantly lower than the corresponding trends in high-income countries, which is largely explained by the lower vaccination rates and the more constrained fiscal space in the former group of countries.¹⁴ The impact was especially severe and the recovery particularly slow in those countries with more elevated levels of inequality, less protected working conditions, higher levels of informality and weaker social protection systems. Such underlying structural weaknesses and inequality are worsening and extending the negative impacts of the pandemic. Therefore, any relief measures are less likely to reach those in need and inequalities within countries will increase further.
11. One such structural weakness is the large informal economy in many developing countries (including informal workers and enterprises in the informal and formal sector), which reduces the efficacy of some policy instruments. Also, given the limited funding available to support small and medium-sized enterprises, support reached very few enterprises in the majority of developing countries. In addition, smaller businesses witnessed greater reductions in employment, productivity and working hours than their larger counterparts, independent of whether they were formal or informal.
12. The asymmetric economic recovery across the world has started to provoke long-term ripple effects in terms of continuing uncertainty, instability and production bottlenecks that are fuelling

¹⁴ ILO, "ILO Monitor. Eighth edition".

price hikes. Prolonged labour supply and demand disruptions caused significant turmoil in global supply chains. Other factors, such as changes in market demand, increased use of online services, skyrocketing trading costs and pandemic-induced changes in labour supply, have created bottlenecks in many sectors. As prices for commodities and essential goods continue to rise and global inflation is becoming the new reality despite weak economic growth and labour markets, the situation has aggravated the cost of the crisis by causing significant reductions in real disposable household income in addition to job losses.

13. As a result, the crisis has exacerbated persistent political and social injustice and fragility. In many contexts, it is reinforcing patterns and perceptions of discrimination and grievance, thereby undermining trust and social cohesion among individuals and communities. This in turn has triggered new grievances and aggravated pre-existing societal conflict dynamics, thus making the crisis an increasingly multidimensional one that threatens to disrupt broader social cohesion, peace and stability. The real or perceived inability of governments to respond to the crisis adequately and fairly has further eroded trust in government authorities. In settings that are already conflict-affected, the current situation has often created further instability and increased the risk of violence. Moreover, it often goes hand in hand with a reduced effectiveness of virus containment measures, which can create a vicious cycle in which the disease and conflicts are mutually reinforcing.¹⁵

1.1.2. Disadvantaged groups

14. The COVID-19 pandemic has had a particularly severe impact on almost all groups that were already disadvantaged or vulnerable prior to the crisis. In addition to the groups discussed in detail below, these groups include people with disabilities, people of different race and ethnicities and many more. While discussing each of these groups separately would go beyond the scope of this report, all these groups deserve special attention in recovery strategies and need to be fully supported in order to avoid widening existing gaps and leaving them further behind. This is especially the case for people suffering from multiple or intersectional discrimination, which compounds discrimination against groups belonging to more than one disadvantaged group.

Young people

15. The COVID-19 pandemic and its economic fallout has had a devastating effect on young people's education, training, jobs perspective and labour market transitions.
16. The prolonged closing of schools, colleges and other learning institutions in many countries has significantly weakened learning outcomes, which will have cascading long-term implications for the employment and further education of young people.
17. In 2019, young people represented about 13 per cent of total employment but made up almost one third of the 2020 decline in employment. There is considerable variation across countries, but young women suffered disproportionately in the great majority of countries. In high-income countries, employment levels among young women and young men fell by more than five times as much as they did among their adult counterparts.¹⁶ In middle-income countries, the employment losses among the young were about double those of adults.

¹⁵ ILO, Interpeace, United Nations Peacebuilding Support Office and WHO, *From Crisis to Opportunity for Sustainable Peace: A Joint Perspective on Responding to the Health, Employment and Peacebuilding Challenges in Times of COVID-19*, 2020.

¹⁶ ILO, *An Update on the Youth Labour Market Impact of the COVID-19 Crisis*, Statistical Brief, 2021; ILO database of labour statistics (ILOSTAT), 2022.

18. The disproportionately negative impact of the pandemic on young people is partly due to the fact that some of the hardest-hit sectors, for example tourism, employ a large share of young people, particularly young women. For instance, young people made up about 30 per cent of the tourism workforce in Canada, the United States of America and the United Kingdom of Great Britain and Northern Ireland before the crisis, more than double that of the wider economy.¹⁷
19. Importantly, part of the reason that young people were severely affected was because they benefited significantly less from the fiscal response measures designed to mitigate employment and income losses among workers (table 1).¹⁸

► **Table 1. Change in post-support labour income, by workers' characteristics, selected countries, second quarter 2020**

	Peru	Brazil	Viet Nam	Italy	United Kingdom	United States
All workers	-56.2	-21.3	-6.9	-4.0	-2.9	-9.3
Young people	-73.5	-30.1	-25.1	-11.6	-18.9	-11.0
Self-employed	-70.3	-24.9	-9.6	-21.1	n.a.	n.a.
Employees	-48.9	-19.9	-5.4	-3.7	n.a.	n.a.
Men	-55.3	-20.8	-6.5	-3.8	-5.1	-8.8
Women	-57.9	-22.2	-7.5	-4.3	0.3	-10.0
Low-skill workers	-61.7	-28.4	-6.7	-7.3	n.a.	n.a.
Medium-skill workers	-61.6	-24.2	-8.3	-7.1	n.a.	n.a.
High-skill workers	-48.5	-17.9	-3.2	-0.1	n.a.	n.a.

n.a. = not available.

Note: Percentage change between the first and second quarters of 2020 (except for Italy and Viet Nam, for which the second quarter of 2019 is used as a comparator because of the substantial effects of the pandemic in these countries during the first quarter of 2020 and also because of seasonality in the Vietnamese data). For the United Kingdom and the United States, the post-support labour income of employees only is used owing to data constraints (employees constitute the majority of the workforce in both countries). In all other cases, post-support labour income includes both employee compensation and self-employment income. The second quarter of 2020 was selected as the period most suitable for analysing the effects of the COVID-19 crisis because this was the period of maximum economic impact in the sampled countries.

Source: Authors' calculations based on ILO harmonized microdata.

20. The disappearance of job opportunities for the young has meant the widespread exit from the labour market of young people. There is a high risk that this short-term exit of young people will turn into long-term exclusion.
21. The global pandemic has reinforced the pre-existing trends towards online and short-term employment that were already relatively prevalent among the young. While such work undoubtedly presents some opportunities for young people, it also creates many challenges in

¹⁷ World Travel & Tourism Council, *Global Economic Impact & Trends 2021: Travel & Tourism Economic Impact 2021*, 2021.

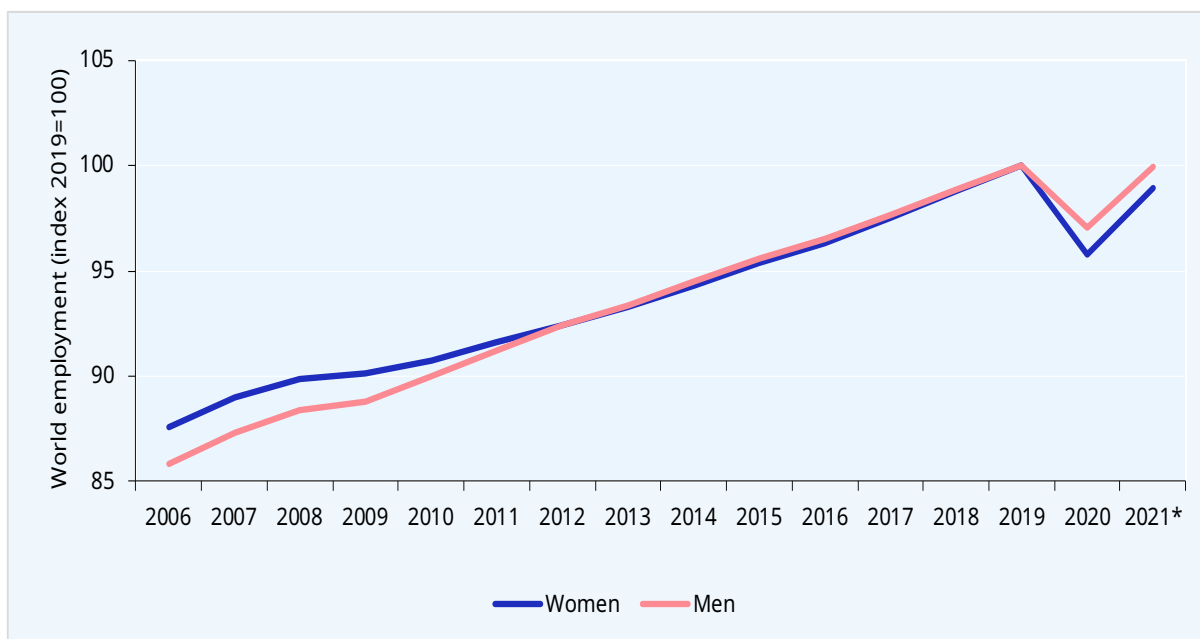
¹⁸ Niall O'Higgins, Sher Verick and Adam Elsheikhi, "On the Nature of the Impact of the COVID-19 Pandemic on Youth Labour Markets: A Cross-Country Analysis", paper, 2021.

terms of their long-term integration into decent work. As these jobs often come without social protection, this has additional long-term effects on young people.¹⁹

Women

22. Even prior to the crisis, women faced unequal labour market conditions, with slow progress being made in closing gender pay and education gaps, overcoming discrimination and improving the overall availability of decent work opportunities for women. In addition, the crisis impacted the female population more severely in comparison with other groups.²⁰ In 2020, jobs losses were larger for women, at 4.2 per cent compared to 3.0 per cent for men. This is in contrast with the global financial crisis of 2008–09, in which men were hit harder than women. Projections show that employment for both women and men is likely to recover further in 2022 but at a slower speed for women. For 2021, it is estimated that total jobs for women were 13 million fewer than in 2019 (figure 2).

► **Figure 2. Trend in global employment levels, 2006–21,* by sex**



Note: * ILO projection for 2021. See the methodological appendix in: ILO, *Building Forward Fairer: Women's Rights to Work and at Work at the Core of the COVID-19 Recovery*, Policy Brief, 2021.

23. These different impacts by gender are linked to gender segregation across sectors and the fact that women worked in some of the hardest-hit sectors. In the past, sectoral segregation shielded women from the worst of the employment impacts because sectors such as manufacturing and construction, in which the majority of workers were men, tended to contract first. In the current crisis, however, the hardest-hit sectors are those that employ a majority of women workers, for example accommodation and food services, domestic work and some labour-intensive segments of manufacturing, such as garment-making. In addition, women are the backbone of many agri-food systems and rural economies (box 1). At the beginning of 2020, it was estimated that about 40 per cent of all employed women worked in sectors at the highest risk of job losses during the

¹⁹ ILO, *Global Employment Trends for Youth 2020: Technology and the Future of Jobs*, 2020; ILO, *World Employment and Social Outlook: The Role of Digital Labour Platforms in Transforming the World of Work*, 2021.

²⁰ ILO, *An Uneven and Gender-Unequal COVID-19 Recovery: Update on Gender and Employment Trends 2021*, Policy Brief, 2021.

crisis.²¹ This figure rises to almost half of all women workers (49.1 per cent) if a number of medium-high risk sectors are included.²² The comparative figures for men were 36.6 and 40.4 per cent, respectively – a gap of 3 to 9 percentage points.

Box 1. Women in agri-food systems and rural economies

Women are the backbone of many agri-food systems and rural economies. They make up about 41 per cent of the world's agricultural labour force and work as farmers, wage-earners and entrepreneurs. However, the impacts of the pandemic have exacerbated prevailing gender inequalities for women in rural areas. Rural women are often concentrated in low-skilled, low-productivity jobs and jobs with low pay, poor working conditions and limited access to social protection. Given that many of them were not covered by health insurance or income protection, the COVID-19 crisis has put many rural women at even greater exposure to vulnerability. Rural women shoulder a disproportionate burden of unpaid care and household work, which in poor households of developing countries often includes not only caring for family members in need but also collecting wood and water. This burden has significantly increased during the COVID-19 crisis.

24. The stronger negative impact on women is also the result of the unequal access to labour and social protection, as well as unbalanced care responsibilities.
25. Also, as in previous crises, women who are more often engaged in informal employment, including in rural areas, are at higher risk of losing their income sources than men, particularly in developing countries. The gender gap in the proportion of informal workers in the hardest-hit sectors was even wider than in the formal sector, with 40 per cent of women working informally in those sectors at the onset of the crisis compared with 32 per cent of men.²³

Informal workers and enterprises

26. In 2020, more than 2 billion workers – or 62 per cent of all people working worldwide – earned their livelihoods in the informal economy. Informal employment represents 90 per cent of total employment in low-income countries, 67 per cent in middle-income countries and 18 per cent in high-income countries. Similar patterns exist for informal enterprises (80 per cent of worldwide enterprises), which are mainly unregistered small-scale units, often employing ten or fewer undeclared and low-skilled workers, including unpaid family workers, mainly women, who labour in precarious conditions. Informal workers and informal enterprises are particularly vulnerable to economic shocks and often do not have access to COVID-19 crisis-related financial assistance programmes.
27. During crises induced by economic/financial shocks, the informal sector, due to its low entry costs, often acts as an absorber of workers who have lost jobs in the formal sector and are not covered by social protection schemes.²⁴ In the household context, job losses can result in an increase in informal female labour supply as a response to the layoff of a spouse. For example, during the

²¹ These are the “high-risk sectors”, namely, accommodation and food services; the wholesale and retail trade; real estate, business and administrative activities; and manufacturing.

²² They are labelled “medium high-risk sectors”, namely, arts, entertainment and recreation; domestic workers; and other service activities.

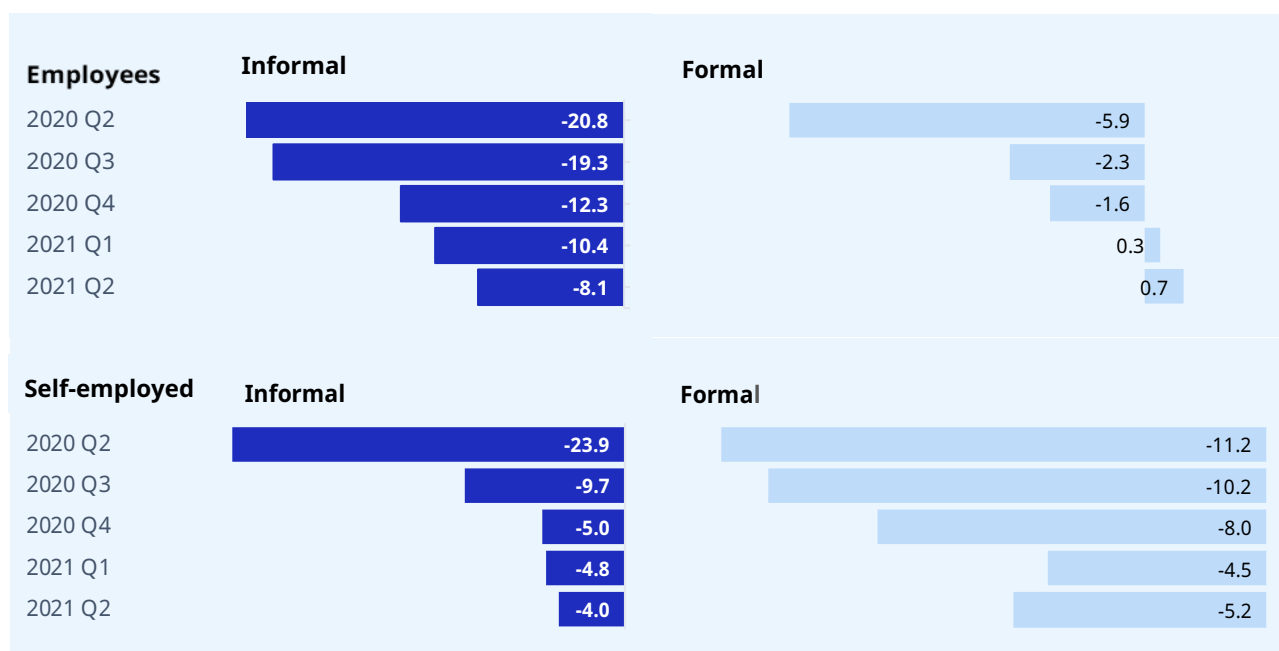
²³ ILO, “ILO Monitor: COVID-19 and the World of Work. Third edition”, April 2020.

²⁴ For a discussion on informality, see, for example, Johannes P. Jütting and Juan R. de Laiglesia, “Is Informal Normal? Towards More and Better Jobs in Developing Countries”, Organisation for Economic Co-operation and Development (OECD) Development Centre, 2009.

1997 Asian financial crisis, informal sector employment increased in Indonesia as a household coping mechanism.²⁵

28. In contrast, at the beginning of the COVID-19 crisis, informal employment was negatively impacted due to lockdowns and other containment measures, which prevented informal enterprises and workers from engaging in economic activity.²⁶ ILO estimates show that as of April 2020, almost 1.6 billion workers in the informal economy had been significantly impacted by the COVID-19 pandemic, leading to an estimated decline in their earnings of 60 per cent. Moreover, one of the key reasons for the upward revision of working-hour losses in 2020 and the greater losses in developing countries was the higher share of informal employment in these economies.²⁷ Based on analysis of data for 11 countries, informal wage workers were on average three times more likely than those in formal employment to lose their jobs during the COVID-19 crisis (figure 3).²⁸ There is also some evidence from developing countries that informal employment accounted for a disproportionately large part of job recovery as workplace closures and full lockdown measure were weakened and the increased poverty tended to force people to take any job available in order to survive.²⁹

► **Figure 3. Change in employment by formality and status, relative to the same quarter in 2019, 2020/Q2 to 2021/Q2 (percentages)**



Note: The figure shows the median employment relative to the same quarter of 2019 for a sample of ten countries with available data for all time periods.

Source: ILO, *World Employment and Social Outlook: Trends 2022*, 2022.

²⁵ Makiko Matsumoto and Sher Verick, *Employment Trends in Indonesia over 1996–2009: Casualization of the Labour Market during an Era of Crises, Reforms and Recovery*, Employment Working Paper No. 99, ILO, 2010.

²⁶ ILO, *Impact of Lockdown Measures on the Informal Economy*, ILO Brief, 2020.

²⁷ ILO, “ILO Monitor: COVID-19 and the World of Work. Sixth edition”, September 2020.

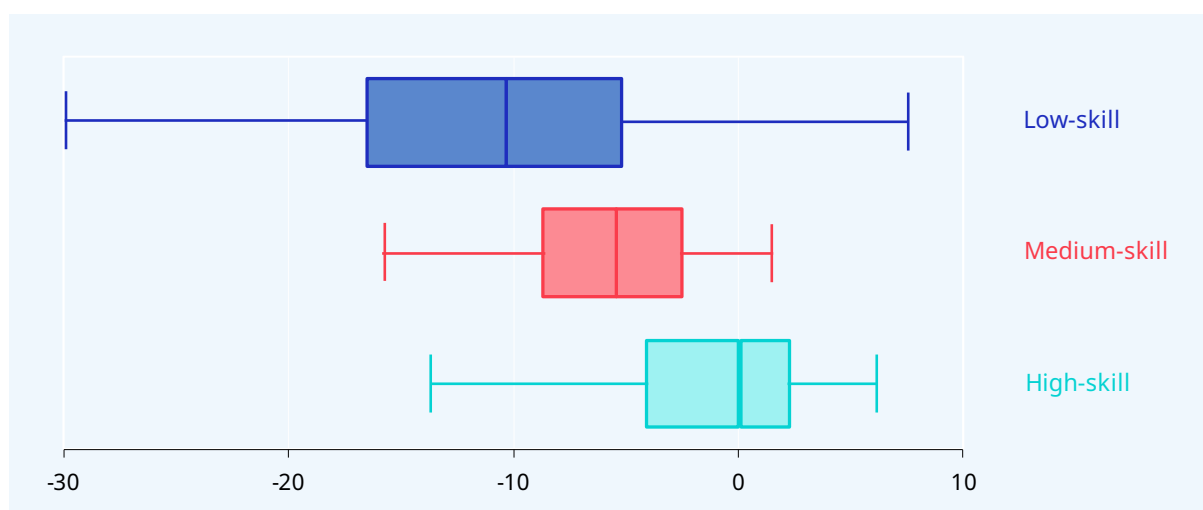
²⁸ ILO, *World Employment and Social Outlook*, 2022.

²⁹ ILO, *Employment and Informality in Latin America and the Caribbean: An Insufficient and Unequal Recovery*, Technical Note, Labour Overview Series, 2021.

Low-skilled

29. While already suffering from poor employment prospects, low wages and bad working conditions prior to the crisis, low-skilled workers were severely impacted by the pandemic. Moreover, as positive employment growth resumed for all other skills groups in the third quarter of 2020, low-skilled workers continued to incur job losses in the great majority of countries.³⁰ In particular, lower-skilled manual workers in occupations requiring physical proximity were more heavily affected than white-collar workers, who often were able to engage in remote work. Extended periods of inactivity and unemployment can lead to the detachment from the labour market and longer-term scarring effects, including skills depreciation, decreased prospects for long-term productivity gains at the firm level and lower potential economic growth (figure 4).

► **Figure 4. Country-level changes in employment, by skill level, second quarter of 2020 (year-on-year) (percentage)**



Low-skill level = elementary occupations; medium-skill level = clerical support workers, skilled agricultural, forestry and fishery workers, service and sales workers, craft and related trades workers, plant and machine operators, and assemblers; high-skill level = managers, professionals and technicians, and associate professionals. The skill levels are based on ISCO-08; see ILOSTAT for further details.

Note: The sample consists of 50 high- and middle-income countries and territories with employment data for the second quarter of 2020, disaggregated by occupation. The box graph should be read as follows: (a) the vertical line in the middle of the box represents the median value (50th percentile); (b) the left-hand side of the box represents the 25th percentile; (c) the right-hand side of the box represents the 75th percentile; (d) the adjacent lines to the left and right of the box represent the lowest and highest values, respectively.

Source: ILOSTAT database, accessed 12 January 2021.

30. Losses in post-support labour income were relatively larger for low- and medium-skilled workers.³¹

Hard-hit sectors

31. The COVID-19 crisis also resulted in diverging trends between hard-hit sectors and those that have continued to grow through the crisis. An ILO analysis³² found a significant contrast between drastic job losses in hard-hit sectors (such as accommodation and food services, arts and culture,

³⁰ ILO, "ILO Monitor: COVID-19 and the World of Work. Seventh edition", January 2021.

³¹ ILO, "ILO Monitor. Seventh edition".

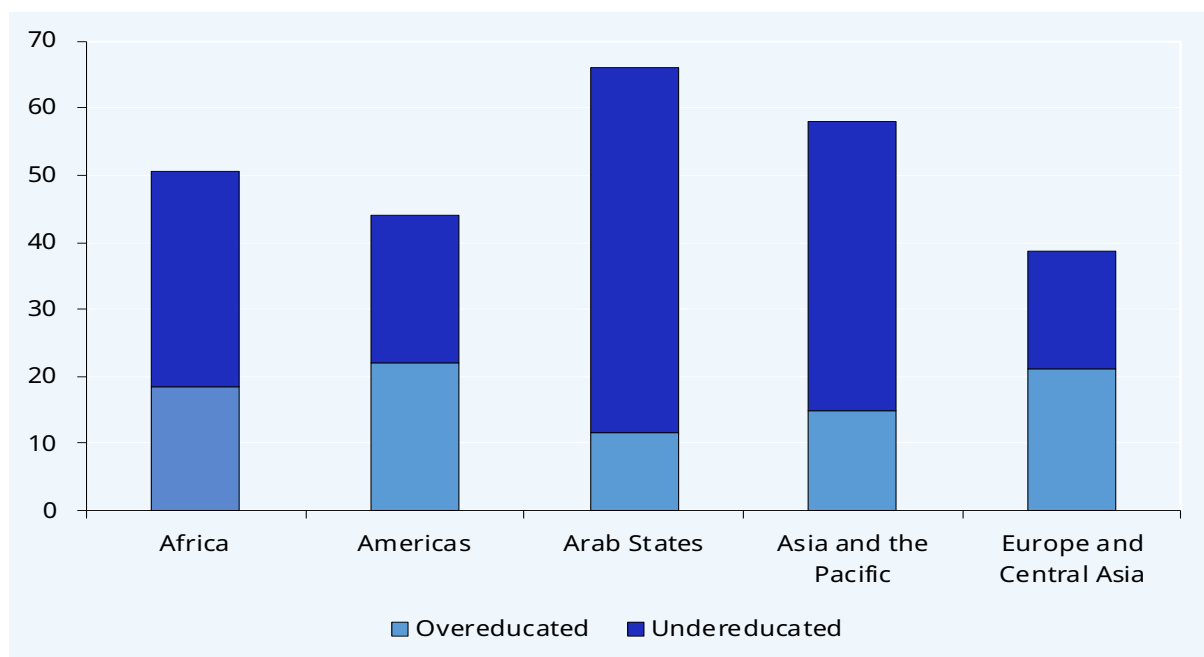
³² ILO, "ILO Monitor. Seventh edition".

retail and construction) and job growth in several higher-skilled services sectors (such as information and communication, and financial and insurance activities). There is also considerable variation across countries regarding the severity of the crisis impact on jobs in the hardest-hit sectors. For example, due to the significant impact of lockdown measures on the service sectors, global employment in accommodation and food services suffered the largest sectoral decrease in 2020 (-9.4 per cent), while financial and insurance activities recorded positive growth (1.5 per cent). Employment also increased in mining and quarrying and in utilities, most notably in the third quarter of 2021.

1.1.3. Disruptions to skills and training

32. The lack of skills was already a restraining factor for inclusive structural transformation and decent employment before the pandemic. More than half of the world’s children and adolescents failed to reach the minimum proficiency level by age 10.³³ Approximately one in five young women and men (aged 15–24) were not in employment, education or training (NEET).^{34, 35} Educational mismatch reached from just under 40 per cent in Europe and Central Asia to over 60 per cent in the Arab States (figure 5). Indeed, the overall efficiency of the education and skills development systems³⁶ in preparing graduates to the labour market continues to be one of the main concerns of policymakers, while at the same time, skills underutilization is a pervasive trend.

► **Figure 5. Educational mismatch by region, 2020 data (percentages)**



³³ United Nations Educational, Scientific and Cultural Organization (UNESCO) Institute for Statistics, *SDG 4 Data Digest 2018: Data to Nurture Learning*, 2018.

³⁴ ILO, *Global Employment Trends for Youth 2020*; ILO, “Indicator description: Share of youth not in employment, education or training (youth NEET rate)”, ILOSTAT database.

³⁵ ILO, *World Employment and Social Outlook, 2022*.

³⁶ ILO, *Guide on Making TVET and Skills Development Inclusive for All*, 2020.

Source: Weighted average based on educational mismatch data (using normative approach) from ILOSTAT.³⁷

33. Under these already difficult circumstances, the pandemic created a new learning crisis, disrupted teaching and learning, frustrated examinations and assessments, delayed certification and will affect the immediate and future careers of millions of learners. At the same time, the rise in inactivity has not in general been offset by a return to education³⁸ as the share of young people not in employment, education or training (the NEET rate) has risen in many countries and has not yet returned to pre-crisis levels in most cases. Also, skills loss during the pandemic is expected to have long-term scarring effects on employability and career prospects of these individuals. People caught in employment with limited opportunities for on-the-job learning and career progression may have lower cognitive skills later in life and less employment prospects.³⁹
34. While the crisis acted as an accelerator for the digitalization of lifelong learning (LLL) systems, the shift to online or distance learning is first and foremost an emergency response that still needs to be translated into more sustainable and coherent initiatives. Moreover, the majority of teachers and trainers report that their students experience significant learning difficulties despite their efforts to shift to remote learning.⁴⁰ The crisis also exposed the digital divide between those who could continue their studies online and those who could not.
35. The continuity of technical and vocational education and training (TVET) was seriously disrupted by the sudden closure of a large majority of TVET centres due to the national lockdowns announced in many countries. According to the survey conducted in April 2020 among TVET providers, policymakers and social partners, 90 per cent of respondents reported a complete temporary closure of TVET centres in their countries in response to the spread of the pandemic and their governments' containment measures. The disruption of work-based learning due to the closure of enterprises affected between 95 and 100 per cent of respondents across regions.⁴¹ While distance-learning alternatives were applied to a certain extent, they could not replace the quality of face-to-face classes given the exceptional emphasis of TVET on practical skills.⁴²

1.1.4. Impact on workers' transitions

36. The COVID-19 pandemic had a severe impact on labour market transitions, though with considerable differences among countries (figure 6).⁴³ Between the second quarter of 2019 and the second quarter of 2020, Latin American countries such as Argentina, Costa Rica, Mexico and

³⁷ Countries and territories included in the calculations: Asia and the Pacific (Afghanistan, Indonesia, India, Islamic Republic of Iran, Mongolia, Republic of Korea, Thailand, Viet Nam), Europe and Central Asia (Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Kosovo, Latvia, Lithuania, Luxembourg, Malta, Montenegro, Netherlands, Norway, North Macedonia, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, Serbia, Slovenia, Spain, Sweden, Switzerland, United Kingdom of Great Britain and Northern Ireland), Arab States (Occupied Palestinian Territory, Saudi Arabia), Africa (Botswana, Egypt, Rwanda, South Africa), Americas (Argentina, Plurinational State of Bolivia, Brazil, Chile, Costa Rica, Dominican Republic, Mexico, El Salvador, United States of America).

³⁸ ILO, *An Update on the Youth Labour Market Impact of the COVID-19 Crisis*.

³⁹ ILO, *World Employment and Social Outlook: Trends 2021*, 2021.

⁴⁰ World Economic Forum, "Most Teachers Think Remote Learning is a Poor Substitute for the Classroom, Survey Shows", March 2021.

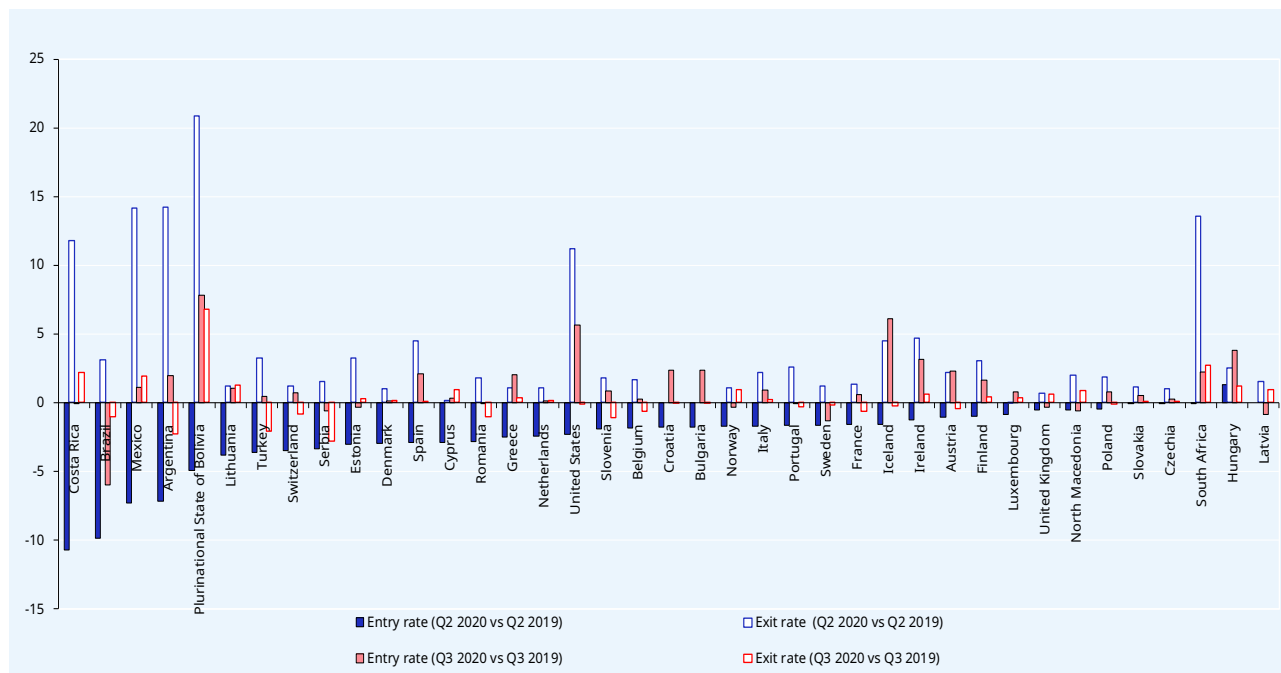
⁴¹ ILO, *Skilling, Upskilling and Reskilling of Employees, Apprentices & Interns During the COVID-19 Pandemic: Findings from a Global Survey of Enterprises*, 2021.

⁴² ILO, UNESCO and World Bank, *Skills Development in the Time of COVID-19: Taking Stock of the Initial Responses in Technical and Vocational Education and Training*, 2021; ILO, *Digitalisation of TVET and Skills Development: Leveraging Technology to Support Lifelong Learning*, Policy Brief, 2021.

⁴³ This analysis covers 39 countries for which longitudinal data are available either through ILOSTAT or Eurostat.

the Plurinational State of Bolivia, and to a lesser extent Brazil, saw entry rates into employment drop markedly while exit rates from employment rose sharply. In the United States and South Africa, the effect was particularly strong for the exit rate and particularly limited for entry rates, leading to a rapid increase of unemployment during the first months of the crisis. In Europe, due to the extensive use of job-retention mechanisms, the decrease in entry rates was milder.

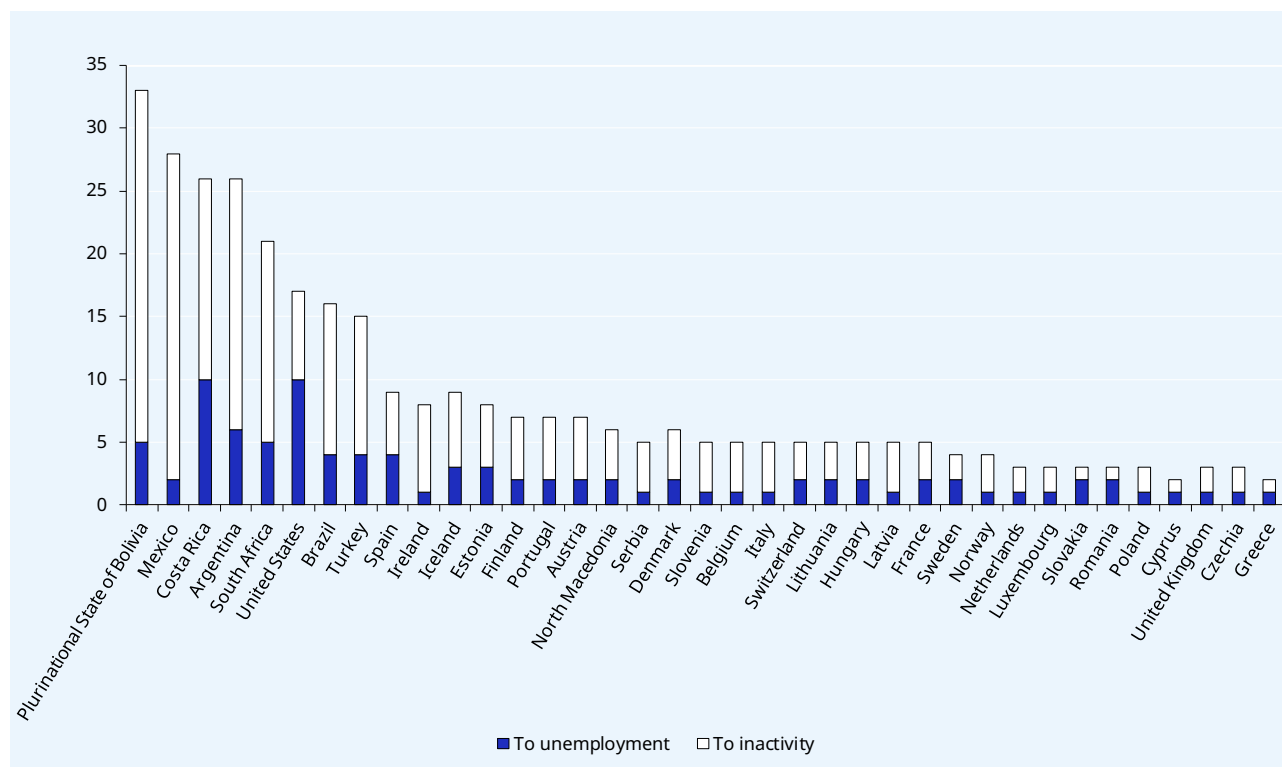
► **Figure 6. Changes (in points) in quarterly entry rates into employment and quarterly exit rates from employment**



Source: Eurostat and ILOSTAT.

37. During the initial months of the crisis, the majority of exits from employment were towards inactivity rather than unemployment, with few exceptions (figure 7). This trend continued but varied across economies. Countries with unemployment benefit systems tended to see higher increases in unemployment than in inactivity.⁴⁴ The longer people stay outside the labour force, the more difficult their reintegration becomes, particularly because they profit less from active labour market policies.

⁴⁴ Sergei Soares and Janine Marie Berg, *Transitions in the Labour Market under COVID-19: Who Endures, who Doesn't and the Implications for Inequality*, 2021.

► **Figure 7. Decomposition of quarterly exit rates from employment in 2020/Q2**

Source: Eurostat and ILOSTAT.

1.1.5. Structural long-term challenges

- 38.** The impact of the COVID-19 crisis added to already-existing challenges, including those linked to the future of work mega-trends. As already indicated in the conclusions of the second recurrent discussion held in 2014:

... long-term structural changes are reshaping the world of work. These include inter alia, globalization and the new geography of growth, technological change, the challenge of environmentally sustainable development, rising inequality, the disconnect between economic growth and decent and productive employment creation and a growing skills mismatch. In the new demographic context, societies in several countries are ageing rapidly, while many others are faced with significant challenges in attempting to reap the potential benefits of a youth bulge. Labour migration, already significant, is expected to increase further.⁴⁵

These challenges have been exacerbated by the pandemic and much of the progress achieved was undone as a result.

Climate change

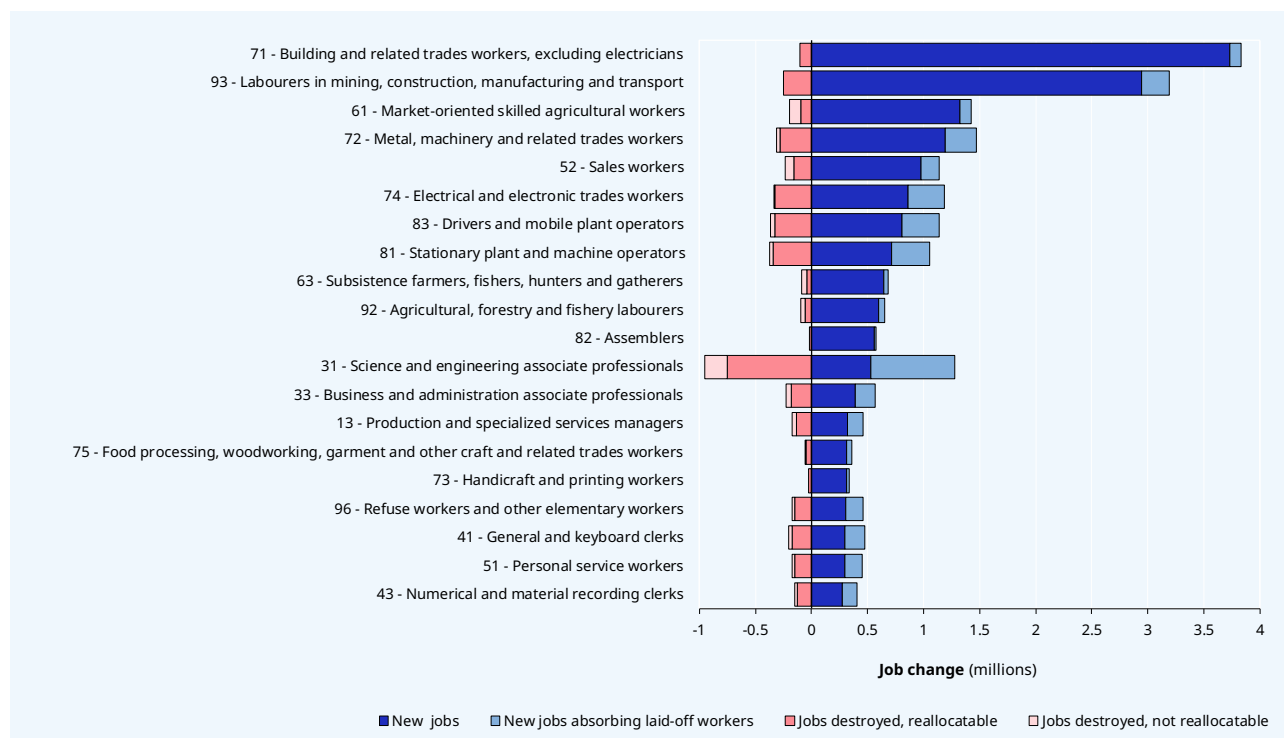
- 39.** Climate change is a reality now and not an issue of the future. Disasters caused by natural hazards have become increasingly frequent and severe around the globe, primarily affecting vulnerable groups. In the past two years, many states already vulnerable to climate change have had to

⁴⁵ ILO, "A recurrent discussion on the strategic objective of employment".

simultaneously cope with the effects of recurrent disasters and the challenges of the COVID-19 pandemic.⁴⁶

40. There is a growing awareness that our future depends on a just transition to a carbon- and resource-efficient economy has grown. There is also a growing understanding that the necessary green transition has deep implications for the labour market⁴⁷ as it will cause structural transformation and will result in both job gains and job losses, as well as changes in the demand for labour and therefore the demand for skills.⁴⁸ In 2019, the ILO produced estimates of the impact that the transitions to energy sustainability and a circular economy⁴⁹ will have on employment, by sector and occupation, by 2030. Under the energy sustainability scenario, almost 25 million jobs could be created and nearly 7 million jobs could be lost globally. Of those workers whose jobs are destroyed, 5 million will be able to reallocate within the same occupation in growing industries. Yet, between 1 and 2 million workers will lose their jobs and require reskilling into other occupations (figure 8).

► **Figure 8. Jobs created and destroyed in an energy transition scenario by occupation, to 2030**



Source: ILO, *Skills for a Greener Future: A Global View*, 2019.

41. Under the circular economy scenario, nearly 78 million jobs could be created and almost 71 million destroyed. A large proportion of those workers whose jobs are at risk – close to 49 million – could

⁴⁶ ILO, *COVID-19 Response and Recovery in Countries Affected by Disasters and Climate Vulnerability: Challenges and Opportunities*, Coordination Support Unit for Peace and Resilience (CSPR) Technical Note, 2020.

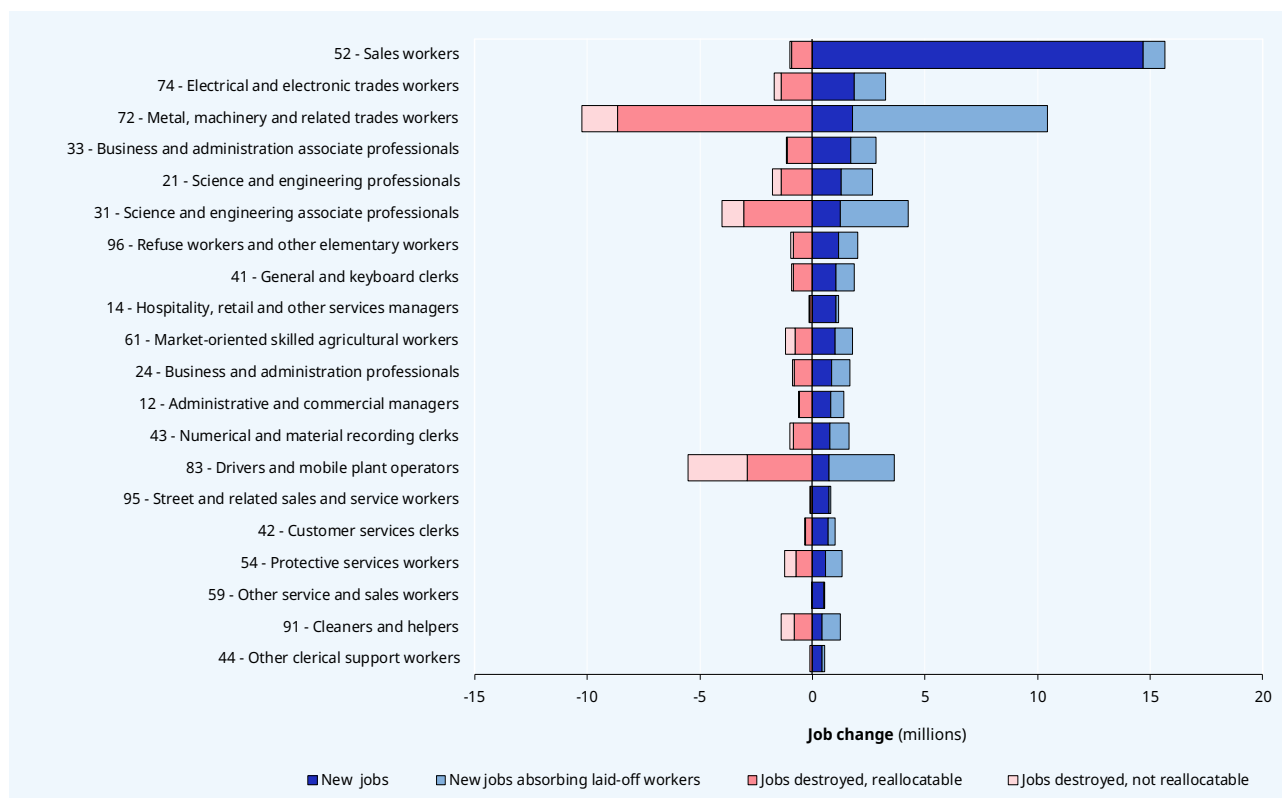
⁴⁷ ILO, *World Employment and Social Outlook 2018: Greening with Jobs*, 2018; European Centre for the Development of Vocational Training (Cedefop) and OECD, *Green Skills and Innovation for Inclusive Growth*, 2015.

⁴⁸ ILO, *Skills for a Greener Future: A Global View*, 2019.

⁴⁹ A circular economy is a model for sustainability in resource use and consumption that supports moving away from an extract-manufacture-use-discard model and embraces the recycling, repair, reuse, remanufacture, rental and longer durability of goods – see ILO, *World Employment and Social Outlook 2018*.

be reallocated. Yet, close to 22 million jobs could be lost without equivalent vacancies arising elsewhere (figure 9).

► **Figure 9. Jobs created and destroyed in a circular economy scenario by occupation, to 2030**



Source: ILO, *Skills for a Greener Future: A Global View*, 2019.

New technologies

42. Technological change via digitalization is a comprehensive and long-standing megatrend that brings challenges and opportunities to the world of work. It continues to impact occupations and employment relationships. In many cases, new technologies such as artificial intelligence (AI) allow for the replacement of human labour by machines, which can have a negative impact on employment and wages in certain occupations and socio-economic groups of workers.
43. Yet, research has shown that digitalization in the form of AI is not only destructive (leading to replacement of jobs) but also transformative (leading to the creation of new or altered tasks). Most occupations are therefore not expected to disappear entirely but rather to continue existing in a different form – a trend that has already become clearly visible in past years. This development requires a proactive adjustment of skills of workers through reskilling and upskilling so that the corresponding employment opportunities can be realized.
44. Digital labour platforms have become a common feature of everyday life in today's world. These platforms have penetrated across a number of sectors in the economy, from ride-hailing, delivery and care services to manufacturing, retail and software development. While employment on these platforms is increasing, it is still the exception compared to traditional employment opportunities. However, the COVID-19 pandemic has accelerated the digital transformation processes that were already under way, both in society and at work. Digital platforms have made economies more resilient to shocks and they have also played an important role in ensuring business continuity

and meeting consumer demands. The remote-working arrangements adopted by many during the past years have further fuelled the rise in e-commerce, e-services and online freelance work.

45. Online labour platforms have created a new means of outsourcing work and enabled businesses to access a geographically dispersed global workforce with a wide range of skills and expertise. They help businesses to reduce costs, improve efficiency, access creative ideas and create new knowledge in relatively short time. They provide job opportunities, in particular in periods of job-transitions and crises; flexibility; opportunities for additional income; and the chance to not deskill in periods of transition. At the same time, businesses face significant challenges and risks, including the risk of losing internal human resources capacity, high commission fees, competition issues and intellectual property rights.
46. Working conditions on these platforms are regulated by the terms-of-service agreements, which are unilaterally determined by the provider. These practices create new challenges, such as irregularity of work, lack of social protection and occupational safety and health (OSH) risks. The rise of these platforms may also reinforce existing inequalities and informality and threaten workers' privacy as large amounts of data are collected. In addition, the use of AI and "algorithmic management" practices for recruiting workers, managing work processes and assessing worker performance, which are based on vast amounts of data, can result in discriminatory practices.
47. Digital technologies are also changing skills needs in the labour market. Workers performing tasks on online labour platforms are often well educated, with graduate and post-graduate degrees, particularly those from developing countries, in which about 54 per cent of workers have a science, technology, engineering or mathematics (STEM) education. However, their skills are frequently underutilized on those platforms and there is often no correlation between education and income. These educated people may not be available to work for domestic firms (although they are physically in the country), opting to work digitally for overseas companies.⁵⁰
48. The rural economy profits more and more from technological innovations and better access to them. Technologies, such as aerial satellite imagery, greenness sensors, soil maps and weather data points, can help boost productivity and promote more sustainable production practices. New and occupationally safer technologies can also reduce occupational hazards and contribute to eradicating child labour. Digital agriculture has much potential for the younger generations and women in rural areas, while mobile phones help to improve on-farm activities (irrigation, soil and pest management) and connecting farmers to extension services. Mobile-based applications are developing into platforms through which rural populations can access financial services, skills development and job search engines, as well as e-retailing and e-hospitality services. However, digital divides (by age, gender, location) persist and therefore promoting digital literacy and rural connectivity remains vital.

Trade and globalization

49. Trade is generally viewed as an engine for economic growth and prosperity because it is associated with job creation and increasing productivity.⁵¹ Indeed, trade has created many jobs with better pay for low-skilled workers in the manufacturing sector, including those entering the formal labour market for the first time, such as women, as well as migrants, young people and members of other vulnerable groups. However, global production networks, which are a key feature of high-volume trade in most regions of the world, have also been associated with

⁵⁰ ILO, *Changing Demand for Skills in Digital Economies and Societies: Literature Review and Case Studies from Low- and Middle-Income Countries*, 2021.

⁵¹ World Trade Organization (WTO), *World Trade Report 2017: Trade, Technology and Jobs*, 2017.

increased competition for services and downward pressure on wages and working conditions, although this impact varies considerably between countries.⁵² ILO research also shows that economic growth does not always lead to significant employment growth; even when it does, the additional jobs created may be low-paid and precarious. In addition, there are significant differences across sectors, particularly in developed economies.⁵³

50. In the last decade, there has been a slowdown in trade in goods and a shift towards services. Global tensions and the emergence of new technologies have also stimulated discussions about the reorganization of global supply chains. Considering that more than one in five jobs is estimated to be linked to global supply chains,⁵⁴ this situation could potentially have implications for many workers. For example, in Asia about 500 million jobs depend on global supply chains for manufacturing and one third of those were impacted “through job losses, working hour losses, labour income losses or any other deterioration of working conditions” during the COVID-19 pandemic.⁵⁵ While most informal workers and enterprises are not directly connected to global supply chains, those that are often face greater risks owing to limited access to finance, health services and social protection.⁵⁶ One proposed solution to address the current global production disruptions is to relocate production closer to home countries. However, reshoring can also put pressure on resources and infrastructure in local communities, increasing the environmental footprint.⁵⁷ Finally, even jobs in green sectors, such as recycling, may not provide decent work as workers may perform their tasks while being exposed to health hazards with little protection. In this regard, facilitation of trade in waste products (sometimes called reverse supply chains) can have adverse consequences for jobs and the environment. These examples demonstrate the complex interlinkages between trade, environment and labour markets.

Demographic shifts

51. Although in the long run all countries in the world are expected to have a growing older population, for the time being countries belong to three groups: those with youthful populations; those with a population in which young and older people are relatively equal in numbers; and ageing societies. Challenges within these three groups vary considerably, but in all of them social protection systems need to be in place to protect those suffering from demographic imbalances. As stated in the recently adopted Resolution and conclusions concerning the second recurrent discussion on social protection (social security), universal social protection that is sustainable would ensure such security and reduce poverty, inequalities, social exclusion and insecurity for workers of all ages.⁵⁸

⁵² ILO, *Achieving Decent Work in Global Supply Chains: Report for Discussion at the ILO Technical Meeting on Achieving Decent Work in Global Supply Chains*, TMDWSC/2020, 2020.

⁵³ Sangheon Lee et al., *Does Economic Growth Deliver Jobs? Revisiting Okun's Law*, ILO Working Paper 17, 2020.

⁵⁴ ILO, *World Employment and Social Outlook: The changing nature of jobs*, 2015.

⁵⁵ ILO, *COVID-19 and Multinational Enterprises: Impacts on FDI, Trade and Decent Work in Asia and the Pacific*, ILO Brief, 2021.

⁵⁶ ILO, *The Effects of COVID-19 on Trade and Global Supply Chains*, Research Brief, 2020.

⁵⁷ Guido Orzes and Joseph Sarkis, “Reshoring and Environmental Sustainability: An Unexplored Relationship?”, 2019.

⁵⁸ ILO, The [resolution concerning the second recurrent discussion on social protection \(social security\)](#), International Labour Conference, 109th Session, June 2021, states in paragraph 9: “Social protection contributes to an enabling environment for decent work, productivity growth, employment creation and sustainable enterprises. Inclusive and sustainable social protection systems bolster the resilience of societies and represent a means to respond to structural transformations, such as those related to climate and demographic changes, digitalization and globalization, as well as to the rise of precarious forms of work and persisting informality.”

52. Countries with a rapidly growing young population are in the vast majority of the cases developing countries – even though there are already some developing countries that are ageing societies. However, that potential to profit from the youth dividend in order to foster economic development often remains unused because young people find it difficult to access decent jobs.
53. Many other countries are experiencing how an ageing population has a profound impact on their economies, labour markets and health- care sectors in the form of a rapidly growing need for care work. Therefore, the care economy, along with the green economy, are commonly identified as two sources of future job growth across countries. Long-term care is among the fastest-growing sectors, with the potential to generate both employment and economic growth. Investments in the quality of care jobs are critical to realizing that potential and overcoming the labour shortages already visible. For 2015, it was estimated that the world was experiencing a shortage of about 13.6 million formal long-term care workers. Such shortages of care workers point to the exclusion of older persons from formal care, increasing the burden of unpaid family caregivers or in some cases leaving care needs unmet.^{59, 60}
54. One noteworthy shift in the demographic composition is the ageing of rural populations. Rural ageing is a growing cause of concern in several countries given its implications for rural depopulation, which may be detrimental to the prosperity and rejuvenation of agriculture and rural areas.⁶¹ Migration also has a profound impact on the composition of population, leaving sending countries without their educated young people.

1.2. Policy trends

55. In the light of the massive disruption and transformation noted above, how have countries responded? Currently, crisis response and recovery policies dominate the employment policy scene, often with difficult policy choices. While supporting recovery processes through sustained proactive fiscal measures, rising debts and accelerating inflation calls for monetary policy tightening. Moreover, employment policies have evolved, responding to future-of-work drivers and facilitating structural transformation for inclusive job-rich growth.
56. With the double challenge in mind (crisis response/recovery and long-term structural transformation), this section analyses recent policy trends. However, the analysis in this chapter does not comprise all policy trends; it only focuses on a selection of trends that are remarkable, innovative or of particular importance.⁶²

⁵⁹ UN Women launched a policy brief entitled *Long-Term Care for Older People: A New Global Gender Priority* and included, in the publication *Turning Promises into Action: Gender Equality in the 2030 Agenda for Sustainable Development*, a chapter entitled “Recognizing, reducing and redistributing unpaid care and domestic work”, which also specifically addressed long-term care solutions for older persons.

⁶⁰ The United Nations Economic Commission for Europe (UNECE) issued a policy brief on the theme “*Realizing the Potential of Living Longer*”, which discusses the potential benefits for societies of a healthy lifestyle, the silver economy, extended working lives, volunteering and informal care.

⁶¹ Kenneth M. Johnson and Daniel T. Lichter, “*Rural Depopulation: Growth and Decline Processes over the Past Century*”, 2019.

⁶² The ILO’s newly introduced major publication *The Global Employment Policy Review* analyses employment policy trends in more detail, see ILO, *Global Employment Policy Review 2020: Employment Policies for Inclusive Structural Transformation*, 2020.

1.2.1. Comprehensive employment policy frameworks and national employment policies ⁶³

57. The trend to more and better comprehensive employment policy frameworks has continued since the last recurrent discussion on the strategic objective of employment held in 2014. Such comprehensive frameworks use, for example, national employment policies (NEPs), the method promoted by the ILO, as a vehicle for design and implementation.
58. NEPs are widely considered as a key policy tool for reaching recovery and long-term goals. Since 2014, they have become stronger in terms of enhancing cooperation and coordination across different stakeholders and more successful in terms of embedding the ultimate goal of decent work creation in macroeconomic policies, sectoral policies and other relevant policies, all of which are interlinked and put under the umbrella of a NEP as a comprehensive employment policy framework. ⁶⁴ This new generation of NEPs also includes more elements related to future-of-work issues and places a stronger emphasis on overcoming inequalities in labour markets.
59. The number of countries that have successfully adopted an NEP (or are in the process of doing so) has more than tripled over the last 20 years. This trend is likely to continue, considering the number of countries that have added a comprehensive approach to employment policies to their policy agenda, often as part of their COVID-19 pandemic recovery strategies. NEPs have been adopted or altered to focus on COVID-19 pandemic responses in countries such as Armenia, El Salvador, Ethiopia, Iraq, Lebanon, Paraguay, the Philippines, South Africa and Tunisia. About half of the 69 countries for which data was analysed have formulated a second or higher generation of NEPs. ⁶⁵
60. The scope of employment policies has increased over the last two decades. Supply-side and labour market governance measures continue to constitute a significant part of NEPs, but recent frameworks provide more interventions to improve the employment content of growth and employment-creation perspectives were added, including the widening of traditional trade policies to discuss employment issues. In addition, an increasing number of NEPs place a greater emphasis on inclusive structural transformation and pro-employment macroeconomic frameworks, including fiscal policies.
61. NEPs also increasingly focus on quality of employment and inclusion and not just quantitative goals such as unemployment rates or the number of jobs created. New targets also include labour and social protection elements. However, the inclusion of social protection in NEP frameworks continues to be a weak point. Too often, social protection policies are delinked from NEPs.
62. The latest generation of NEPs increasingly focuses on particularly vulnerable groups, often with a specific focus on women and youth. Moreover, NEPs are becoming an important platform for addressing the consequences of the future of work, especially with the labour market impact of climate change becoming a prominent element. ⁶⁶
63. The ILO's tripartite constituents play an active role in the design process of the majority of NEPs. Where the influence of workers' and employers' organizations has been growing over time, design

⁶³ ILO, *Two Decades of National Employment Policies 2000–2020: Part I – Employment Policy Design: Lessons from the Past, Policies for the Future*, 2021, and *Part II – Towards a New Generation of National Employment Policy (NEP): What Can we Learn from the Evolution of the Scope and Content of NEPs*, forthcoming.

⁶⁴ ILO, *From Policy to Results: Guidelines for Implementation of National Employment Policies*, 2021.

⁶⁵ ILO, "ILO Employment Policy Gateway".

⁶⁶ Valter Nebuloni, Christoph Ernst and Daniele Epifanio, "National Employment Policies and Environmental Sustainability: Forging Stronger Ties", 2020, Chapter 4 in ILO, *Global Employment Policy Review 2020*.

and implementation have improved. The success of social dialogue in this context has been fostered by the increased capacities of social partners to actively engage.

64. Ministries of labour/social affairs often play a lead role, but there is also a trend to spread the responsibility for employment promotion across multiple ministries and stakeholders. For example, recent NEP processes have been extended to sectoral ministries that act as “job creators” (for example agriculture, industry, trade or infrastructure), as well as to other key actors for employment, such as central banks (for example in Jordan, North Macedonia, Rwanda and Sri Lanka). In addition, 93 per cent of recent NEPs (versus 28 per cent of initial processes) involved the participation of ministries of economy and finance. This is key to facilitating the integration of employment in planning and budgeting processes. Representatives of informal and rural workers are still largely absent from the NEP discussions with regard to the design as well as implementation processes.
65. In many cases, NEP formulation evolved from policymaking by a small group of government officials to more open processes, for example in the form of national dialogues that were held over several months, with varying methods of participation. Some countries used information and communication technologies to open the debate and extend consultations to wider groups, which is particularly important in the context of the COVID-19 pandemic. To involve more partners, new employment policy platforms have been created, such as interministerial coordination committees. In an increasing number of countries, these policy spaces are chaired at the highest levels of government (for example by the President of the Republic of Korea or the Prime Minister of Morocco). This strong political support for NEPs is key to promoting multisectoral action on employment, fostering commitment to employment by decision-makers and strengthening policy coherence. These platforms have also played an important role as entry points to discuss COVID-19 pandemic responses and related policies. For example, in Ethiopia the Job Creation Commission was already operational, equipped and capable of bringing together the key employment stakeholders when the crisis started. Therefore, the country was ready to quickly develop and implement an appropriate response plan.
66. Moreover, creating NEPs is increasingly perceived as a collective learning process, which leaves stakeholders better equipped to analyse and resolve employment-related issues. This has increased the awareness that no public policy is completely employment-neutral and many actors are responsible for employment-related issues.
67. Finally, an increasing number of countries are embarking on the development of subnational action plans (for example Argentina, Brazil, Morocco and Serbia), thereby moving decision-making processes closer to local actors and promoting local participation in employment governance. Local action is frequently the best and quickest way to respond in a targeted and flexible way to local employment challenges.

1.2.2. Active labour market policies and public employment programmes

68. Active labour market policies (ALMPs) and public employment programmes (PEPs) continue to be major tools for the implementation of comprehensive employment policy frameworks, especially through NEPs. Governments around the world continue to spend a large portion of their budgets on ALMPs that aim to improve access to new jobs and higher wages. For example, in 2019 the EU-27 countries spent on average 0.4 per cent of gross domestic product (GDP) on ALMP measures.⁶⁷ This has not been the case only during the crisis and recovery process (during which

⁶⁷ European Commission, “Labour Market Policy – Expenditure and Participants – Data 2019 (2021)”, 2021. This figure comprises total labour market policy measures (categories 2–7).

spending increased considerably in many countries); over the years, ALMPs have also been used as a way to help people adjust to the new changes in the world of work, including demographic shifts (for example through specific support for older workers to increase their labour force participation); climate change (for example through special training programmes on green skills); and digitalization (for example through special support programmes to help self-employed workers to digitalize their work).

69. As a consequence of the increasingly difficult situation of some groups of workers and the new challenges linked to future of work issues, public employment services in both advanced and emerging countries, as well as in some developing countries, have adapted their case management systems to holistically support jobseekers from such groups, including those with multiple barriers, via a combination of ALMP policies and social protection policies, a joined-up delivery approach and new partnerships with municipalities and other institutions administering social protection schemes and programmes institutions.⁶⁸
70. ALMPs also continue to be an important means of connecting people with labour markets. They include employment intermediation services such as (1) registration, counselling and employment services for mobility; (2) training and retraining; (3) public works; and (4) entrepreneurship and self-employment support.
71. Evidence shows that countries turned to ALMPs quite early in the pandemic, particularly in advanced countries, in order to mitigate the devastating impact of containment measures; protect jobs and enterprises; and prevent unemployment and inactivity. Employment subsidies were particularly popular in advanced countries, initially in the form of job-retention schemes used to support partial unemployment measures, such as reduced hours of work or temporary unemployment, but also to support recruitment in expanding sectors. Even in some low-income countries, ALMPs were used at early stages, such as the public works scheme in Ethiopia and publicly funded wage subsidies for factory workers in Haiti.⁶⁹
72. With recovery processes under way, more countries have introduced ALMPs to counterbalance the socio-economic consequences of the COVID-19 pandemic. In particular, training and public employment have played an increasing role across all country-income groups in fostering the longer-term labour market integration of disadvantaged groups.⁷⁰
73. The recognition of the importance of integrated policy design and implementation in public employment services (PESs) is increasing in all ILO regions, although there remains room for further improvement, including for their outreach in rural areas. Of the 80 PESs surveyed in the ILO's 2021 PES survey, 25 per cent reported integration of income support with other ALMPs during the lockdown period, 28 per cent when lockdown restrictions were eased and 29 per cent as part of their expected recovery interventions. However, 41 per cent of the PESs surveyed indicated that they had no plans for such an approach (figure 10).⁷¹

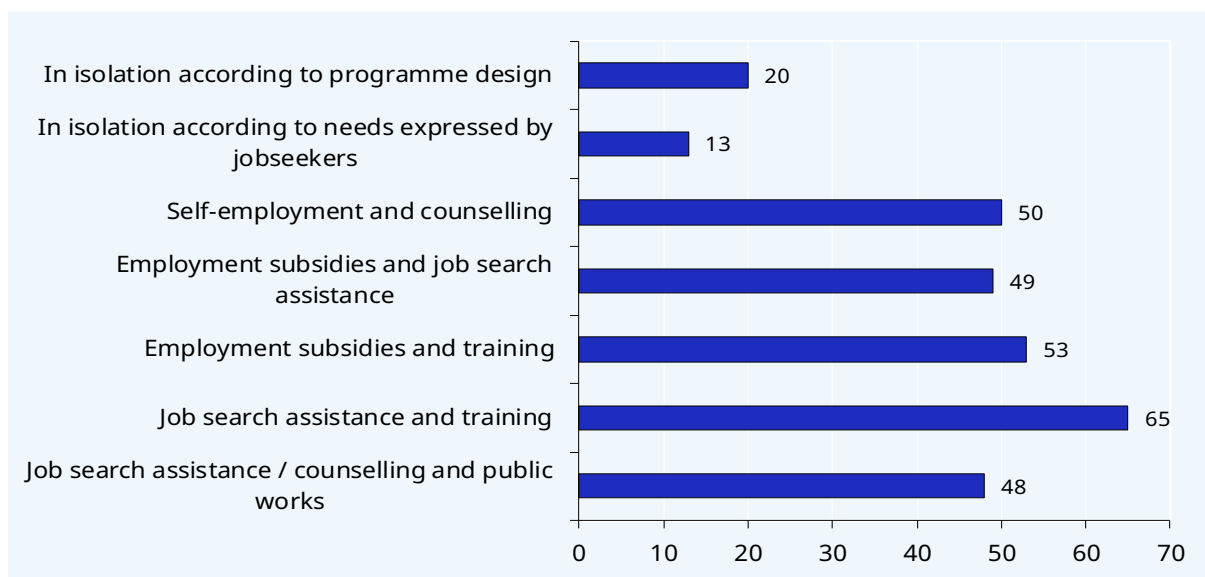
⁶⁸ Dan Finn, Miguel Peromingo and Michael Mwasikakata, *Key Developments, Role and Organization of Public Employment Services in Great Britain, Belgium-Flanders and Germany*, 2019; ILO, *Public Employment Services: Joined-up Services for People Facing Labour Market Disadvantage*, ILO Briefs on Employment Services and ALMPs, Issue No. 1, 2018; Zulum Avila and Javier Omar Rodriguez, *Public Employment Services: Diagnostic Tool and Guide*, ILO, 2021; ILO, *Public Employment Services Pressing Ahead with Digitalization should be Aware of the Digital Divide*, Note, 2021.

⁶⁹ ILO, *Delivering Income and Employment Support in Times of COVID-19: Integrating Cash Transfers with Active Labour Market Policies*, ILO Brief, 2020.

⁷⁰ ILO, *Employment Services Global Report*, 2022, forthcoming.

⁷¹ ILO, *Employment Services and Active Labour Market Policies for Inclusive Labour Market Transitions* (Vols 1 and 2), forthcoming; ILO, "Labour Market Policies and Employment Services are Critical Ingredients of the COVID-19 Policy Responses", 2020.

► **Figure 10. Integrated implementation of ALMPs, 2021 (percentages)**



Source: ILO, *Technology adoption in public employment services. Catching up with the future*, forthcoming.

- 74.** The ILO’s 2021 PES survey also revealed that PESs are increasingly delivering ALMPs in collaboration with other providers in the labour market via collaboration or outsourcing of services. However, delivery through PESs remains the most dominant mode, apart from skills development, for which 52 per cent of delivery is conducted through collaboration and/or outsourcing. Entrepreneurship and self-employment support, sheltered employment and job-retention schemes are also increasingly delivered via partnerships.

1.2.3. Targeted employment policies for disadvantaged groups and sectors

- 75.** A common characteristic of initial responses to the pandemic was a “one-size-fits-all” approach. Many countries initially adopted broad brush” policies to support entire populations, seeking to bolster incomes and employment of established workers in order to mitigate the drastic impact of the economic crisis on household incomes. While framing such emergency policies to address the needs of whole populations was of the utmost importance, one unintended consequence was that the specific needs of some vulnerable groups, such as young people, were not sufficiently considered. When policy responses specific to the needs of young people were introduced, they were often merely modifications or extensions of existing measures.⁷²

Youth employment policies

- 76.** Since the last recurrent discussion on the strategic objective of employment was held in 2014, targeted employment strategies for young people have become even more widespread, recognizing that youth unemployment and underemployment continue to be among the key labour market challenges around the world. The specific approach varies among countries, but all of them include targeted policies to reach young people and help them overcome existing barriers to entering labour markets and/or find decent work. The belief in such an approach is reflected in the fact that since 2015, the need to adopt national youth employment strategies has been recognized under target 8.b. of the Sustainable Development Goals (SDGs) and adoptions

⁷² Anna Barford, Adam Coutts and Garima Sahai, *Youth Employment in Times of COVID: A Global Review of COVID-19 Policy Responses to Tackle (Un)Employment and Disadvantage among Young People*, 2021.

of such strategies are now regularly monitored by the ILO as the custodian of SDG indicator 8.b.1. A special database, the Employment Policy Gateway, has been developed to cover these developments and is constantly updated.⁷³

- 77.** Youth guarantee schemes improve the transition from school to work by providing a wider range of learning opportunities, making better use of the education network and creating clear pathways from school to work and study. They have become more popular as a specific ALMP that is targeted at young people. For example, the EU implemented such a youth guarantee in 2014 and relaunched it in July 2020, in the wake of the COVID-19 pandemic, with a greater emphasis on outreach to inactive youth and a slightly broader target age-range. Moreover, several countries in Southeast Europe, such as North Macedonia, requested ILO support adopting their own youth guarantee approaches.⁷⁴
- 78.** Also, the importance of social security coverage for younger workers (including apprentices) has gained recognition over time, based on the recognition that an unprotected start of young people's careers will have negative consequences for their further work lives and that social protection will help to avoid young people starting their career in the informal sector. However, such measures are often not an option for developing economies.

Employment policies for older workers

- 79.** Not only because of ageing societies but also as a consequence of realizing that older workers are often disadvantaged in labour markets, countries with advanced economies, as well as those in less and least developed contexts, have increasingly adopted employment and labour market policies that are specifically targeted at older workers. Given that older workers' productive potential is increasingly needed in ageing societies and many people desire to work longer, policies focus on increasing the duration of their participation in labour markets. These measures aim to improve working conditions in order to make it attractive for workers to participate longer in labour markets. They also seek to overcome prejudice against older workers and to incentivize them to regularly update their skills. Part-time work seems to be an attractive option for older workers to quit the labour market partially and incrementally. Also, at the enterprise level policies are implemented to foster intergenerational cooperation, such as through mixed-age teams and two-direction mentorship policies, whereby older people let younger workers profit from their experience and younger workers help older workers, especially in areas linked to the use of modern technologies.⁷⁵ The coordination of employment and pension policies continues to be key to protecting older workers' rights and helping them to transition out of labour markets.⁷⁶

Employment policies for gender equality

- 80.** The COVID-19 pandemic has again highlighted the persistently large gender gaps in labour markets. Even before the pandemic, jobs with a high concentration of women were characterized by low wages, long working hours, limited opportunities for career advancement, exposure to occupational health and safety risks, and violence and harassment. When the pandemic hit, these

⁷³ United Nations Sustainable Development Solutions Network (UNSDSN), "8.b by 2020 develop and operationalize a global strategy for youth employment and implement the ILO Global Jobs Pact", in *Indicators and a Monitoring Framework*; ILO, "ILO Employment Policy Gateway".

⁷⁴ ILO, "EC-ILO Action on the Youth Guarantee"; ILO, *The European Youth Guarantee: A Systematic Review of its Implementation Across Countries*, Research Department Working Paper No. 21, 2017.

⁷⁵ ILO, "Supporting Longer Working Lives: Multistage Approaches for Decent and Productive Work", meeting paper, 2019; ILO, "How to Ensure Older Workers Fully Participate in the Recovery after the Pandemic", 2020.

⁷⁶ ILO, *World Social Protection Report 2020-22*.

trends put women workers at greater risk of being laid off, seeing a significant contraction of their working hours and/or experiencing a further deterioration of their working conditions. Even though the policy measures implemented during the pandemic were of unprecedented scale, many of them tended to be gender-blind. This is a continuation of a trend that sees verbal political commitment at the national and global levels not being translated systematically into policies. Targeted policies for women have become more common over time; however, there are still gaps in terms of mainstreaming gender-responsive approaches across other policy areas, including gender-responsive macroeconomic policies.

81. Nevertheless, some positive successful examples were implemented during the crisis. For example, in Chile and Colombia wage subsidies were applied to new hires, with greater subsidy rates for women, while Colombia and Senegal strengthened support for women entrepreneurs. Moreover, both developed and developing countries expanded PEPs, which directly create employment. Finally, in Kenya and Mexico quotas were established to guarantee that women benefit from these programmes.⁷⁷

Employment policies for workers in the informal economy

82. The adoption of the Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204) was a milestone for the policy debate and formulation to help the formalization of the informal economy.⁷⁸ In the follow-up to the adoption of Recommendation No. 204, many countries introduced formalization policies in the integrated manner it suggested.
83. A new trend was the introduction of the e-formality as a delivery tool for services to informal economy workers, which was also applied as a crisis response means when lockdown and social distancing measures added an extra barrier for informal enterprises and workers seeking to gain access to public services. The idea of e-formality is to use digital technologies to support the transition to the formal economy, such as by enhancing the impact of institutional public policies. The ultimate goal of using these new technologies is to increase economic capacity (productivity), improve norms and regulations, design and implement incentives, and improve enforcement systems and measures. Research evidence exemplifies the positive impact of e-governance on reducing the size of the informal economy.⁷⁹

1.2.4. Skills and lifelong learning policies to profit from future of work opportunities

84. In the area of skills development, there is evidence of increasing interest in the development of strategies and policies to support LLL across different education and training sectors, moving away from focusing only on young people. This is reflected in SDG 4, in response to which countries have taken steps to improve access to lifelong education and learning opportunities.⁸⁰ Critical factors that support the promotion of LLL, such as the development of qualification frameworks and systems for the recognition and validation of skills and qualifications, continue to feature in policy reform initiatives to support LLL. To overcome financing shortages due to the growing demand for providing people with skills, as well as the COVID-19 pandemic, innovative

⁷⁷ United Nations Development Programme (UNDP), "COVID-19 Global Gender Response Tracker"; ILO, *A Gender-Responsive Employment Recovery: Building Back Fairer*, Policy Brief, 2020.

⁷⁸ ILO, *Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)*.

⁷⁹ Juan Chacaltana, Vicky Leung and Miso Lee, *New Technologies and the Transition to Formality: The Trend Towards e-formality*, EMPLOYMENT Working Paper No. 247, 2018; Sriani Kring and Vicky Leung, *Renewing the Social Contract through e-formalization in the World of Work*, 2021.

⁸⁰ SDG Compass, "SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all".

approaches were introduced, including individual learning entitlements, which can incorporate both public and private contributions that are linked to a universal right of access to free training in public institutions, individual learning accounts, tax incentives and individual training vouchers. Vouchers have become particularly popular instruments due to their capacity to target the most vulnerable and the possibility to combine them with loans and other incentive mechanisms. Most countries do not have a fully developed entitlement scheme but many have taken steps towards establishing one. Canada, Morocco, New Zealand, the United Kingdom and the United States have committed to establish such a scheme (for example in a national strategy); Thailand and Malaysia have issued a declaration of entitlement; and Australia, Japan and the Republic of Korea have taken practical steps (for example through vouchers) towards implementing it. Successful examples of comprehensive entitlement systems can be found, for example, in France and Singapore.⁸¹ In some instances, social protection benefits were linked with access to training and learning, for example via employment insurance schemes in Japan, the Republic of Korea and Viet Nam or through non-contributory social transfers in Argentina, Malaysia and Pakistan.

- 85.** Global drivers of change, including the globalization of trade, offer important opportunities for positive economic and social transformation but also bring challenges, such as the risk of persistent skills mismatches, if left unaddressed. In this context and particularly given the recent impact of the COVID-19 pandemic, countries aim to establish effective mechanisms for anticipating and monitoring skills needs and to adapt the provision of skills development accordingly.
- 86.** The pandemic accelerated the digitization of work across sectors and revealed acute digital skill gaps. Many businesses chose to train their employees to adapt their skills and roles to the evolving situation. For example, findings from the comparative study of rapid assessments of reskilling and upskilling needs in response to the COVID-19 crisis in nine African countries shows that 58 per cent of surveyed employers provided training to their existing employees during the COVID-19 pandemic; 44 per cent of all training reported in the survey was on the use of digital technologies for communication; and an additional 28 per cent of training was on the use of digital technologies for internet connection.⁸²
- 87.** The adjustments to climate change go hand in hand with an increase in demand for green skills. Around the world, education and training institutions are slowly adjusting to this new demand. In 2019, two thirds of the 183 United Nations Member States recognized in their nationally determined contributions⁸³ the importance of capacity development and climate change literacy, but less than 40 per cent of all nationally determined contributions included any plans for skills training to support the implementation of climate-related goals and more than 20 per cent did not plan any human capital-related activities at all in that area.⁸⁴

1.2.5. Employment-centred macroeconomic policies

- 88.** In 2020–21, almost all countries responded to the COVID-19 crisis with a range of macroeconomic policy measures with the aim of preventing economic collapse, ensuring business continuity and

⁸¹ ILO and UNESCO, *A Review of Entitlement Systems for Lifelong Learning*, 2020.

⁸² ILO, *Guidelines on Rapid Assessment of Reskilling and Upskilling Needs in Response to the COVID-19 Crisis*, 2020; ILO, *Comparative Study of Rapid Assessments of Reskilling and Upskilling Needs due to the COVID-19 Crisis*, forthcoming.

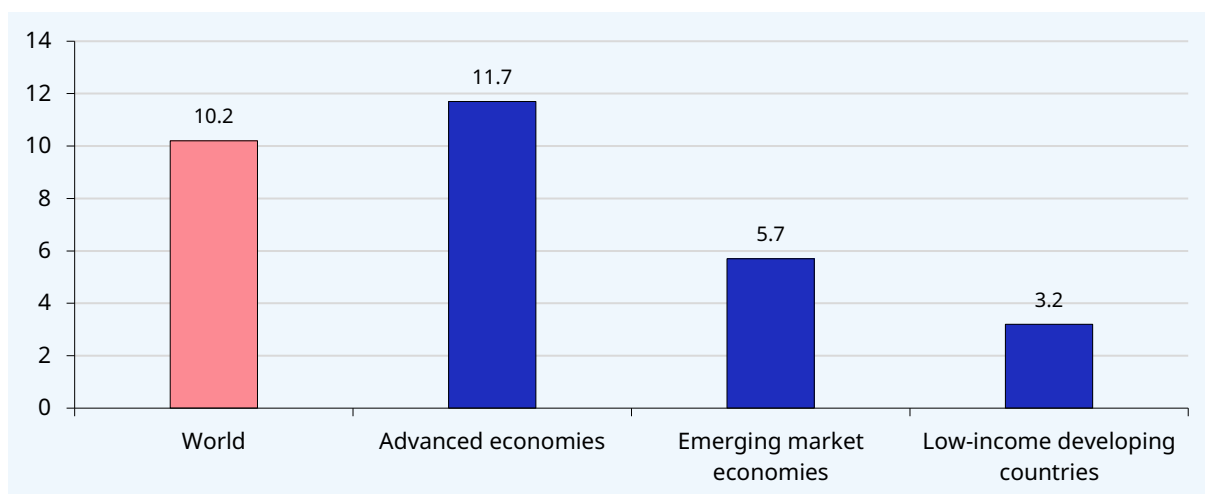
⁸³ As part of the Paris Agreement, countries committed themselves to ensuring the implementation of the Paris Agreement via nationally determined contributions (NDCs), which contain measures to stimulate the adaptation to and mitigation of climate change impact in targeted economic sectors. In 2019, 183 United Nations Member States submitted such NDCs.

⁸⁴ ILO, *Skills for a Greener Future: Key Findings*, 2019.

protecting jobs. In this context, macroeconomic policy played a key role through expansive fiscal policy and highly accommodative monetary policy in most countries. However, despite the almost universal consensus in favour of significant stimulus, there were considerable differences between advanced and developing economies that explain the divergence in recovery speed given the vastly different available fiscal resources.

89. In terms of fiscal policies, countries responded with unprecedented levels of support, through additional spending and forgone revenue (also known as the “above-the-line” items) amounting to \$US10.8 trillion over 2020–21 or 10.2 per cent of global GDP in 2020 (figure 11).⁸⁵ This global average conceals considerable variations across the world. In advanced economies, additional spending and forgone revenue reached on average 11.7 per cent of GDP, while in emerging market economies it was estimated at 5.7 per cent of GDP and in low-income developing countries considerably lower, at 3.2 per cent of GDP. While there is a significant gap in relative spending, the use of the fiscal stimulus in developing countries represents a major departure from earlier crisis responses, which typically focused on fiscal austerity.

► **Figure 11. Additional spending and forgone revenue in response to the COVID-19 pandemic, by income level (per cent of 2020 GDP)**



Source: IMF, “Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic”, October 2021.

90. A similar picture emerges for monetary policy during the COVID-19 crisis. In contrast to previous crises, low- and middle-income countries responded to the crisis by cutting monetary policy rates to stimulate the economy and prevent further collapse.⁸⁶ According to the Bank of International Settlements, which collects data for 37 central banks, 31 countries had cut rates by the end of April 2020.⁸⁷ Four countries (Denmark, Japan, Sweden and Switzerland) and the Eurozone had already hit the lower limit (with negative rates in place prior to the pandemic in four of these countries). Hungary cut its policy rate in June 2020. Drawing on a large sample of countries (more than 100 central banks), the average weighted policy rate in December 2021 was 5.49 per cent.⁸⁸

⁸⁵ International Monetary Fund (IMF), “Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic”, October 2021. In addition to the additional spending and foregone revenue, governments have allocated significant resources to equity, loans and guarantees (or the “below-the-line” items).

⁸⁶ Islam, *Macroeconomic policy responses to the COVID-19 crisis in emerging market and developing economies: current outcomes and evolving challenges*, forthcoming.

⁸⁷ Bank for International Settlements (BIS), “Central bank policy rates”.

⁸⁸ Central Bank News, “Interest Rates”.

Along with policy rate cuts, a number of central banks in middle-income countries, such as India, Indonesia, South Africa and Turkey, have turned to unconventional monetary policy measures, including asset purchases (that is quantitative easing).

91. Another crucial macroeconomic challenge is the rise in inflation as of the end of 2021, driven by increasing aggregate demand, energy costs, rising commodity and food prices and continued global supply chains disruptions. In this context, some central banks have already responded by increasing interest rates at the end of 2021. However, the majority of central banks still maintain their rates at record lows. Moreover, even with rising rates, the overall monetary policy stance remains very expansive in most countries apart from a few outliers, such as Argentina and Zimbabwe.
92. In 2022 and beyond, recovery from the COVID-19 crisis will depend on the ability of countries to increase their vaccination rates and finance the necessary investments to address the enormous decent work deficits, especially for hard-hit groups. However, crisis response measures taken so far have resulted in large fiscal deficits. In addition, government revenue has decreased due to reduced overall economic activity: the revenue-to-GDP ratio fell most sharply in emerging market economies, from 27.0 per cent in 2019 to 25.1 per cent in 2020, while it fell from 14.9 to 14.1 per cent in low-income developing countries.⁸⁹
93. Consequently, general government gross debt (as a ratio of GDP) rose substantially around the world during the crisis (table 2). In 2020, it increased by more than 30 percentage points in advanced economies (relative to the average in the period 2001–19) and by about 20 points in middle-income countries. Although the increase in low-income economies was smaller (from an average of 42.0 per cent in 2001–19 to 49.9 per cent in 2020), debt sustainability is a greater challenge in these countries, which will need further debt relief and support over the coming years, especially as debt ratios are expected to remain high in the near future.

► **Table 2. Gross debt position (%GDP) by region/income classification, 2001–25**

Region	2001–19	2020	2021–25
Advanced economies	89.5	122.7	119.6
Emerging market and middle-income economies	43.4	64.0	66.9
Low-income developing countries	42.0	49.9	49.1

Source: IMF, “Fiscal Monitor of Country Fiscal Measures in Response to the COVID-19 Pandemic”, October 2021.

1.2.6. Sectoral policies (including trade, green policies)

94. While the role of sectoral and industrial policies remains crucial, recent experiences (for example in Costa Rica, Ghana, Spain, South Africa and Viet Nam) show that merely adopting an industrial policy is not by itself a guarantee for successful structural transformation. In addition to a detailed diagnostic in the design phase that accurately identifies the potential of different sectors based on social dialogue, country experience shows that sectoral policies need to be part of a coherent policy package and to aim for the same developmental and economic goals as the overall strategy of the country.⁹⁰ The care, digital and green sectors have been identified in many countries as

⁸⁹ IMF, “Fiscal Monitor (October 2021)”.

⁹⁰ David Kucera, Dorothea Schmidt-Klau and Johannes Weiss, “Industrial policies for structural transformation: Processes, institutions and methods”, Chapter 1 in ILO, *Global Employment Policy Review 2020*.

sectors that have the potential to create decent jobs, while at the same time bringing economies forward towards more equality and inclusiveness.

- 95.** Regarding trade policies, many international and domestic institutions are advocating for strengthening the link between trade and decent work by allowing all workers (irrespective of their employment relationship or contractual arrangements) and enterprises – particularly small enterprises and also women-led and innovative businesses – to take an active role in and benefit from the global trading system.⁹¹ It is widely recognized by policymakers that skills development is important for trade outcomes, which is reflected in both national trade strategies and national skills strategies.
- 96.** Concerning the green economy, NEPs provide a viable entry point for reconciling employment and environmental goals, notably through the promotion of “green jobs”. In recent years, employment policies in general have become more environmentally friendly, encompassing different measures for the creation of decent work in the green economy. These have ranged from tax incentives and catalytic investment in promising sectors to training and skills development, including reskilling as part of active labour market programmes. However, there is scope for further improving the design of such policy measures and making their implementation more effective through an integrated approach. More broadly, green jobs issues have often been included in national development frameworks rather than in dedicated green employment policy frameworks. Therefore, successful attempts are characterized by a coherent set of well-coordinated policies – in particular financial, industrial, employment/labour market, education and skills development policies – for promoting green jobs and a greener economy.⁹²

⁹¹ WTO, “Public Forum 2016 – ‘Inclusive Trade’”, 2016.

⁹² Nebuloni, Ernst and Epifanio.

► Chapter 2

A new generation of employment policies for a better future of work

97. The second recurrent discussion on the strategic objective of employment⁹³ led to the identification of key elements of a comprehensive employment framework, including: (a) pro-employment macroeconomic policies; (b) trade, industrial, tax, infrastructure and sectoral policies; (c) enterprise policies, in particular an enabling environment for sustainable enterprises; (d) education policies that underpin LLL and skills development policies that respond to the evolving needs of the labour market; (e) labour market policies and institutions; (f) policies that address long-term unemployment; (g) labour migration policies; (h) tripartite processes to promote policy coherence across economic, environmental, employment and social policies; (i) effective inter-institutional coordination mechanisms; (j) comprehensive activation strategies to facilitate young people's school-to-work transition; (k) policies to encourage the transition to formality; (l) policies to tackle the challenge of environmental sustainability and ensure a just transition for all; (m) policies to tackle the employment and social protection implications of the new demographic context; (n) relevant and up-to-date labour market information systems; and (o) effective monitoring and evaluation systems of employment policies and programmes.
98. Guided by this list, this chapter discusses the main policy issues and challenges related to employment promotion, crisis recovery and the future of work in the context of an evolving landscape of employment policies. It explains the key characteristics of the new generation of employment policies as the way the ILO and its Member States have implemented the concept of comprehensive employment policy frameworks; explores why such employment policy frameworks are crucial for inclusive structural transformation; and considers why policies for inclusive labour market transitions matter for a human-centred approach. The chapter also introduces the debate on employment quality versus quantity and provides further insights on key policy areas. It finally looks at financing issues linked to the successful implementation of comprehensive employment policy frameworks, especially NEPs.

2.1. A new generation of comprehensive employment policies supported by the ILO

99. The Employment Policy Convention, 1964 (No. 122) provides for the promotion of full, productive and freely chosen employment through the development and implementation of NEPs and programmes that are coordinated with other national development policies.⁹⁴ According to the Convention, employment policies should be developed through a participatory process and their approach should be inclusive, non-discriminatory and sustainable, as further elaborated at the first and second recurrent discussions on the strategic objective of employment and in the 2020 General Survey⁹⁵ to ensure that all people can freely choose their employment.

⁹³ ILO, "A recurrent discussion on the strategic objective of employment".

⁹⁴ ILO, *Employment Policy Convention, 1964 (No. 122)*.

⁹⁵ ILO, *Promoting Employment and Decent Work in a Changing Landscape*, International Labour Conference, 109th Session, 2020.

- 100.** The approach of the ILO to implementing the conclusions of the second recurrent discussion on the strategic objective of employment to work through NEPs within a comprehensive employment policy framework has been captured in all the ILO's programmes and budgets since that time, including by providing support to Member States in their efforts to develop and implement comprehensive employment frameworks; finding the right policy sequencing and mix; and supporting vulnerable workers and businesses.
- 101.** While this overall policy framework has continued to guide policy developments in Member States, there is also a growing need for adapting it to the rapidly evolving world of work, especially by integrating short-term and long-term measures (section 2.2), strengthening support for the transition of workers and enterprises (section 2.3) and taking full advantage of new and innovative approaches, with a greater focus on timely and effective implementation (section 2.4). As stressed in the Centenary Declaration⁹⁶ and the Call to Action,⁹⁷ this new adaptive approach should be implemented within a comprehensive framework to ensure that policies are mutually supportive, and all policies take an employment-centred approach.
- 102.** Building on lessons learned in the past while adjusting to new emerging needs, the new generation of employment policies continues to include two broad policy areas, both of which have an impact on employment and labour markets: (1) economic and social policies, including sectoral and industrial policies,⁹⁸ macroeconomic policies, education and training policies, and private sector development policies; and (2) labour market policies, including active and passive labour market policies/social protection policies (figure 12).

► **Figure 12. Gender-responsive employment policies to support a human-centred recovery**



⁹⁶ ILO, Centenary Declaration.

⁹⁷ ILO, Resolution concerning a global call to action.

⁹⁸ Kucera, Schmidt-Klau and Weiss.

- 103.** The new generation of employment policies aims to be more gender-responsive and focus more on disadvantaged groups. While supporting the extension of decent jobs overall, emphasis is continuously given to young people, women and informal economy workers. In addition, a stronger focus is placed on including new groups that become disadvantaged as a result of the future of work drivers.
- 104.** As in the past, the new comprehensive employment policies include demand-side measures and supply-side measures, as well as measures to match the two sides. However, the focus on building an enabling environment that supports the role of the private sector as a principal source of employment creation has been strengthened and supply-side measures have been extended as a result of taking a stronger life-cycle approach, such as by focusing on LLL. The focus has also shifted towards a more structural transformation perspective with a view to rebuilding societies to become more inclusive, sustainable and resilient, while ensuring that this process leaves no one behind by fostering safe and inclusive transitions. This leads to a more developmental perspective of the approach.
- 105.** A key element of employment policies has always been social dialogue as the most successful guarantor to take into account the needs of all, especially disadvantaged groups. Collaboration with the social partners continues to be key and efforts are undertaken to strengthen the role of social partners. Where social dialogue has been applied, it has generally contributed to a balanced and holistic approach, with high levels of acceptance.
- 106.** While commitment to such frameworks through social dialogue is important, translating policies into action is the key success factor. Therefore, employment policy frameworks require adequate resources, strong institutions and innovative ways of collaboration. The widened scope of the new generation of employment policies includes the rural economy; elements linked to a just transition towards environmentally sustainable economies and societies; policies to promote peaceful, stable and resilient societies through decent work; and labour market programmes and employment services for transitions to decent work over the life course.
- 107.** With different countries having different priorities, contexts and resources, the NEP approach promoted by the ILO continues to be the vehicle to ensure a participative process for the design and implementation of comprehensive employment policies, so that countries can identify their own specific policy mix and implement measures according to their respective capacities, resource availability and priorities.
- 108.** The new generation of employment policies also caters for the need that under certain contexts, Member States may require solutions more quickly. Therefore, it supports more agile public policy processes, using a design that allows for more rapid policy development (for example by focusing on a shorter policy cycle for new strategies or shorter-term targeted measures, with more frequent monitoring).
- 109.** Such agile, gender-responsive and inclusive employment policies have been critical in alleviating the negative impact of the COVID-19 crisis on jobs and incomes in many countries, addressing both the demand side and the supply side. Based on rapid country diagnostics and using the NEP approach, the processes were easiest implemented where strong institutions were already in place and social dialogue was already used as a facilitating mechanism. The inclusion of all relevant ministries and stakeholders often led to the liberation of significant resources to secure jobs and incomes.

2.2. The link between structural transformation, recovery and employment policies

110. Structural transformation is the process whereby countries move to more productive economic activities and it also means a move to more sustainability, since without carbon neutrality the productivity gains described will not be durable in the long run. This shift is deemed to generate productivity gains. While such gains enable higher worker incomes and better working conditions, including adequate working hours, provided that productivity gains are equitably shared in society, they can induce higher investment in job creation. In this sense, the ILO sees structural transformation as an improvement to both the quantity and quality of employment and as an essential part of successful development processes.
111. Such structural transformation processes need to be the long-term development goal and should therefore also influence current crisis-recovery strategies. The human-centred recovery proposed by the Call to Action⁹⁹ will, as one goal, ensure that the recovery process leads to long-term inclusive structural transformation. Such recovery strategies rely on four pillars to be implemented successfully: (a) inclusive economic growth and development; (b) the protection of all workers; (c) universal social protection; and (d) social dialogue.
112. Macroeconomic policies during the recovery process should move beyond a mere counter-cyclical role aiming for a return to pre-crisis outcomes to also address the structural challenges and root causes of decent work deficits across the world. This usually involves a mix of fiscal policies targeting the widespread creation of decent employment (including formalization efforts), supported by industrial policies, skills development and ALMPs, an enabling business environment and progressive and sustainable investment towards universal and adequate social protection.¹⁰⁰
113. Moreover, achieving long-term resilience requires multilateral action and global solidarity, for example regarding vaccine access, debt restructuring and facilitating a green transition. In particular, closing social protection gaps and providing universal access to comprehensive, adequate and sustainable social protection remains a key priority for facilitating inclusive structural transformations. Identifying equitable and sustainable financing for such systems in times of limited fiscal resources requires multilateral action, especially as inflationary pressures in advanced economies threaten financing conditions around the world.
114. Finally, social dialogue needs to play a key role in the response to the pandemic and beyond. In the recovery period, as demand-supply imbalances persist, social dialogue is crucial to finding solutions that have positive macroeconomic effects and are mutually beneficial to both companies and workers. This also requires capacity-building efforts for public administrations, employers' and workers' organizations in order to enable their effective participation in such processes.

2.3. Transitions towards more equality and inclusion: The need for a human-centred approach

115. Preparing for the future of work and related challenges requires employment policies to focus on employment generation in sectors with job-creation potential and at the same time to set the course for economies to become inclusive, sustainable and resilient and to facilitate labour market transitions that ensure that no one is left behind. In that sense, both the structural

⁹⁹ ILO, Resolution concerning a global call to action.

¹⁰⁰ Kucera, Schmidt-Klau and Weiss.

transformations that need to take place in economies and the focus on fair and inclusive transitions give the development process a human face by putting what matters most to people at the centre of action. Such policies need to be designed in a way that future-of-work challenges are turned into opportunities. For example, the introduction of new technologies, in particular AI and robotization, has already started to transform labour markets, including in emerging and developing countries. Rather than threatening jobs, especially those of low-skilled workers, these technological achievements should be used to improve working conditions, strengthen the performance of labour market institutions and create jobs in future-sensitive sectors. Workers losing their jobs need to be well protected and receive the necessary support to be able to transition into new jobs. The transformation of economies towards achieving climate change objectives – another vital human-centred goal – also means that certain well-paying occupations in highly polluting sectors will no longer be available and the affected workers in these industries need to be given new opportunities and well-managed transitions. The process of globalization needs to become inclusive and fair, so that people along value chains profit from increasing trade and globalized production processes – another area in which employment policies play an important role. Finally, human-centred employment policies need to duly consider the impact of ageing societies and ensure that older people can live fulfilled lives in dignity and in accordance with their desires,

- 116.** Sufficient employment generation remains vital. However, the jobs created need to be decent and need to be embedded into wider development approaches towards more inclusive and green societies. Moreover, their focus needs to be on managing transitions in a way that no one is left behind.
- 117.** With regard to both the necessary structural transformation processes and the need to transition into new jobs as a consequence of the development process, the necessary skill sets become increasingly complex. For workers to require such skills sets, proactive investment needs to ensure the provision of the right tools and institutions for LLL and lifelong transitions. Effective employment services need to be well connected to educational institutions in order to adequately anticipate the corresponding training and retraining needs. Upskilling initiatives also require proper anticipation of future skill needs in line with local labour market developments. In this context, well-developed national labour market observatories and labour market information systems are essential, particularly in combination with new digital technologies.
- 118.** In addition, social security benefits, as well as their continuity and portability, are more important than ever and are the backbone for societies in which people are faced with increasingly challenging transitions.

2.4. Policy areas for a better future of work: The “how”

- 119.** The ILO’s Global Call to Action ¹⁰¹ emphasizes the need for a fully inclusive recovery based on an accelerated implementation of the Centenary Declaration. ¹⁰² This implies that employment policies should be instrumental in rebuilding the economy in ways that address systemic and structural inequalities and other long-term social and economic challenges that predated the pandemic. This section discusses what policies are needed and how they need to be implemented.

¹⁰¹ ILO, Resolution concerning a global call to action.

¹⁰² ILO, Centenary Declaration.

2.4.1. Policies for inclusive structural transformation

120. Structural transformation is not a new concept. Countries at all levels of development have attempted to reshape their economies to increase productivity and living standards. However, the impact of such structural transformation processes has been very uneven across countries and regions, with some economies, especially in the least developed regions, witnessing productivity declines because the sectoral reallocation of labour shifted from higher to lower productivity sectors. Therefore, rebuilding better can only happen with an inclusive and sustainable structural transformation process that ultimately results in the creation of decent work for all, including the protection of all workers. For this to become a reality, different policies need to refocus to become more employment-sensitive and inclusive. Key policy areas are discussed in the following sections. While all these areas are important, their success depends heavily on strong social dialogue. Strengthening social dialogue institutions and the capacities of social partners to participate in the design and implementation of the different policy areas needs to be a priority.

Macroeconomic policies to achieve full and productive employment

121. Whereas in recent decades the focus of macroeconomic policies has mainly been on restraining inflation, they instead need to be designed with the explicit goal of creating decent jobs. Fiscal authorities, central banks and national development banks (where they exist) dispose of a range of policy tools they can use to promote enterprise development, innovation and employment creation and to promote investment and trade, which in turn will create employment opportunities (see box 2). The creation of institutional capacity for the management of aggregate demand over the business cycle, the introduction of broad-based and progressive taxation systems and the establishment of transparent and well-regulated financial intermediation that supports the productive sectors of the economy are critical success factors for achieving full and productive employment in line with SDG 8. With taxation playing an important role in the context of fiscal policies, in-depth discussions are needed on whether firms should pay a tax on robots; preferential tax regimes for digital businesses; and targeted research and development tax relief and patent boxes.

► Box 2. The National Employment Recovery Strategy of the Philippines

In response to the massive disruption to the economy and labour market in the Philippines due to the COVID-19 crisis, the Government adopted a whole-of-society approach to develop the National Employment Recovery Strategy under the updated Philippine Development Plan 2017–2022 and ReCharge PH. The approach of the Strategy is based on the ILO's four-pillar policy framework for responding to the socio-economic impact of the crisis, while its four operational outcomes focus on (1) restarting the economy; (2) restoring consumer and business confidence; (3) upgrading and retooling the workforce; and (4) facilitating labour market access.

122. In the current context, fiscal policies must aim not only to protect jobs, wages and incomes, as well as to restore pre-pandemic employment levels, but also to tackle structural barriers, shape economic growth, reduce poverty and inequality, and invest in a more inclusive and sustainable future.¹⁰³ Depending on country constraints and priorities, this involves a mix of fiscal policies targeting the widespread creation of decent work (including formalization efforts), supported by industrial policies, skills development and ALMPs (including to bridge the digital divide), as well as sustained investment in universal and adequate social protection systems. It is important to note

¹⁰³ For the African context see: Ilan Strauss, Busi Sibeko and Gilad Isaacs, *Towards a Transformative Macroeconomic Policy Framework for Employment Generation in Africa*, 2021.

that the positive role of fiscal policy in promoting inclusive growth in high-income countries also applies to emerging and developing countries, even though their fiscal space is relatively limited. Multipliers are usually smaller in emerging economies than in advanced ones, but they are still of the same nature.

- 123.** Monetary and exchange-rate policies are also important elements of a pro-employment macroeconomic framework and can include both price stability and full employment as objectives. For example, the United States Federal Reserve System has had such a mandate since 1978. In 2018, the mandate of the Reserve Bank of New Zealand was modified to include “maximum sustainable employment” in addition to price stability. Stable and competitive exchange rates can also play an important role in supporting economic diversification (SDG target 8.2)¹⁰⁴ and managing cyclical swings in capital flows. Such an exchange-rate framework can support the development of tradable sectors (agriculture and manufacturing), as well as sectors with large “learning spillovers”, leading to the dissemination of new technologies. Employment-intensive investment strategies, along with enhancing the employment impact of trade, are also key to creating quality employment.

Sectoral policies

- 124.** Sectoral policies can help achieve the dual objective of higher productivity and full employment by facilitating shifts in employment and output towards more productive sectors – keeping in mind that in such processes there will be sectors losing and workers and enterprises in these sectors need to be supported in their potential transitions. In a narrow sense, sectoral policies are about facilitating inclusive structural transformation towards more productive sectors. More broadly, sectoral policies also involve investments in infrastructure and skills development, as well as conducive macroeconomic and trade policies, often with the objective of stronger integration into international markets. Given the urgency of climate change, sectoral strategies must also address the decent work potential of investments in climate change mitigation and adaptation. The process of inclusive structural transformation driven by sectoral policies also provides countries with an opportunity to reduce informality (SDG indicator 8.3.1), especially among micro, small and medium-sized enterprises (MSMEs) in developing countries.
- 125.** Inclusive structural transformation policies need to consider variations in the extent to which economic growth translates into higher productivity and/or incomes over time and across sectors.¹⁰⁵ A key aspect is the stage of development at which a country finds itself – specifically whether the country can be characterized as predominantly agrarian; whether it is at an early or middle industrializing stage; whether it is currently experiencing premature deindustrialization; or whether it has indeed reached a mature post-industrial stage (boxes 3 and 4).

► Box 3. Structural transformation in Uganda

Uganda has taken many steps to boost private sector development, but its success in promoting structural transformation has been limited. A recent “employment diagnostic analysis” conducted by the Ministry of Gender, Labour and Social Development (MGLSD) found that employment has been increasing primarily in small-scale, low-productivity activities in agriculture and commerce but declining in manufacturing and other higher-productivity sectors. Identifying sectors with a high potential for creating productive employment is now a key focus as the country prepares an ambitious national employment programme and develops its third National Development Plan.

Source: Uganda, MGLSD, “Employment Diagnostic Analysis study in Uganda”, 2017.

¹⁰⁴ United Nations, “SDG Indicators: Target 8.2”.

¹⁰⁵ Sangheon Lee et al.

► Box 4. Prioritizing rural transformation in the strategic planning in Suriname

In October 2021, the Government of Suriname approved the Five-Year Development Plan 2022–2026 with the aim of achieving the SDGs by 2030, including SDG 8 on growth and decent work, while focusing on the most impactful interventions for a human-centred recovery from the COVID-19 crisis. This plan builds on strong data-driven evidence, SWOT (strengths, weaknesses, opportunities and threats) and scenario analysis, as well as interministerial consultations and social dialogue. The Plan defines strategic short and medium-term interventions, with a focus on the promotion of decent work in the agro-food and other rural economy sectors. The ILO provided analytical support and technical advice throughout the policymaking process, including technical support to the Suriname Planning Office (SPS) and the National Statistical Office to develop a new macroeconomic modelling tool.

Source: Suriname, SPS, "Long-Term Development Plan 2022–2026".

- 126.** In many low-income countries, the movement of labour has been from low-productivity agriculture to low-productivity services, often in the informal economy, alongside little or no industrial activity. Therefore, identifying opportunities in manufacturing (especially in the handicrafts sector, which is a valuable source of skills) and in modern services sectors would be critical for absorbing workers leaving agriculture and other resource-intensive sectors and raising productivity. It would also ensure that the right investments are made in the development of promising sectors, including sectors in the green economy. Rural areas still display many of the problems that hinder progress towards the achievement of SDG 8, such as low-productivity employment, informal employment and working poverty. Accordingly, it is necessary to improve the productivity of agriculture (for example through conservation agriculture) and invest in non-agricultural rural employment. Promoting rural industrialization can help raise incomes and living standards in rural areas (box 5).

► Box 5. The path towards formalization of employment in China

In China, formal employment grew from 44 per cent in 2000 to 65 per cent in 2012, according to a study conducted for the ILO. This was the result of a strategy of industrialization (also covering the non-farm sector in the form of township and village enterprises) that led to a rapid movement of labour out of agriculture into non-agriculture within rural areas, migration to urban areas, as well as to transformations inside urban areas.

The employment share of formal emerging enterprises in urban areas rose from 1 to 30 per cent, while that of microbusinesses and small enterprises grew to 40 per cent (from a starting point below 5 per cent). Traditional formal employment still accounted for the remaining 30 per cent (although it was 95 per cent in 1990).

Source: Nomaan Majid, *The Great Employment Transformation in China*, Employment Working Paper No. 195 (ILO, 2015).

- 127.** The growth of specific sectors also depends on skills and training policies with sectoral priorities. Such policies involve skills needs assessment, the design of relevant competency standards and the delivery of training programmes. Sectoral approaches are increasingly seen as a way of overcoming the limitations of centralized approaches to skills development, particularly by addressing the gap between skills training and market needs.

Policies for climate change

- 128.** Greening the economy will only be successful if it is both environmentally and socially sustainable, that is when it represents a *just transition*.¹⁰⁶ A shift towards a green economy implies the structural transformation of production systems towards systems that have a positive environmental impact or a less negative impact and contribute to reduce disaster risks. It may also require other shifts, such as abandoning certain economic activities and (labour) migration from areas that have become excessively hot, flood-prone or dry. Inclusive structural transformation for a just transition can be achieved by expanding green products and markets; investing in risk-reducing and biodiversity and marine protection projects; and promoting technological transition towards a circular economy and renewable energies.
- 129.** Although the net overall employment impact of shifting to a low-carbon economy is likely to be positive,¹⁰⁷ there would be winners and losers, particularly during the transition period. Therefore, there needs to be specific support for workers who are negatively impacted.¹⁰⁸ In countries affected by fragility, a just transition could provide opportunities to address the underlying causes of disasters and climate vulnerability by strengthening the linkages between the world of work and disaster risk reduction, climate change action and sustainable development. Moreover, a transition to a green economy is not neutral in terms of employment quality, with significant variance between countries and sectors and within value chains. For example, whereas the upstream activities of renewable energies are generally associated with good-quality jobs, related jobs in downstream activities (for example agricultural production in bioenergy) can suffer from poor working conditions. The same is true for recycling activities. While the upstream activities of recycling generate mostly formal jobs, many informal workers work in developing countries as waste pickers, with no social protection or respect of labour rights. Therefore, policies should assist workers and enterprises in making a just transition through reskilling, upskilling, enterprise development and the adoption of more sustainable production processes.
- 130.** Different strategies have been proposed in NEPs to meet green targets. The employment strategy in Mauritius relies on several sectors (green building, renewable energy, organic agriculture, eco-tourism, and energy and water efficiency in the textile sector), while envisaging appropriate legislative measures, support for the Employment Service and the Careers Guidance Unit regarding career paths, and incentives for green enterprises. In Morocco, green jobs are considered a means of overcoming territorial differences, while the Moroccan National Employment Policy 2015–2025 encourages local sustainable development initiatives that focus on resource conservation and the expansion of the circular economy. The NEP is comprehensive in offering demand-side and supply-side measures, as well as mechanisms for strengthening labour market governance. Macroeconomic and sectoral policies (for example fiscal reform and pro-growth sector strategies) are the key instruments for Morocco's Government to achieve these goals.
- 131.** However, NEPs will also increasingly need to address the specific risks faced by workers and enterprises related to the impacts of climate change, such as increasing temperatures, droughts

¹⁰⁶ The *just transition* framework has been endorsed internationally by governments in different arenas, including the ILO, which adopted conclusions on this matter in 2013 and developed guidelines on the issue. See: ILO, *Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All*, 2015.

¹⁰⁷ Sustainable agriculture and strong forest protection could generate over US\$2 trillion per year of economic benefits, create millions of jobs and improve food security, while delivering over a third of the climate change solution. See for example: United Nations, *United Nations Secretary-General's Report "Our Common Agenda"*, 2021.

¹⁰⁸ ILO, *Skills for a greener future*.

and floods, and rising sea levels. Addressing these risks will require a combination of different policy measures to be included in or aligned with NEPs, such as OSH measures, investments in climate-resilient infrastructure, improved natural resource management, incubating adaptation technologies and enterprises, enhanced social protection, PEPs, ALMPs, skills development and workplace risk reduction.¹⁰⁹

- 132.** The issues and challenges concerning the transition to a low-carbon and resource-efficient economy are often complex and interconnected, requiring a holistic approach to policy planning, formulation and implementation. Aligning key policies in a more integrated manner and facilitating systematic policy coordination are crucial for reaching the ambitious goals of the Paris Agreement.¹¹⁰ In addition, effective labour market information and skills anticipation and monitoring systems should be implemented in order to better understand employment shifts in the green economy and related changes in skills demand. With improved analysis and data on employment effects and skills needs, much more informed policy decisions could be made to seize the opportunities of the green transition while addressing the corresponding challenges more adequately.

Productivity ecosystem and sustainable enterprises

- 133.** The Centenary Declaration¹¹¹ and the Global Call to Action¹¹² both highlight and reaffirm the centrality of productivity growth, which enables economies to sustain the levels of economic growth needed to increase opportunities for decent work and productivity gains. A concerted effort to support productivity growth as a key determinant of an inclusive, sustainable and resilient recovery is needed now more than ever.
- 134.** Evidence shows a slowdown of real average wage growth relative to productivity growth in many industrialized nations and a simultaneous divergence in wage and productivity growth between frontier firms and others. The wage-productivity decoupling is also of concern in most emerging and developing economies, in which productivity growth has slowed down and integration in global supply chains, which is key for boosting technology transfers and more effective management processes at enterprise level, is decreasing.
- 135.** These challenges cannot be fixed by simple solutions since productivity growth is determined by a myriad of interfacing dynamics across policy, institutions, markets and enterprises. Therefore, the ecosystem approach seeks to address the drivers of productivity and decent work deficits at the macro, meso and micro levels for mutually reinforcing solutions that improve productivity and distribute gains equitably. It should build on innovative productivity partnerships between workers and employers, as well as relevant public-private platforms, including through social dialogue. Interventions should combine and coordinate different policy packages within an integrated strategy based on a holistic approach that strengthens productivity drivers across policy, sectoral and enterprise levels, in line with efforts to promote an inclusive, job-rich recovery from the crisis.
- 136.** Sectoral-level interventions could include improving market supporting functions and access (for example improving access to skilled labour, financial services or business development services), as well as targeted networking campaigns that improve linkages between small and medium-

¹⁰⁹ Global Center on Adaptation, "Jobs", chapter in *State and Trends in Adaptation Report 2021: Africa – How Adaptation Can Make Africa Safer, Greener and More Prosperous in a Warming World*, 2021.

¹¹⁰ United Nations Framework Convention on Climate Change, "The Paris Agreement", 2015.

¹¹¹ ILO, Centenary Declaration.

¹¹² ILO, Resolution concerning a global call to action.

sized enterprises (SMEs), their suppliers and markets. The development of competency frameworks can support the professionalization of skilled trades in a given industry, thereby strengthening workforce skills and reducing skills mismatches in the labour market. Reaping the benefits of technological change would require investments into worker reskilling and upskilling, as well as policies that facilitate technology adoption and the provision of access to capital so that SMEs can access technological innovation. To address formalization and boost productivity, business scale-up should be promoted through business linkages such as clusters, cooperatives and consortiums, which can spur productivity growth by helping small enterprises to achieve economies of scale that they would not be able to reach individually.

- 137.** At firm level, by strengthening the quality and accessibility of business development services, SMEs and their workers should be enabled to improve their knowledge of and ability to implement practices and strategies that target enterprise-level productivity and working conditions. Work on improving skills and competencies at the firm level (such as those related to workplace cooperation, quality management, productivity and cleaner production, human resource management and OSH) should go hand in hand with potential efforts to improve the supply of skilled labour at the sector-level.
- 138.** The success of a productivity ecosystem is linked to broader policies for sustainable enterprise development. The Conclusions concerning the promotion of sustainable enterprises adopted by the International Labour Conference in 2007 highlight key elements of effective policies to promote sustainable enterprises, including an environment conducive to the creation and growth or transformation of enterprises on a sustainable basis; policy coordination and coherence; attracting investment in sectors and value chains that are important to increase the employment content of growth; access to information and business and financial services; responsible business practices; and social dialogue. In line with the ILO's Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189), enterprise policies should have a dual focus: (1) ensure that conditions at work result in equity, poverty eradication and social welfare and (2) improve productivity and access to competitive resources.
- 139.** Achieving decent work for all requires not only the growth of existing enterprises but also the willingness and opportunity to create new ones through entrepreneurship. Given the uncertainty and costs associated with starting a successful business, there is a consensus that a well-functioning ecosystem, backed up by an enabling business environment, is fundamental to support new start-ups. The Inclusive Entrepreneurship Ecosystem Approach promotes the establishment of policies for sustainable entrepreneurship through business incubators and accelerators, as well as innovation hubs to identify how innovation organizations can promote entrepreneurship and facilitate sustainable business growth. The Women's Entrepreneurship Development programme promotes measures specifically targeting support for women entrepreneurs.
- 140.** Resilient and growth-oriented MSMEs require access to finance; yet inadequate access continues to be identified as the most common constraint. The COVID-19 pandemic has increased the urgency of facilitating access to financial products and services and providing national financial education strategies so that prospective users are fully informed of the inherent risks. The ILO's Impact Insurance Facility supports financial institutions and governments in testing innovative approaches to risk management, such as by combining savings, credit and insurance (and risk prevention) for a more holistic solution.
- 141.** Multinational enterprises (MNEs) and large domestic firms are a critical element of any business ecosystem. They play a key role in innovation, trade, human capital formation and productivity. Such firms also create demand in their supply chains; grow markets for previously unavailable

products and services; generate surpluses that can improve workers' income and employment conditions; and generate know-how in ways that benefit other enterprises, which can in turn benefit greatly from the transfer of knowledge and skills and the expanded market opportunities created by participation in value chains. A systemic approach to fostering inclusion in these chains provides an important opportunity for driving the creation of more and better jobs in sustainable enterprises; hence, MNEs and large domestic firms are an important entry point for government policy. Although still an emerging area for MNEs' contribution to development, some MNEs are aligning their supplier development strategies with government policies to help foster public-private partnerships, notably for the development of joint projects to establish business linkages with SMEs in order to enhance their productive capacities and support formalization.¹¹³

- 142.** The social and solidarity economy, in particular through cooperative enterprise development, provides an important complementary track for generating productive employment and decent work. Because they are value-driven, social and solidarity economy enterprises provide innovative solutions for improving the organization of work and production. A growing number of countries are adopting national policies for advancing the social and solidarity economy, with support from the ILO. The current ILO strategy is to support wider social and solidarity economy through: (i) providing legal and policy, legislative, normative advice on cooperatives and wider social and solidarity economy institutions; (ii) deepening research and knowledge generation efforts at the global, sectoral, national and local levels; (iii) developing and upgrading training and capacity-building initiatives to strengthen support institutions and the secondary and tertiary organizations of the social and solidarity economy; (iv) developing, implementing and scaling up development cooperation projects to deliver improved services in promoting and advancing the social and solidarity economy; and (v) strengthening partnerships and outreach between ILO constituents and social and solidarity economy partners.

Employment-intensive investments in infrastructure and the environment

- 143.** Inclusive structural transformation requires investments by the private and public sectors. Public investment policies define the need and scope of government investments. Generally, expenditure on infrastructure makes up a large percentage of such public spending and is often used as a fiscal stimulus for responding to crises. It may include spending on projects that address climate change; modernize existing infrastructure to enhance the performance of sectors; and improve physical access to social and community services.
- 144.** Infrastructure spending can also have impacts through different channels, depending on how projects are designed, procured and implemented. For example, more inclusive infrastructure development could benefit vulnerable groups and enhance the impact of investments on quality employment creation, skills development and sustainable entrepreneurship.
- 145.** Approaches that make infrastructure development more inclusive not only create more employment but also provide entry points for improving the quality of employment and promoting the importance of good working conditions, including adequate wages, as well as employability and social protection. Over the years, the ILO has developed and demonstrated approaches to make infrastructure development more inclusive and has provided support to build capacity in both the public and private sector to apply such approaches. When due consideration is given to all the economic, social and environmental dimensions, infrastructure investments may increasingly contribute to the creation of structural changes in the economy,

¹¹³ ILO, *Formalization of SMEs in Supply Chains in Latin America: What Role for Multinational Enterprises?*, Thematic Policy Brief – Enterprise Formalization, 2016.

more and better jobs and an improved natural environment. This is particularly true when local resources are used (box 6).

► **Box 6. Local resource-based approaches**

The ILO is promoting the use of local resource-based approaches and technologies, which combine and optimize the use of local resources in developing and maintaining infrastructure, including Green Works. Local resource-based approaches aim to optimize the use of local resources throughout the project cycle, generate incomes that circulate in the local economy, and build local ownership and capacity to maintain assets. Local resources include human resources; local enterprises; local materials (construction materials and tools) procured through local suppliers; and local knowledge and technologies. Such approaches also encourage the participation of women, young people, people with disabilities, indigenous and tribal people in the planning, implementation, monitoring and evaluation of interventions. For example, labour intensities in Green Works can increase by up to 35 per cent when applying such approaches and potential employment benefits can be increased.

146. In addition, the global climate crisis calls for a substantial increase in investments in environmental rehabilitation and protection and climate change adaptation. Policy and finance support is required to scale up green investments in specific sectors that would boost the creation of decent work. Public finance and public procurement could thus be leveraged to achieve both environmental and social objectives.
147. The concept of Green Works refers to the employment-intensive development, restoration and maintenance of public infrastructure, community assets, natural areas and landscapes in order to contribute not only to environmental goals, such as adaptation to climate change and natural disasters, environmental rehabilitation, ecosystem restoration and nature conservation, but also to decent work and inclusion. Common examples of Green Works include soil and water conservation, reforestation, irrigation and flood protection.

Skills policies

148. The need to create the right skills for inclusive structural transformation processes has been mentioned throughout this chapter. A key issue that shapes how skills policies enable and support inclusive structural transformation is the extent to which governments coordinate education and training policies with other public policies and strategies, including fiscal, industrial, trade, investment, environment and climate change policies. The recent general discussion on skills and LLL at the 109th Session of International Labour Conference in 2021 concluded that governments should facilitate sectoral collaboration by involving all relevant stakeholders in pooling expertise, resources and funding towards concrete upskilling and reskilling actions, as well as cross-sectoral cooperation.
149. Targeted analysis and the anticipation of changing skills needs in sectors affected by structural transformation is required at the national, subnational (where appropriate) and sectoral levels to be able to respond to sector-specific skills needs and improve skills development policies, strategies, programmes and services. Emphasis should be placed on the development of core skills, including social, emotional and basic digital skills, in order to enhance adaptability to changing life, work and societal needs for a sustainable future.
150. Skills policies and strategies should also be integrated with social protection and ALMPs to facilitate skilling, reskilling and upskilling; enhance employability and adaptability; and ensure successful and equitable labour market transitions and access to decent work for those adversely affected by structural transformations.

- 151.** The potential for the digitalization of skills development and LLL systems remains largely untapped despite the COVID-19 crisis. It includes the use of real-time big data for skills anticipation; online and blended training delivery; assessments and qualifications supported by block chain technology; and the digitalization of governance and management processes. There is a need for a comprehensive policy framework that facilitates the digitalization of skills development and LLL systems.
- 152.** During the pandemic, the global demand for skills for green jobs increased, with signs of shortage of adequately skilled workers. LinkedIn has reported double-digit and triple-digit growth over the last three years in the demand for skills related to green or greening activities. The fastest-growing demand is in the areas of ecosystem management, environmental policy and sustainable procurement.¹¹⁴ Such trends reflect not only a shift in public policies but also new corporate behaviour.
- 153.** The need for green skills has been confirmed by the ILO's rapid assessments of reskilling and upskilling needs in nine African countries, in which about one third of employers, workers and jobseekers indicated that retraining in skills for green jobs will be needed in order to find new jobs and support the economic recovery.¹¹⁵ Earlier ILO research also revealed that the transition to energy sustainability and circular economy will generate jobs, especially at the medium skill level, and will require for example plumbers, electricians, construction workers, labourers in manufacturing, sales workers and technicians, with a good mix of technical and transferable core skills.¹¹⁶ Therefore, policies targeting skills for green jobs should be a priority at national level, with the goal of promoting better coordination of environmental and climate change policies with skills and employment policies. In addition to public policies, enhanced social dialogue and better involvement of employers and workers are also crucial for defining reskilling and upskilling priorities at national and sectoral levels, as well as for joint responsibilities in governance and financing.

A conflict-sensitive and peace-responsive policy framework in fragile contexts

- 154.** In line with the Employment and Decent Work for Peace and Resilience Recommendation, 2017 (No. 205) and as highlighted in the UN Secretary-General's recent report *Our Common Agenda*, the UN is called upon to assist countries in support of a renewed social contract, anchored in human rights and based on trust, inclusion, protection and participation.
- 155.** Employment policy frameworks must progressively invest in the capacity to analyse the impact of the COVID-19 pandemic in the broader social context, including with respect to conflict dynamics. Beyond conflict sensitivity, ensuring that the response to the crisis supports sustainable peace requires applying peace-responsive approaches, that is, proactively identifying how employment and other interventions, including social protection, can contribute to peace. Gender-responsiveness in this context is key. While immediate measures are necessary (creating jobs, providing income security and access to health care and helping to maintain productivity), they should be part of a wider, long-term vision for recovery that addresses the underlying factors of fragility. Based on careful targeting, underpinned by conflict-sensitivity considerations, interventions could focus on hiring vulnerable and excluded groups and favouring intergroup interactions in selecting participants (for example displaced/host communities).

¹¹⁴ Karin Kimbrough, "Building a Sustainable Future Requires 'Green' Skills", LinkedIn, 28 April 2021.

¹¹⁵ ILO, *Comparative Study of Rapid Assessments of Reskilling and Upskilling Needs due to the COVID-19 Crisis*, forthcoming.

¹¹⁶ ILO, *Skills for a greener future*.

- 156.** Existing PEPs should be rapidly scaled up when new crises arise. All such policies must be developed through participatory and inclusive methods that ensure that they are appropriate and in line with people's needs. By doing so, they should enhance trust in state authorities and strengthen social cohesion. Given the limited fiscal space of many conflict-affected and fragile contexts, more international collaboration and solidarity will be required in the coming years.
- 157.** The magnitude of the pandemic has amplified its potential to change fundamentally unsustainable political and social conditions, thereby creating an environment conducive to deeper reform and genuine peacebuilding processes. It may give development actors a better chance to collaborate with government counterparts and social partners, local leaders and communities in order to initiate more inclusive processes for more far-reaching human-centred employment policy reforms and sustainable peace.

2.4.2. Policies for successful and equitable transitions

- 158.** Structural transformation will inevitably involve difficult policy choices. More importantly, it will also involve challenging processes of transition for workers and businesses. Unless strong and effective support is provided for transitioning to better situations, these processes could lead to polarization between the winners and those who are left behind.

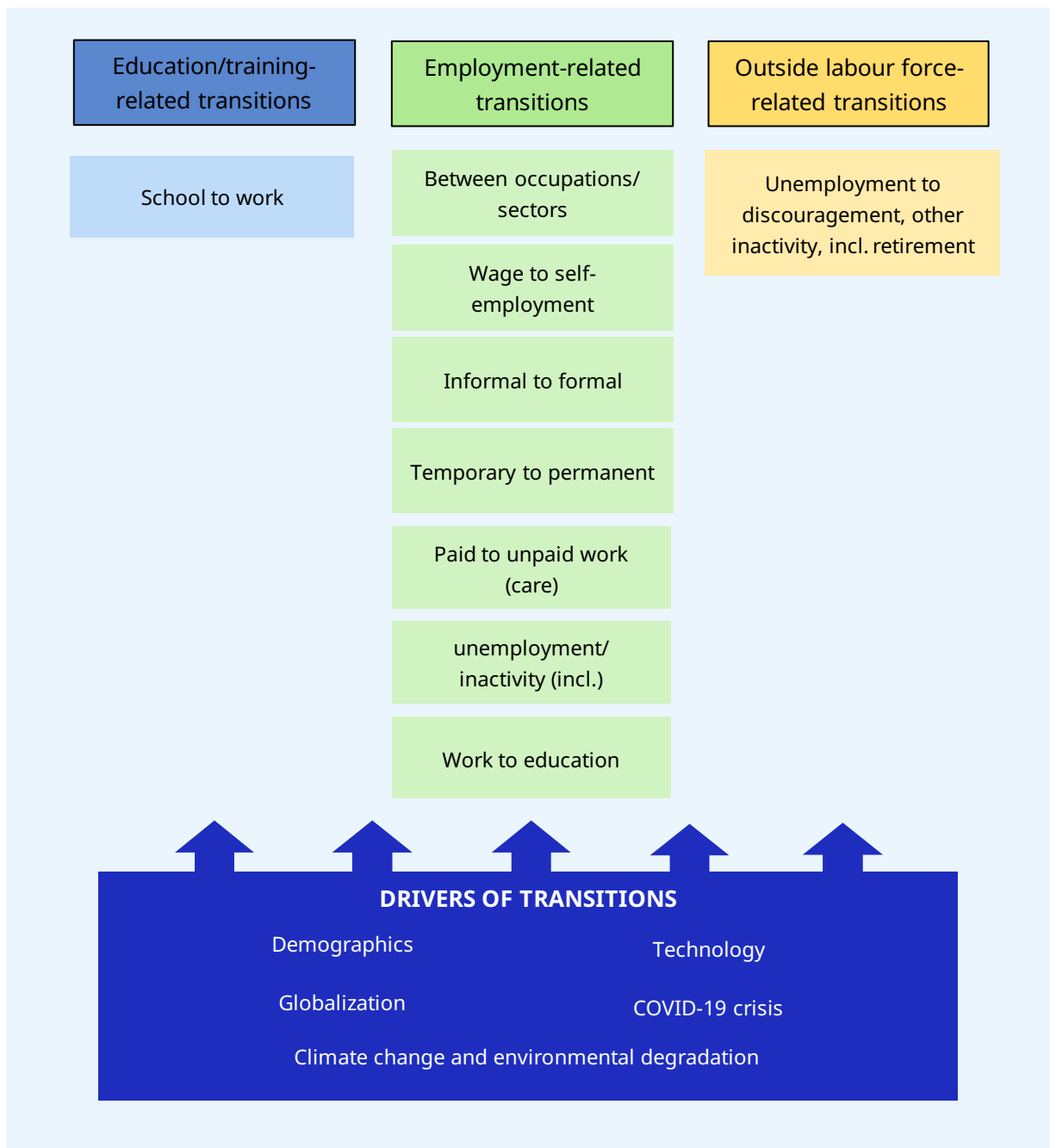
Transitions throughout the life course

- 159.** The Centenary Declaration ¹¹⁷ called upon all Member States to strengthen “the capacities of all people to benefit from the opportunities of a changing world of work”, especially through “effective measures to support people through the transitions they will face throughout their working lives”. Member States thereby placed the issue of the management of labour market transitions throughout working lives at the core of the human-centred approach to the future of work. This political statement invites the ILO to consider a rather broad and multidimensional conception of labour market transitions.
- 160.** A human-centred approach to labour market transition goes beyond changes in labour market status and considers workers’ aspirations in their freely chosen life courses. It considers, for example, the conditions under which individuals are moving between paid and unpaid work situations, as well as to other possible states. Figure 13 provides some examples of the most important types of transition that individuals can face throughout their lives and some of the current economic, social and environmental drivers that may affect the occurrence, frequency and quality of these transitions. Considering a life-course approach of labour market transitions is fully compatible with the mandate of the ILO, especially with Convention No. 122, which supports the design of policies promoting full, productive and freely chosen employment. ¹¹⁸

¹¹⁷ ILO, Centenary Declaration.

¹¹⁸ ILO, Convention No. 122, Preamble.

► **Figure 13. Examples of transitions throughout the life course and drivers of change**



Source: Guillaume Delautre et al., "Moving towards a Life Course Perspective to Labour Market Transitions: Approaches and Challenges", 2021.

- 161.** Such an approach would require incorporating two main elements: (1) the age of a worker, acknowledging that each phase of life corresponds to specific labour market challenges, as well as that individual trajectories are partly irreversible because earlier transitions, opportunities and constraints can have consequences on the entire working life;¹¹⁹ and (2) the many spheres of

¹¹⁹ Dominique Anxo, Christine Erhel and Joop Schippers, "Understanding Time Allocation over the Life Course: The Role of Institutions", in *Labour Market Transitions and Time Adjustment over the Life Course*, 2007.

social interaction that shape people's opportunities and constraints, such as work, family and care obligations, location (urban/rural), education, migrant status and so on.

- 162.** Such an approach would also require developing better statistical tools to be able to follow individuals' trajectories throughout the different phases of their working lives and their involvement in other social spheres, as well as to revise our criteria of effectiveness for labour market policies and social policies. In line with Sen's approach of capabilities, the effectiveness of labour markets should be measured not only by the level of income security they provide (*freedom from want*) but also by the capabilities provided by institutions, including market and non-market institutions, in ensuring their freely chosen career perspectives over the life-courses (*freedom to act*).¹²⁰

Targeted labour market policies

- 163.** ALMPs play a critical role in supporting the reintegration of people into the labour market and improving the employability of the vulnerable groups. In the context of the COVID-19 pandemic and related recovery efforts, public employment services need to use ALMPs to facilitate return to work; help the unemployed and inactive to obtain productive work; and improve the employability of those outside the labour market, such as the low-skilled, long-term unemployed and those with multiple barriers to integration.
- 164.** Policy design and implementation need to be integrated so that labour market policies and social protection policies can cross-fertilize each other. Social dialogue is a key means of enhancing such an integration that can greatly advance participation and inclusiveness.
- 165.** Partnership and digitalization play a key role in the implementation of employment services and ALMPs. The past decade has seen the emergence of new models of cooperation and collaboration with private employment agencies and contracted providers to increase capacity and competences to respond more quickly to labour market shocks. Furthermore, although they may at times be challenging, partnerships offer a means to harness and coordinate networks and resources and amplify the impact of investments in employment services and related labour market programmes. They can therefore help mitigate the post-pandemic fiscal and spending constraints that PESs are likely to experience.
- 166.** The advantages of partnership working do not arise automatically but require investment in PES management capacities in order to realize the benefits of collaborative and contractual partnerships. Formulating a corresponding national strategy can help guide local partnerships within wider post-pandemic employment promotion and economic recovery plans.¹²¹ In developing countries, partnerships offer the opportunity to advance their employment services and provision of ALMPs.¹²²
- 167.** PEPs are effective tools available to countries to create decent work and generate income in the short term. These are publicly financed and government-implemented investment programmes that directly create employment via activities with a high labour intensity. Their primary objective is to provide decent work opportunities for workers who are unable to find employment in the

¹²⁰ Andreas Bergh, "Full Employment in Europe: Managing Labour Market Transitions and Risks – By Günther Schmid", in *Papers in Regional Science*, 2009; Günther Schmid, "Transitional Labour Markets: Theoretical Foundations and Policy Strategies", in *The New Palgrave Dictionary of Economics*, 2017.

¹²¹ Dan Finn, "The Public Employment Service and Partnerships in China, Colombia, India and South Korea: Synthesis Report on Good Practices in Using Partnerships for the Delivery of Employment Services and Active Labour Market Programmes", 2020.

¹²² Michael Mwasikakata, "Partnerships in Delivery of Employment Services and Active Labour Market Policies: Lessons for Emerging and Developing Countries", in *Labour and Development*, Vol. 25, No. 1, June 2018.

private sector. PEPs can be created in different sectors, but they generally support infrastructure development, environmental rehabilitation, climate change adaptation and both community and care services.

- 168.** PEPs are also sometimes designed as a component of national social protection systems. They provide additional support for the unemployed, which is not covered by an unemployment scheme or another income support scheme, by providing paid work opportunities and thereby facilitating the establishment of social protection floors. Finally, PEPs can introduce and reinforce key areas of decent work, such as OSH, social insurance coverage, minimum wages and formalization of jobs.
- 169.** Progress has been made particularly regarding the support of young people. In 2012, the ILO adopted a resolution calling for immediate, targeted and renewed action to tackle the youth employment crisis.¹²³ The ILO also recommends an integrated approach, which includes all five areas included in that call for action, as well as a contribution to the human-centred approach of the Centenary Declaration.¹²⁴
- 170.** At the same time, the organization supports the mainstreaming of youth employment policies into NEPs and related strategies and has renewed its commitment to youth employment by endorsing a follow-up plan of action on youth employment for the period 2020–30.¹²⁵
- 171.** Skills and LLL policies¹²⁶ for transitions are an important part of labour market policies. They also need to be targeted to reach those most in need, including informal workers and workers in insecure forms of work. Such policies need to be gender-responsive, flexible and innovative. They need to make use of modern technologies. Combining them with ALMPs and social protection policies increases their outreach and effectiveness. Two specific areas that foster transitions are quality apprenticeships and work-based learning.
- 172.** Migrant workers are often in vulnerable positions and need to be one of the focus groups for targeted interventions. The design of such interventions needs to follow certain principles, as outlined in box 7.

► **Box 7. Guiding principles for the analysis of policy coherence regarding migration in a country**

Conflicts, economic crises and the lack of decent work are among the key drivers of the increase in migratory movements, by asylum seekers, refugees, migrants and displaced persons. The number of international migrant workers alone has been continuously growing over the last decade, increasing from 150 million in 2013 to 164 million in 2019. This has resulted in the need for comprehensive policy solutions that ensure coherence among different policy domains, in particular employment, education/training, social protection and labour migration. Migration policies need to be well integrated into overall employment policy frameworks. The following guidelines developed by the ILO give guidance regarding policy design and implementation.

¹²³ ILO, *The youth employment crisis: A call for action*, resolution and conclusions of the 101st Session of the International Labour Conference, Geneva, 2012.

¹²⁴ ILO, Centenary Declaration.

¹²⁵ ILO, *Renewing Commitment to Youth Employment by Endorsing a Follow-Up Plan of Action on Youth Employment for the Period 2020–30*, GB.338/POL/2, 2020.

¹²⁶ Skills and lifelong learning policies were discussed during a general discussion at the 109th Session (2021) of the International Labour Conference, see: ILO, *General Discussion Working Party: Skills and lifelong learning*, 2021.

Principles for policy design

- The labour migration policy design process is clearly and regularly organized by the designated institution/line ministry, in close consultation with other relevant institutions, such as ministries of labour and other stakeholders, including employers' and workers' organizations.
- Labour migration policies are evidence-based and gender-responsive and reflect real labour market needs.
- Labour migration policy contains clear commitments and is budgeted and time-bound.
- Labour migration, employment and education/training policy interlinkages (synergies and trade-offs) should be carefully considered during the policy drafting process. Other national policies, where relevant (security, trade and so on), and gender-related aspects should also be taken into account, as appropriate.
- Labour migration policy reflects a country's international obligations, such as international labour standards, fundamental principles and rights at work and other ratified treaties and conventions, as well as signed bilateral and multilateral labour migration arrangements.
- Labour migration policy encompasses cooperation efforts at all levels (bilateral, regional and multilateral).

Principles for implementation and monitoring

- Formal mechanisms exist for guaranteeing effective feedback between the different levels of government involved in the implementation of the labour migration policy.
- Monitoring mechanisms and tools are in place to assess labour migration policy implementation.

Source: ILO, *General Practical Guidance on Promoting Coherence among Employment, Education/Training and Labour Migration Policies*, 2017.

Policies to foster the transition to formality

173. The current crisis has hit the most vulnerable countries and the most vulnerable groups of the labour market hardest, including informal workers and units, in particular women and the youth. The most vulnerable are also impacted harder by the future of work mega-drivers, in particular climate change and digitalization. Therefore, policies need to be redesigned to better include informal workers in the labour market and foster their transition to formality. Leveraging the opportunities brought about by digital and climate policies to foster the transition of enterprises and workers out of the informal economy should be a priority. For example, this includes the use of climate change mitigation and adaptation measures as opportunities for formalizing informal workers (box 8).

► Box 8. Transition to formality through green jobs

A just transition towards a green economy presents a largely untapped potential for transitioning informal workers to the formal economy.

An ILO–United Nations Industrial Development Organization/Global Environment Facility project on e-waste in the informal economy conducted in Peru and Argentina shows how to create new employment opportunities for informal workers by improving working conditions, productivity and employment status. After decades of campaigning, Bogota's waste pickers have been officially recognized for their work and have become a key official part in the city's recycling and waste management processes. This means they are paid as public service providers, receiving a payment every two months based on how much waste they collect. This led to greater employment security and a real shift in incentives for informal workers to invest in their own houses, technologies and workspaces.

Focusing on social protection, Ghana's National Employment Policy of 2015 foresees expanding social protection mechanisms for informal workers who are exposed to external shocks (fire, flood,

retrenchment, structural changes to green economy and so on), as well as developing new learning strategies to help them cope with these socio-economic shocks before re-entering the labour market.

Source: IIED, “*Informality and Inclusive Green Growth*”, 2016; ILO, *Global Employment Policy Review 2020: Employment Policies for Inclusive Structural Transformation*, 2020.

- 174.** The adoption of Recommendation No. 204 in 2015 provided the rationale and policy guidance for countries to develop integrated policy frameworks to advance formalization. The Latin American experience proves that setting up a policy mix that covers an array of policy areas and is implemented through an integrated framework leads to success. Formalization also profits from increasing productivity, improving regulations, providing incentives and extending social protection. The Chinese experience shows how policy coherence can fully explore the impact of employment and development policies to reduce informality when formal employment creation is embedded in them.¹²⁷ In Asia, better results are generally achieved when policies focus on the formalization of larger economic units. In contrast to Africa and Latin America, structural change, specific institutional policies and e-formality are driving the reduction of informality. In Africa in particular, sporadic formalization episodes are associated with strong economic growth policies and some patterns of structural change. Economic growth matters, but in order to be inclusive and support formalization, the pattern of growth matters equally. They tend to promote a gradual transition to the formal economy due to the magnitude of the informal economy.¹²⁸ PEPs such as the Extended Public Works Programme in South Africa and the Productive Safety Net Programme in Ethiopia have also shown significant impact in terms of improvement for informal workers in the labour market.¹²⁹
- 175.** Specific sectors such as retail, transport, tourism and so on have been hardest hit by the crisis. Specific integrated sectoral policies may support economic recovery with the transition to formalization, for example in the tourism sector, which has witnessed a sharp rise in the share of informal workers. Many countries heavily supported this industry, not only in order to recover from the crisis but also to create new, more human-centred and sustainable tourism. To this end, skills development initiatives are an important policy component of facilitating structural change. Indonesia, for instance, adjusted its launch of the Pre-Employment Card Programme to prioritize three tourism-dependent provinces – Bali, North Sulawesi and Riau Islands – with subsidized online training and additional cash benefits to informal workers impacted by the crisis.¹³⁰
- 176.** In the context of the rising digital economy, a promising aspect is the growing number of governments promoting the application of new technologies to simplify and facilitate the transition to the formal economy. These policy innovations (known as “e-formalization”) will transform the way formalization policies will be implemented in the future. Research has indicated that some 60 per cent of farmers in Mali who watched instructional videos adopted the innovative agricultural techniques they promoted.¹³¹ Furthermore, marketing applications such as E-Soko in Ghana provide platforms for farmers to access price data via text message, while the modified transport app Sendi in Kenya allows women market traders to use their mobile phones to arrange

¹²⁷ Vicky Leung, *Policy Frameworks for Transition to Formality: Formalization Strategy and Plan and National Employment Policy*, Background Paper No. 2, 2020.

¹²⁸ ILO, *Global Employment Policy Review 2020*; Sangheon Lee et al.

¹²⁹ ILO, *Towards the Right to Work: A Guidebook for Designing Innovative Public Employment Programmes*, Guidance note 9: Public Employment Programmes and Decent Work, 2012.

¹³⁰ ILO, *COVID-19 and Employment in the Tourism Sector in the Asia-Pacific Region*, ILO Brief, 2021.

¹³¹ Fernando Sousa, Gian Nicolay and Robert Home, “*Video on Mobile Phones as an Effective Way to Promote Sustainable Practices by Facilitating Innovation Uptake in Mali*”, 2019.

the delivery of their goods by motorcycle, thereby avoiding the need to leave their homes.¹³² Implementing e-services is not about the digitization of paper processes, but rather it focuses rethinking the whole process, regardless of what the country inherited, and does not require exaggerated financial investments.¹³³

2.4.3. Gender-responsive policies

- 177.** Gender-responsiveness means explicitly pursuing gender-equality objectives, based on prior analysis of how policy options affect women and men differently. Gender-equality objectives help overcome the structural challenges that hold women back, including gender pay gaps, occupational segregation, a lack of access to quality care services and the unequal sharing of care responsibilities among women and men.
- 178.** Macroeconomic policies are gender-responsive when gender-equality concerns are embedded within fiscal and monetary policies. Such fiscal stimulus packages comprise specific measures to support women and girls in critical policy areas (livelihoods; social protection; health; food security; and public infrastructure and housing). Such measures need to be embedded during crisis response and in the long run. Monetary policies, in turn, can provide liquidity to governments, households and businesses that can be used in a gender-responsive manner. In that sense, central banks should embrace developmental objectives that create an environment that is conducive to the financing of gender-equitable policies.¹³⁴
- 179.** Sectoral employment policies are gender-responsive when they support the creation of decent jobs that reduce gender disparities in the labour market. The policies that lead to a gender-equitable structural transformation vary from country to country, but what they have in common is a recognition of women as producers, wage-earners and unpaid care workers, channelling investment to support them in these roles. Industrial policies should enable women and men alike to benefit equally from the creation of jobs, including in new green industries and in STEM fields.¹³⁵
- 180.** ALMPs are gender-responsive when they support women's attachment to the labour market and guarantee their access to decent and productive employment, such as employment retention measures to prevent women from losing their jobs; wage subsidies with specific gender balance requirements; and policies that support women's employability and job readiness (box 9). As is the case for all ALMP, a close articulation/integration between social protection and ALMPs can have a positive impact on women's employment.

► Box 9. Gender-responsive macroeconomic and sectoral policies

Work on gender-responsive macroeconomic and sectoral policies is being supported by a UN Women-ILO joint programme in five countries. In Argentina, work on gender-responsive and job-rich recovery supports the Ministry of Labour and the Ministry of Productive Development (MDP) in establishing a youth employment programme (Te Sumo) with a strong gender component. Work with MDP and with the Ministry of Economics on gender-responsive sectoral policies seeks to identify sectors with the potential to create decent work for women. Together with other agencies, the ILO also supports the

¹³² Jacqueline M. Klopp et al., "Connectivity at the Bottom of the Pyramid: ICT4D and Informal Economic Inclusion in Africa", 2017; Kring and Leung, *Renewing the Social Contract through e-formalization in the World of Work*.

¹³³ Susan Divald, *E-formalization Case Study: e-Estonia: A digital Society for the Transition to Formality*, 2021.

¹³⁴ UN Women and ILO, *How to Assess Fiscal Stimulus Packages from a Gender Equality Perspective*, Policy Tool, 2021.

¹³⁵ UN Women and ILO, *Assessing the Gendered Employment Impacts of COVID-19 and Supporting a Gender-Responsive Recovery: A Country-Level Policy Tool*, Policy Tool, 2021.

identification of the employment potential of investments in the care economy, based on the policy tool designed by the UN Women–ILO Joint Programme to support the implementation of the National Care System.

- 181.** Gender-responsiveness is also evident in Recommendation No. 205.¹³⁶
- 182.** In situations of fragility, conflict and disaster, employment policies should ensure that: (a) gender-equality challenges arising from crises that affect women’s ability to benefit from employment-related services and programmes as well as decent work opportunities, are addressed; (b) both women and men have access to high-quality crisis-related services (such as capacity-building on business continuity management for entrepreneurs); and (c) assets produced/rehabilitated through employment-intensive investment programmes also meet the infrastructure needs of women. In these settings, it is also crucial that employment policies be conflict-sensitive and peace-responsive by identifying how they can contribute to social cohesion, peace and resilience in a gender-responsive way.
- 183.** Gender-responsive skills and LLL strategies and policies entail: (1) creating gender-responsive training environments with zero-tolerance for discrimination and harassment; (2) fostering opportunities for women in technology-intensive skills and occupations, as well as for men in care work through gender-responsive career development services; and (3) encouraging and enabling women to participate in continuous professional development opportunities that allow balancing work, training and care responsibilities. Recognizing and valuing skills in feminized sectors is also critical. Successful examples of such approaches are displayed in boxes 10 to 12.

► **Box 10. Strengthening gender-responsiveness in career guidance in Malaysia**

In collaboration with national employers’ organizations and other relevant stakeholders, the ILO, with United Kingdom funding, supports the development of gender equity and social inclusion career progression maps for target industries, namely construction and food-processing. The project seeks to promote the career progression of women, young people and persons with disabilities in the construction and food-processing industries and to improve access to and participation in non-traditional occupations in the construction and manufacturing industries. The implementation of career maps is supported via a micro-credential training programme. The improved career development tools and approaches will inform future policy formulation to facilitate career advancement of women, young people and persons with disabilities.

► **Box 11. Supporting women in STEM**

Women still face gender biases in occupational choices based on socio-cultural and economic constraints, especially in rural and informal economies. Women continue to be under-represented in technology-intensive occupations, due to low exposure to STEM skills in education and training. Some countries are therefore emphasizing STEM in skills and TVET delivery so that women’s employability in technology-related field is enhanced. In the Philippines, the Technical Education and Skills Development Agency (TESDA) has developed a STEM in TVET Curriculum Guide, has built capacity among trainers and is preparing a TESDA-wide STEM in TVET policy. In Malaysia, national public skills bodies partner with the University of Malaya to integrate STEM-related generic skills in the skills and TVET system in selected sectors, such as construction and food-processing. These skills are transferable across occupations and will improve labour market prospects, career advancement and the job mobility of women and young people.

¹³⁶ ILO, “Employment and Decent Work for Peace and Resilience: Resource page on Recommendation No. 205”.

► Box 12. Overcoming the gender digital divide

Overcoming the gender digital divide is essential to allow women's equal participation in digital learning and teleworking, where possible. Digital, distance and blended learning solutions can help improve outreach to vulnerable women facing barriers to participate in regular training programmes. In Senegal, for example, the Ministry of Vocational Training, Apprenticeship and Insertion is offering modular online training for women on their platform E-jang in digital skills, including digital entrepreneurship, using a self-paced learning approach that allows balancing training with care responsibilities. In the Philippines, an online platform established by TESDA provides job-readiness training for underprivileged women.

184. Gender-responsiveness in infrastructure projects means: (a) guaranteeing that women benefit from the assets created, improved or maintained, in accordance with their productive and domestic roles and responsibilities; (b) maximizing the potential of programmes to attract women and allow them to join, such as by removing barriers to entry and providing adequate training; (c) enabling both women and men to work in a safe and healthy work places; (d) accommodating women's and men's lifecycle needs; (e) ensuring that women and men are paid equally for work of equal value; and (f) preventing and addressing harassment and workplace violence (box 13).

► Box 13. Gender-responsive infrastructure programmes

Nepal: The Strengthening the National Rural Transport Programme has facilitated women's involvement in road maintenance work through various measures, such as the adoption of a quota for women's participation, a performance-based payment system, a zero-tolerance policy with regard to harassment, the negotiation of transport arrangements with the district transport association, skill development programmes for female workers, and internships for female engineers. As a result, women make up 70 per cent of road maintenance group members and have reported not only increased incomes but also improved confidence and bargaining power.

United Republic of Tanzania: The public works component of the Productive Social Safety Net programme in the United Republic of Tanzania set a target for women's participation and provides flexible working hours and differentiated tasks to enable women to work within the programme. Some programme locations even provide childcare facilities. The proportion of women among beneficiaries is 70 per cent, and in addition to impacts relating to employment and incomes, women also report an increased bargaining power and reduced marital conflicts. Women's participation in the selection of infrastructure projects also led to infrastructure decisions that support their needs (for example initiatives which facilitate water collection).

2.4.4. Linking employment and social protection policies

185. Employment and social protection are interdependent, mutually supportive and at the core of decent work and achieving the SDGs (see figure 12 and figure 14). As stated in the Resolution and conclusions concerning the second recurrent discussion on social protection (social security):

Social protection contributes to an enabling environment for decent work, productivity growth, employment creation and sustainable enterprises. Inclusive and sustainable social protection systems bolster the resilience of societies and represent a means to respond to structural transformations, such as those related to climate and demographic changes, digitalization and globalization, as well as to the rise of precarious forms of work and persisting informality.¹³⁷

186. Designed and implemented in conjunction, investments in these two policy areas can contribute to inclusive structural transformation, which supports formalization and the creation of decent

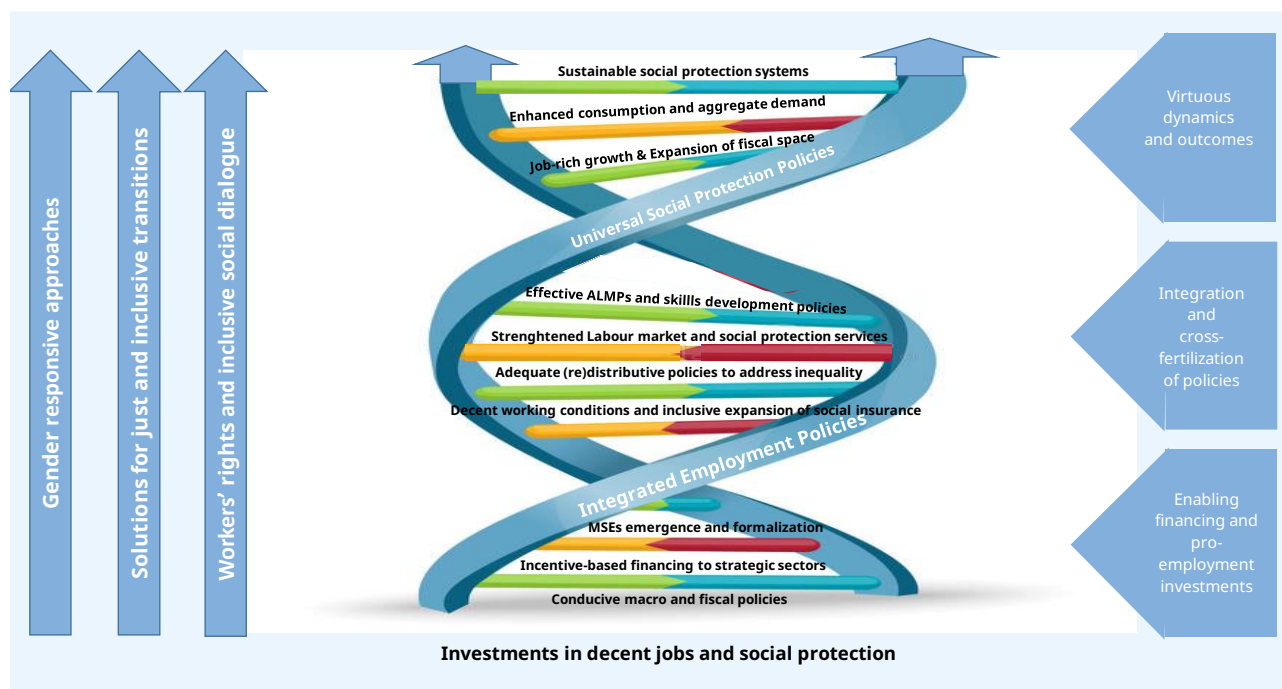
¹³⁷ ILO, Resolution concerning the second recurrent discussion on social protection (social security).

employment in key sectors of the economy (digital, green, tourism, agriculture, care), facilitating a job-rich growth path and a just transition to the green and care economies. Decent work requires an integrated approach – promoting employment opportunities, rights at work, social dialogue, and adequate and sustainable social protection – which is essential for reinforcing resilience and productivity and providing a balanced combination of distributive and redistributive policies to address inequalities. This virtuous circle also contributes to an expanded fiscal space for social investments, of which there is a critical lack in developing countries.

- 187.** Over the course of people’s lives and especially in times of crisis and transition, social protection prevents and alleviates poverty, vulnerability and social exclusion. Therefore, throughout the recovery and in the context of transitioning to a low-carbon economy, social protection is critical to (a) ensure income support in the case of jobs lost and phased out; (b) facilitate skills development for the transition to new jobs; (c) facilitate investment in more sustainable livelihoods and behaviours; and (d) ensure adequate and sustainable social protection for decent work in new green sectors and jobs. This also requires close links to ALMPs, which facilitate labour market transitions via reskilling and upskilling, formalization and labour market mobility. Such policies aim to help jobseekers return to the labour market and help improve the match between demand and supply, which can result in higher productivity. Skills development and on-the-job training can prepare workers for the transition from carbon-intensive sectors to green jobs and – jointly with unemployment protection, other social protection measures and job placement services – ensure a *just* transition.
- 188.** Financing social protection cannot be delinked from employment. Many countries finance their social protection systems primarily from workers’ and employers’ social security contributions.¹³⁸ As such, social security contributions form a central element of the primary income distribution, together with net wages and other earnings. The second major source of social protection financing, government revenue, also depends on the economy’s capacity to provide a conducive environment for decent and productive employment and sustainable enterprises, which in turn secures the needed fiscal space for redistributive policies. The combination of taxes and social security contributions renders the financing of social protection systems more sustainable and resilient to crises and economic cycles. Countries that have successfully achieved universal social protection have undertaken conducive tax and legal reforms to extend contributory social security schemes to workers in micro and small enterprises, self-employed persons or rural populations.
- 189.** Despite the continuous labour market transformations, labour income remains the most important income source for households in most parts of the world. Linking social protection financing to employment is key to securing the sustainable and equitable financing of social protection while simultaneously recognizing that social protection costs are an integral component of the costs of labour. Hence, by supporting the generation of formal employment and maintaining contributions as an important financing source for social protection, countries can soften the impact of macroeconomic oscillations on the fiscal balances of their social protection systems (figure 14).

¹³⁸ ILO, *Building the Future of Social Protection for a Human-Centred World of Work*, ILC.109/V, 2021, in particular section 3.3.1.

► Figure 14. Integrated employment policies and universal social protection



Source: ILO, "A Global Accelerator for Jobs and Social Protection to Facilitate a Just Transition", concept note, 2021.

190. Finally, as an integral part of labour income – unlike taxes – social security contributions generate specific legal entitlements, that is an immediate or future right to receive a benefit upon the occurrence of life-cycle risks. Such an entitlement is anchored in legislation and based on a social contract rooted in the principle of solidarity, whereby workers, employers and the state share the cost of financing social security with due regard to social justice and equity. Hence, the more extensive the coverage of a contributory social security scheme, the stronger the interest of the affiliated population in sustaining the scheme over time.¹³⁹

2.5. Financing for inclusive and equitable job-rich recovery and development

191. Mobilizing financing on the scale required to overcome the devastating hardship and job loss caused by the pandemic is vital. The fiscal stimulus gap for economic and labour market recovery is estimated at about US\$982 billion in low-income and lower-middle-income countries (US\$45 billion and US\$937 billion, respectively).¹⁴⁰ However, in the context of the high debt levels in most developing countries and a corresponding lack of fiscal space, this ambition is a major challenge.

192. The pandemic further increased debt levels, which had been on the rise since the great recession, while weakening individual countries' economic capacity to service and repay that debt.¹⁴¹ The rise in external indebtedness was not matched by gross national income and export growth.

¹³⁹ IATF, "Financing Social Protection in the Context of the AAA Social Compact: A Baseline for 2015", 2018.

¹⁴⁰ United Nations Sustainable Development Group, *Secretary-General's Policy Brief: Investing in Jobs and Social Protection for Poverty Eradication and a Sustainable Recovery*, 2021.

¹⁴¹ The global average debt-to-GDP ratio rose to 226 per cent in 2019, 1.5 percentage points higher than in 2018. See: Xuehui Han, Paulo Medas and Susan Yang, "The Pre-Pandemic Debt Landscape – and Why It Matters", IMFBlog, 2021.

Therefore, countries faced a debt surge in 2020, as economic activity collapsed, and governments acted to provide support during the pandemic. The external public debt service payments of developing countries are projected to amount to US\$356 billion in 2021 and US\$329 billion in 2022.¹⁴²

- 193.** At the same time, private external financing to official development assistance (ODA)-eligible countries fell by an estimated US\$700 billion, while global FDI flows decreased by 38 per cent in 2020 (decreasing by up to 45 per cent in developing economies).¹⁴³ ODA reached an all-time high during the crisis, with a 7 per cent increase in real terms from 2019, but in absolute value it plays only a marginal role in the overall financing needs. The only positive news came from remittances, by now the single largest source of financial flows to lower- and middle-income countries, which continued to grow in 2021 despite an overall depressed economic background. While remittances come with their own problems for labour markets in receiving countries,¹⁴⁴ they do provide a lifeline against worsening economic circumstances.
- 194.** Against this backdrop and in line with the UN Secretary-General's call for the establishment of a global accelerator on jobs and social protection for a just transition,¹⁴⁵ global policy dialogue between the UN system and its Member States, international financial institutions (IFIs), regional organizations and development banks is being conducted to identify options to use more efficiently and expansively the public capital that the international community has already invested in the International Monetary Fund (IMF) and multilateral development banks. According to ILO estimates, the corresponding higher utilization of the existing international financial architecture would generate an average increase in annual external flows of about 4 per cent of GDP to 82 poorer developing countries over the next seven years.¹⁴⁶ These resources could be earmarked for debt relief, social protection and the financing of sustainable infrastructures and industry, which would help address climate-related financing gaps and boost decent work creation. They would also complement domestic financing and public investment, which would further leverage and unleash private financing.
- 195.** Irrespective of financing sources, there is a critical role for employment policies in maximizing the employment outcomes of investments in strategic sectors and making financing flows more effective and conducive to decent job creation.
- 196.** At the macroeconomic level, financing strategies need to identify country-specific elements of pro-employment macroeconomic frameworks that drive a virtuous cycle, whereby the growth of more and better jobs expands households' primary source of finance, that is labour income. This expands the tax base and domestic resource mobilization, which then increases firms' primary source of finance, that is revenues from the sale of their products and services. This can stimulate investment and raises productivity and productive capacity, which in turn feeds back into faster creation of decent and productive employment opportunities. A wide range of studies on pro-employment macroeconomic frameworks have been undertaken by the ILO to date, which have served to identify some of the dimensions of such a framework.¹⁴⁷ Understanding the

¹⁴² Homi Kharas and Meagan Dooley, "COVID-19's Legacy of Debt and Debt Service in Developing Countries", 2020.

¹⁴³ OECD, *Global Outlook on Financing for Sustainable Development 2021: A New Way to Invest for People and Planet*, 2020.

¹⁴⁴ Ralph Chami, Raphael Espinoza and Peter J. Montiel, "Macroeconomic Policy in Fragile States", 2021.

¹⁴⁵ ILO, "UN Secretary-General Calls for Accelerated Action on Jobs and Social Protection", Press Release, 2021.

¹⁴⁶ ILO, *Financing Human-Centred COVID-19 Recovery and Decisive Climate Action Worldwide: International Cooperation's Twenty-First Century Moment of Truth*, ILO Working Paper 40, 2021.

¹⁴⁷ For an overview, see Aurelio Parisotto and Nikhil Ray, *Rethinking Macroeconomic Policies for Full Employment and Inclusive Growth: Some Elements*, EMPLOYMENT Working Paper No. 238, 2017.

effectiveness of policy interventions, in particular employment-creation policies, is also critical for assessing the resources required to meet employment objectives.¹⁴⁸

- 197.** Employment policies can also support the identification of sectors and subsectors with high formal employment-creation potentials with a view to targeting investment accordingly (both public and private) and establishing complementary policies to enhance positive spillovers in terms of indirect and induced jobs. The care, green and digital economies are of strategic importance to both developed and developing countries. Informed decision-making on investment should be based on cost-benefit analysis and employment impact assessments. In addition, it is critical that public policies on supporting private investment are given due support in order to fully harness their employment potential. Such investments can generate additional national revenue and fiscal space for public policies and contribute to achieving several SDGs.
- 198.** In this context, countries need to re-examine their employment and financing strategies, which should prioritize the integration of policies that promote the creation of decent work and a just transition in national budgets and plans. The process should be based on social dialogue and a thorough assessment of policy and financing gaps for decent work creation. Another key element is to evaluate the potential for domestic resource mobilization and international financing options. While targeted and coherent policies will more easily become part of integrated national financial frameworks (INFFs),¹⁴⁹ ILO constituents should be fully associated with the INFF process to ensure that employment dimensions are fully considered in their development.
- 199.** Finally, greater alignment between national policymakers, social partners and bilateral and multilateral development partners would increase synergies for extending the fiscal space for creating decent jobs and promote the exploration of ways to create an environment that facilitates the mobilization of necessary resources for strengthened national employment strategies, such as via intensified cooperation on tax matters, debt service suspension, special drawing rights reallocations or increased ODA.

¹⁴⁸ UN Women and ILO, *How to Assess Fiscal Stimulus Packages*.

¹⁴⁹ For a conceptual understanding of integrated national financial frameworks, see: Inter-Agency Task Force, *Financing for Sustainable Development Report 2019*, 2019. Moreover, a status report on integrated national financial frameworks is provided by: UNDP, *Integrated National Financing Frameworks Stocktake: For the G20 Development Working Group*, 2021.

▶ Chapter 3

Taking employment policies to the next level: Progress in the work of the Office

200. This chapter provides a succinct analysis of actions taken by the Office in response to the recommendations that emerged from the 2014 recurrent discussion on the strategic objective of employment, also taking into account the Centenary Declaration¹⁵⁰ and the Call to Action.¹⁵¹ It also identifies key areas in which further progress is needed. This chapter is inevitably selective in the actions and examples it covers. More information is available in the various implementation, project evaluation and thematic evaluation reports, including the forthcoming synthesis review of the ILO's employment interventions for the period 2015–21.

3.1. Labour market information

201. The current crisis has shown once again the importance of accurate and up-to-date labour market information, not only to measure the impact of the crisis but also to develop targeted interventions for the hardest-hit groups and sectors and quickly evaluate the measures taken. Thanks to the tremendous efforts in the areas of data collection and the use of modern technologies that have been undertaken since the last recurrent item discussion, the ILO was able to quickly produce assessments of the impact of the crisis at the global, regional and country levels.

202. The advanced microdata set was especially helpful for quickly analysing situations and evaluating the impact of measures taken. Currently, the ILO collects the underlying household survey data sets (mostly labour force surveys) compiled by national statistical offices, including more than 12,000 household survey data sets across 164 countries. After collection, a wide range of detailed and internationally comparable labour statistics are produced. These datasets have been crucial for supporting the ILO's monitoring and analytical work during the pandemic, as reflected in the ILO Monitor (see below).

203. As a crisis response measure, several global surveys were undertaken on specific topics, including three surveys linked to the impact of the crisis on skills and LLL systems; a survey on the impact on young people; a global survey to collect information on how the crisis impacted labour market attitudes of people; and a global survey of national statistical offices to understand the extent to which the crisis affected the compilation of official labour market statistics.¹⁵² The ILO also contributed to surveys by other organizations by supporting their design and analysis of results.

204. Independently of the crisis and since the introduction of the SDGs, the ILO has continued to support countries in generating data on decent work-related SDG indicators, with 22 additional Member States reporting on at least half the SDG indicators under the ILO's custodianship in 2021, bringing the total number of reporting countries to 110. These data, which provide input to the

¹⁵⁰ ILO, Centenary Declaration.

¹⁵¹ ILO, Resolution concerning a global call to action.

¹⁵² Information received from 110 countries will contribute to refining the ILO's assistance in this area.

UN Secretary-General's SDG reports for 2020¹⁵³ and 2021,¹⁵⁴ were produced primarily through the large and growing warehouse¹⁵⁵ maintained by the ILO, which includes more than 11,700 survey data sets from 162 countries.

- 205.** Progress was also made on the development of new statistical standards on measuring the informality and classification of occupations, which will be presented at the 100th anniversary of the International Conference of Labour Statisticians to be held in 2023.
- 206.** While data collection on some target groups made progress (including those on women and young people), data collection in other areas progressed more slowly. For example, data on informality, rural areas, platform workers and older workers is often unavailable or not collected systematically. These are all areas linked to or impacted by future-of-work drivers, for which a better understanding is needed to formulate and implement policies. For example, with ageing societies around the world, it is crucial to better understand the related implications and opportunities based on better and timely data. This will then facilitate the development of targeted policies and programmes that address ageing-related challenges.
- 207.** With the new focus on labour market transitions reflected in the Centenary Declaration¹⁵⁶ and the Call to Action,¹⁵⁷ efforts need to be strengthened to collect life-course data. The first steps in this regard were made under the EU-funded project on the future of work, in which methodologies for transition analyses were also collected and developed.

3.2. Analysis and knowledge products

- 208.** Considering the resolutions and conclusions of the second recurrent discussion, the ILO deepened its research in most areas outlined in the conclusions, including on structural/long-term unemployment and policies in order to address the challenge; demographic transition, technological change and their implications for employment, working conditions and skills; labour market segmentation; inequality and its implications for economic growth and employment; self-employment; diverse contract forms on the quantity and quality of employment; and rural employment and job insecurity and its social and economic implications.¹⁵⁸
- 209.** The ILO also provided many impact assessments of the crisis at global, regional and country levels and developed innovative modelling techniques to provide timely analysis on the impact of the COVID-19 pandemic on the world of work via the eight editions of the ILO Monitor published between March 2020 and November 2021.¹⁵⁹ The modelling techniques were also promoted at the country level and together with the analytical frame set by the ILO Monitor, this became the reference for many country-level assessments. The ILO supported more than 30 such assessments.¹⁶⁰ Those eight editions of the ILO Monitor were also used as a source of information and as a basis for policymaking. Thanks to those successes of the ILO Monitor, the ILO was

¹⁵³ United Nations, *The Sustainable Development Goals Report 2020*.

¹⁵⁴ United Nations, *The Sustainable Development Goals Report 2021*.

¹⁵⁵ ILO, "Catalogue of national data sources", ILOSTAT database.

¹⁵⁶ ILO, Centenary Declaration.

¹⁵⁷ ILO, Resolution concerning a global call to action.

¹⁵⁸ All relevant publications can be found on the web pages of the technical departments as well as on the topical pages of the ILO's website. Those with a direct link to employment promotion can be found on the web page of the ILO [Employment Policy Department](#).

¹⁵⁹ ILO, "ILO Monitor. Eighth edition".

¹⁶⁰ ILO, *Rapid Diagnostics for Assessing the Country Level Impact of COVID-19 on the Economy and Labour Market: Guidelines*, Technical Brief, 2020; ILO, "Diagnostics on the Employment Impacts of COVID-19", 2020.

acknowledged as the lead UN organization for providing relevant, up-to-date information on labour market issues related to the COVID-19 crisis. The ILO also used the data collected for analyses at the country level and for many publications that were widely read and quoted in the international media (box 14). The success of those eight editions of the ILO Monitor also led to an institutionalization of this publication via a decision by the Governing Body.

► Box 14. Innovating in data collection, research and communication

The COVID-19 pandemic illustrates how a crisis can stimulate innovation. The ILO developed “nowcasting” modelling techniques that allowed it to produce global labour market trends and estimates by combining (1) traditional data from labour force surveys with data from other sources, such as Google mobility reports, Google trends data, business and consumer surveys, global databases on lockdowns and governmental reactions towards the COVID-19 pandemic; and (2) sentiment surveys carried out worldwide by various providers. These estimates were used for the ILO Monitor to analyse the impact of the COVID-19 pandemic on global labour markets and produce policy recommendations. The ILO Monitor prompted Office-wide collaboration and generated sustained coverage for the ILO in high-profile international media, strengthening its position as a leader on labour market issues in the multilateral system. Audience reach was extended by adapting effectively to online methods, including through short explainer videos designed for dissemination by social media.

210. Some of the most important and popular ¹⁶¹ global publications produced by the ILO since the 2014 recurrent discussion include:

- the major publication *Global Employment Trends for Youth*, 2015, 2017 and 2020 and forthcoming in 2022;
- the biennial major publication *Global Employment Policy Review*, ¹⁶² launched in 2020, with the second edition planned for 2022;
- *From Policy to Results: Guidelines for Implementation of National Employment Policies*, 2021, which aims to support ILO’s Member States in designing and implementing integrated NEPs;
- *Two Decades of National Employment Policies 2000–2020*, 2021;
- *Skills for a Greener Future: A Global View*, 2019;
- *ILO Toolkit for Quality Apprenticeships*, 2017; and
- *Employment and Decent Work in the Humanitarian–Development–Peace Nexus*, 2021.

211. The uptake of ILO research improved during the biennium, as demonstrated by the increase in citations by other international organizations. Knowledge-sharing platforms such as the Skills and Lifelong Learning Platform ¹⁶³ helped in disseminating ILO research. To improve its research uptake and influence policy recommendations, the ILO engaged in research relationships with other multilateral agencies, globally and within regions. Several publications resulted from this joint research, including the ILO–ECLAC analysis *Employment Situation in Latin America and the Caribbean* ¹⁶⁴ and the ILO–Asian Development Bank publication *Tackling the COVID-19 pandemic-related youth employment crisis in Asia and the Pacific*, 2020. ¹⁶⁵ With support from the European

¹⁶¹ Popularity was measured by the number of clicks the publication received on the web.

¹⁶² ILO, *Global Employment Policy Review 2020*.

¹⁶³ ILO, “Skills and Lifelong Learning Knowledge Sharing Platform”.

¹⁶⁴ Economic Commission for Latin America and the Caribbean (ECLAC) and ILO, *Employment Situation in Latin America and the Caribbean: Employment Trends in an Unprecedented Crisis – Policy Challenges*, 2020.

¹⁶⁵ Asian Development Bank and ILO, *Tackling the COVID-19 Youth Employment Crisis in Asia and the Pacific*, 2020.

Commission and other partners, the ILO established the ILO Research Programme on Integrating Trade and Decent Work ¹⁶⁶ to develop new research and tools in this area.

- 212.** The ILO contributed to the dissemination of evidence-based research findings through workshops, seminars, research conferences and symposiums. In addition, material produced for the G20, ¹⁶⁷ the G7 ¹⁶⁸ and the Brazil, Russian Federation, India, China and South Africa (BRICS) ¹⁶⁹ processes have been well received and have become a key means to distribute findings and ILO policy messages. For its tripartite biannual symposium on employment policies ¹⁷⁰ (three of which were held since the last recurrent discussion), the ILO invited speakers from the World Bank, the IMF, United Nations partner organizations and other research organizations to discuss employment-relevant and currently debated policies.
- 213.** The new Skills Innovation Facility ¹⁷¹ identifies and tests promising and innovative ideas and solutions that address the major skills challenges of today and tomorrow.

3.3. Policy advisory services

- 214.** The demand for policy advisory services has increased significantly since the second recurrent discussion on the strategic objective of employment, with the COVID-19 crisis triggering yet another peak in demand. The ILO's work on economic, social and environmental transitions was instrumental in supporting constituents' efforts to respond to the immediate consequences of the crisis in the most affected sectors, enterprises and workers, as well as to devise longer-term policies and programmes for a job-rich, inclusive, sustainable and resilient recovery. The ILO developed new tools, such as rapid diagnostic guidelines for assessing the impact of the COVID-19 pandemic on the economy and labour market, and adapted its guidance and delivery approach, including to promote the coordination of employment and social protection policies with the purpose of generating synergies and enhancing impact. This led to the following results: 67 countries developed policies, programmes and action plans for employment protection, promotion and recovery, especially in response to the crisis with the assistance of the ILO. More than 30 countries carried out rapid assessments of the labour market impact of the COVID-19 pandemic, using an innovative methodology developed by the ILO. ¹⁷² A total of 1.2 million workdays were created by employment-intensive investment programmes managed by the ILO in Jordan and Lebanon, benefiting more than 21,500 men and women, including Syrian refugees. ¹⁷³
- 215.** The ILO also helped countries to establish productivity ecosystems and enabling environments for enterprises. In January 2022 for example, the ILO launched the Productivity Ecosystems for Decent Work Programme, in partnership with the Swiss State Secretariat for Economic Affairs and

¹⁶⁶ ILO, "INTEGRATE Programme: Integrating trade and decent work".

¹⁶⁷ ILO, "ILO reports for the G20".

¹⁶⁸ ILO, "The ILO and the G7".

¹⁶⁹ ILO, "The ILO and the BRICS".

¹⁷⁰ ILO, "Employment Policy Research Symposium: The Future of Full Employment – Agenda", 2019.

¹⁷¹ ILO, "Skills Innovation Facility".

¹⁷² ILO, *Rapid Diagnostics for Assessing the Country Level Impact of COVID-19*; ILO, "Diagnostics on the employment impacts of COVID-19", 2020.

¹⁷³ ILO, *Programme Implementation Report 2020–21*, forthcoming.

the Norwegian Agency for Development Cooperation.¹⁷⁴ The programme is currently in its inception phase and active in Ghana, South Africa and Viet Nam.

- 216.** In many least developed countries, the ILO provided support for immediate responses to maintain or generate employment through the Jobs for Peace and Resilience flagship programme, with a strong focus on public works schemes adapted to the sanitary conditions. The strategic importance of agri-food systems in the recovery, whose fragility was exposed during the pandemic, required particular attention and led constituents in many countries to establish decent work measures in rural areas, with a strong focus on environmental sustainability.
- 217.** As part of longer-term strategic shifts since the second recurrent discussion on the strategic objective of employment, major efforts were undertaken to strengthen dialogues/support to other ministries beyond the ministries of labour as this is a precondition for the successful design and implementation of comprehensive employment policy frameworks. Throughout all policy advisory services, a stronger focus was given to mainstreaming gender across all policy areas. The importance of seeing structural transformation processes through an employment lens were integrated into policy assistance for constituents, as was the need for a better understanding of labour market transitions as a basis for targeted policy interventions. The importance of work in these areas, which started immediately after the second recurrent discussion, was confirmed by many ILC discussions and most importantly by the Centenary Declaration¹⁷⁵ and the Call to Action.¹⁷⁶ The ILO developed the Employment Policy Action Facility to improve the delivery of policy advisory services.¹⁷⁷
- 218.** The conclusions of the second recurrent discussion mention the need for a peer policy review process: “Develop proposals for a voluntary peer review of employment policy with the objective of promoting knowledge-sharing and mutual learning on good practices among Members of the Organization.” Such a process was developed and approved by the Governing Body. However, due to the COVID-19 crisis the proposed implementation has not yet started. Nevertheless, peer review processes were conducted, with a focus on youth employment policies, in several regions: Together with the International Training Centre of the ILO (ITC-ILO), two online peer review activities were held in Southern African Development Community countries and Central America, which promoted knowledge-sharing and mutual learning on good practices in employment policies in general, as well as in response to the COVID-19 crisis.

3.4. Monitoring and impact assessment

- 219.** The Employment Policy Department has placed a much stronger strategic focus on monitoring and impact assessment of employment policies and programmes as a key tool to help countries informing their employment policymaking processes. This has been identified as a need by many countries and as an area in which the ILO has a clear technical leadership and enjoys “political” recognition of its expertise. To bundle expertise on this subject, the original task team on employment impact assessment was recently strengthened and widened, while additional members of the Global EMPLOYMENT Technical Team as well as experts from outside the Department were invited to strengthen related research, develop tools and assist countries in their impact assessment efforts. Impact assessments and cost-benefit analyses should not only be done ex post but also ex ante. This serves as the basis for various forecasts, for example as

¹⁷⁴ ILO, “The Productivity Ecosystems for Decent Work Programme”.

¹⁷⁵ ILO, Centenary Declaration.

¹⁷⁶ ILO, Resolution concerning a global call to action.

¹⁷⁷ ILO, *Programme and Budget for the Biennium 2022–23*, 2021.

already done for skills needs and recommended for other policy areas as well. Moreover, it will provide important input for industrial policy advice,¹⁷⁸ including making suggestions for diversification and global supply chain development. To succeed, there is a need for further engagement with IFIs, development finance institutions, impact investors and other private and public sector financiers to integrate employment outcomes in quantitative and qualitative terms into their own systems, with a focus on the concept stage, appraisal stage and implementation monitoring and reporting.

- 220.** An employment policy database that collects information on NEPs and youth employment strategies was developed to collect best practices.¹⁷⁹ An employment policy crisis response database is currently under construction and its first results have already been analysed and reflected in this report. Moreover, a publication collected impact assessment tools used by the ILO and analysed their usefulness and efficiency.¹⁸⁰ New methodologies were tested, including the use of big data. Constant exchanges with other organizations on the topic were held and the capacity of constituents were strengthened via training courses organized in cooperation with the ITC-ILO.

3.5. Standard related actions

- 221.** International labour standards guide governments and social partners in adopting active measures for promoting decent work. The 2008 Declaration on Social Justice for a Fair Globalization identified Convention No. 122 as one of the key governance Conventions. Convention No. 122 and the Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169), along with other international instruments, provide specific guidance for employment policies.¹⁸¹ By January 2021, seven new countries had ratified Convention No. 122 since the 103rd Session of the International Labour Conference held in 2014 (Chad, Luxembourg, Mali, Namibia, Niger, Sri Lanka, Turkmenistan), bringing the total number of ratifications to 115. By September 2013, 90 countries had ratified the Employment Service Convention, 1948 (No. 88), while 68 countries had ratified the Human Resources Development Convention, 1975 (No. 142).
- 222.** Several general and recurrent discussions held by the International Labour Conference that are of relevance to the topic of comprehensive employment policies have been held since 2014. Most recently in 2021, the discussion on skills and lifelong learning and the discussion on inequalities emphasized the need to integrate relevant policies on those topics into wider and comprehensive employment policy frameworks, while also recognizing that the need to create employment opportunities for all via employment policies is the precondition for achieving the goal of decent work for all.
- 223.** Since the last discussion, two instruments of special relevance to the promotion of employment and decent work and sustainable recovery from the crisis were adopted as Recommendations No. 204 and No. 205.
- 224.** Recommendation No. 204 provides guidance for Members to pursue a threefold objective: (a) facilitate the transition of workers and economic units from the informal to the formal

¹⁷⁸ Kucera, Schmidt-Klau and Weiss.

¹⁷⁹ ILO, "ILO Employment Policy Gateway".

¹⁸⁰ ILO, *Reference Guide for Employment Impact Assessment (EIA)*, 2020.

¹⁸¹ ILO, "General observation on the application of the Employment Policy Convention, 1964 (No. 122)", 2020. This document adopted by the Committee of Experts in December 2020 addresses the objectives of Convention No. 122 and places it in the context of the other relevant standards, including Conventions Nos 88 and 181, Recommendations Nos 204 and 205, as well as Convention No. 142 and Recommendation No. 195 on lifelong learning.

economy, while respecting workers' fundamental rights and ensuring opportunities for income security, livelihoods and entrepreneurship, (b) promote the creation, preservation and sustainability of enterprises and decent jobs in the formal economy and the coherence of macroeconomic, employment, social protection and other social policies; and (c) prevent the informalization of formal economy jobs. Recommendation No. 204 is built on the shared understanding and experience of ILO constituents that the best way to advance formalization is via an integrated strategy, a policy mix and institutional coordination in order to promote employment, income opportunities, worker's rights and social protection.

- 225.** Recommendation No. 205 provides a unique normative framework that focuses on work-related measures for preventing and responding to the devastating effects of conflicts and disasters on economies and societies, paying special attention to vulnerable population groups such as children, young people, women and displaced people.
- 226.** Recommendations No. 204 and No. 205 are both built on the argument that inclusive structural transformation is needed to reach the goal of universal social protection and that this can be only accomplished via the effective protection of all workers, in particular during transitions, as well as the adoption of comprehensive approaches.
- 227.** Concerning youth employment issues, at its 340th Session held in October–November 2020 the Governing Body renewed the ILO's commitment to youth employment by endorsing a follow-up plan of action on the topic for the period 2020–30. The resolution entitled "The youth employment crisis: A call for action", which was adopted by the International Labour Conference at its 101st Session (2012), was given effect by the Office through a seven-year follow-up plan that ended on 31 December 2019. The Governing Body decision endorses the main elements of a follow-up plan of action on youth employment for the period 2020–30. It considers the current and future needs of constituents in addressing the challenge of youth employment and responds to the evolving world of work in the context of the Centenary Declaration.¹⁸²

3.6. Capacity-building

- 228.** The crisis led to a new focus on capacity-building events during the last biennium, with many online events focusing on immediate reactions to the crisis and corresponding recovery strategies.
- 229.** In parallel and often in cooperation with the ITC–ILO, capacity-building events on more traditional topics took place, such as on the design and implementation of NEPs and macroeconomic policies, youth employment and the transition to formality. New topics added were linked to the new focus of the Employment Policy Department and the work under outcomes 3 and 5 of the Programme and Budget for 2020–21, including climate change, resilience and fragility, crisis response, rural development, structural transformation, labour market transitions and impact assessment. In addition, more than 1,000 participants joined various ILO courses on labour statistics held online in collaboration with the ITC–ILO. Table 3 below shows a selection of capacity-building events.
- 230.** Capacity-building was ensured through the use of regular budget resources, as well as through development cooperation projects and programmes. The forthcoming synthesis review of the ILO's employment interventions for the period 2015–21 concludes that capacity-building was successful in the majority of projects reviewed and helped to fill a gap in terms of enabling social

¹⁸² ILO, Centenary Declaration.

partners in particular to increase their capacities to participate in policy dialogues and the design and implementation of employment interventions.

231. Many training events were changed to online delivery. Although the lack of face-to-face interaction made some training courses less engaging, the outreach increased considerably as a result.

► **Table 3. Selection of courses on specific elements of comprehensive employment policy frameworks**

Subject area	Title of course
Employment and labour market policies and employment promotion	<ul style="list-style-type: none"> • Effective implementation of NEPs • Three symposiums on employment policies • Academy on employment • Enhancing employment services • Employment-centred macroeconomics
Skills	<ul style="list-style-type: none"> • Training of trainers on skills for trade and economic diversification • Skills for social inclusion • Social partners' involvement in skills development • Measuring skills mismatches • Skills dimensions of labour migration to promote decent employment for all • Sectoral approaches to skills development • Academy on apprenticeship and recognition of prior learning • Financing skills development • Skills anticipation and matching • Massive online open course (MOOC) on quality apprenticeships • MOOC on recognition of prior learning
Employment-intensive investment	<ul style="list-style-type: none"> • Public sector contract management • PEPs on designing for sustainable development • Job creation through labour-based contracting for local construction companies
Transitions	<ul style="list-style-type: none"> • Transition to formal employment: Reviewing interventions at local and sectoral levels • Academy on the transition to the formal economy (four sessions to date) • Labour market transitions in Asia
Disasters and fragility	<ul style="list-style-type: none"> • Design, monitor and evaluate peacebuilding results into Jobs for Peace and Resilience programmes • Decent work for disaster preparedness and recovery • MOOC on disasters and fragility, second session
Targeted groups	<ul style="list-style-type: none"> • Promotion of youth employment in fragile settings • Academy on youth employment • Addressing the challenges of youth NEET: instruments and responses for labour market inclusion • Promoting decent and productive employment for women • Women's academy • Employment and decent work for peace and resilience

Subject area	Title of course
Impact assessment	<ul style="list-style-type: none"> Measuring decent jobs: Monitoring, assessment and learning in labour market policies
Structural transformation and sectoral policies	<ul style="list-style-type: none"> Sectoral strategies for decent and productive employment. Creating jobs through structural transformation Rural development academy Global academy on the green economy Policies for structural transformation

Note: This list does not include country-level training exercises.

3.7. Communication and advocacy

232. Since the second recurrent discussion on the strategic objective of employment, the ILO has modernized its communication and advocacy strategies to promote work on employment policies. While additional communication and advocacy efforts were undertaken at the department level, communication and advocacy also profited from the close and permanent cooperation between the Department of Communication and Public Information and other departments. This was particularly the case on issues linked to the three main topics of the Employment Policy Department: employment promotion and policies (including for young people); skills development and lifelong learning; and development and investment (including crisis response and employment-intensive investment). Podcasts, online discussions and other innovative means of communication were also introduced. Visits to relevant websites multiplied significantly: employment and related pages witnessed increases in engagement levels of up to 90 per cent since 2019; the *Employment Policy Newsletter*, introduced in 2019, expanded its list of subscribers from 1,800 to more than 5,000; and social media accounts gained followers. A newly introduced podcast series, entitled “Global Challenges – Global Solutions: COVID-19 and the Employment Policy Response”, amplified policy messages and made them more accessible for wider audiences, with episodes devoted to youth and skills receiving on average 1,000 or more plays. The success of this podcast series triggered joint podcasts with other ILO departments and with external partners, including the German Agency for International Cooperation. Future priorities will focus on increasing interaction with social partners, additional stakeholders and other interested parties to raise awareness of the new generation of employment policies in order to address the rapidly changing issues in the world of the work.

3.8. Coordination and partnerships for successful employment policies and programmes (including resource mobilization)

233. Support provided by the ILO became stronger, especially via better cooperation across those departments that work on specific aspects of a comprehensive approach to employment policies. In particular, the cooperation intensified at both headquarters and country levels between the Employment Policy, Research, Enterprises, Conditions of Work and Equality, and Social Protection Departments.

234. At the multilateral level, the ILO’s efforts to ensure the inclusion of full and productive employment and decent work as an explicit goal and cross-cutting issue in achieving the SDGs was successful. This led to other UN organizations adopting a stronger focus on this topic and in cooperation with the ILO many publications were produced and successfully promoted. In addition, within the G20 and BRICS processes, the ILO successfully promoted the comprehensive employment policy approach. Bilateral discussions and cooperation activities were conducted

with the World Trade Organization (especially linked to skills), the IMF, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, and relevant regional economic organizations such as the United Nations Economic Commission for Latin America and the Caribbean.

- 235.** Further steps to enhance partnerships with other international organizations (within the UN and beyond) were established during the current crisis. As the implementation report states: “The need to devise a global response to COVID-19 and to ensure coordinated support at country level, especially within the UN system, translated in a much higher number of external partnerships than anticipated, at the global, regional and national levels”.¹⁸³ Examples include the strengthened global partnership on decent work for youth; the framework for action established between the United Nations Development Programme and the ILO for 2020 and beyond, with a focus on strengthening collaboration for the immediate response to the COVID-19 crisis, the humanitarian–development–peace nexus and an inclusive, sustainable and resilient recovery; the new partnership between the ILO and the United Nations Children’s Fund (UNICEF) to enhance the Generation Unlimited agenda, with the objective of improving the employability of young people and promoting a smoother school-to-work transition; an alliance with UNICEF in the Occupied Palestinian Territory on social protection; and a joint programme with the International Organization for Migration conducted in Iraq on business development services targeting migrant workers.
- 236.** The ILO actively promoted the employment policy approach through its participation in UN initiatives and groups. This included ILO’s participation in the UN/SDG task team on the COVID-19 socio-economic response; the UN/SDG task team on SDG financing; the UN/SDG network on integrated policy; the UN/SDG network on human rights and leaving no one behind; the UN/SDG network on gender equality and empowerment of women; the UN Inter-Agency and Expert Group on SDG Indicators; the UN Inter-Agency Network on Women and Gender Equality; the UN Inter-Agency Network on Youth Development; the UN Inter-Agency Working Group on Disarmament; Demobilization and Reintegration; the UN Open-Ended Working Group on Ageing; and the UNECE Standing Working Group on Ageing. In addition, the ILO was active in developing the UN’s socio-economic response framework to the COVID-19 pandemic and contributed to country-level UN assessments and response plans. The Office was asked to develop the concept for an accelerator for jobs and social protection. During the biennium, the ILO delivered nine training packages in collaboration with the ITC-ILO, reaching over 500 participants, on decent work for sustainable development; the role of social partners in the UN reform and South-South and triangular cooperation; and decent work financing. The ILO’s active participation in the Food Systems Summit helped in leveraging partnerships to address the employment and labour challenges facing the agri-food sectors and the rural economy.
- 237.** Development cooperation remained crucial for delivering assistance at the country level and research and product development at the global level. During the period 2016–22, the ILO implemented development cooperation projects linked to comprehensive employment policy frameworks and elements of such policy in 417 cases across all regions in 104 countries, with the support of 79 funding partners from the public and private sectors. These projects were consistently linked to decent work country programmes and programme and budget outcomes. The pandemic required the swift repurposing of ILO development cooperation programmes and projects to the emerging and different needs of constituents in the field of employment, which was possible thanks to the understanding and flexibility of the respective funding partners.

¹⁸³ ILO, *Programme Implementation Report 2020–21*, forthcoming.

► Chapter 4

Conclusions

- 238.** This report has analysed the impact of the COVID-19 crisis and the long-term future of work trends on labour markets. It has shown how comprehensive employment policy frameworks, including NEPs, have evolved over time to respond to new challenges and share responsibilities between more stakeholders. It has also demonstrated that such policy frameworks are needed more than ever to ensure that a human-centred, inclusive, sustainable and resilient recovery process, as well as inclusive structural transformation processes that will leave no one behind, will support sustainable development and contribute to attaining the carbon-neutral economy referred to in the Paris Agreement on Climate Change, which the ILO is committed to achieving.
- 239.** Based on detailed analysis, the report concludes the following:
- To achieve full and productive employment, employment policies need to be grounded in social dialogue and supported by strong institutions if they are to be effectively implemented. Social dialogue needs to be further strengthened to be the main vehicle for an inclusive design and implementation process and extended to broad economic and social issues, including those linked to future-of-work issues.
 - International labour standards and instruments constitute the basis of employment policy processes as they provide guidance to key questions and reflect tripartite consensus.
 - Policy dialogue needs to be well informed and to be based on solid evidence-based analysis, building on up-to-date and relevant data. Sound diagnostics of labour market are critical for policy development and implementation.
 - The new generation of employment policies is characterized by a wider scope of policy areas, with a stronger focus on policies for a just transition and more emphasis on inclusivity and gender dimensions. These areas and others, including a better integration of employment and social protection policies, need to be further strengthened in order for employment policies to fully address the future of work challenges, in addition to responding to the COVID-19 crisis and addressing long-standing structural challenges.
 - Impact assessments of employment and labour market measures and policies are important tools for better informing the design and implementation of such policies; providing assistance to countries in this area could become a strategic entry point for the ILO and a way to mainstream employment in economic policies and development plans/strategies.
 - It is important to ensure that the potential of new technology, notably digital technology, be fully leveraged in order to achieve full and productive employment, such as training, employment service and e-formality. Technology needs to be used to increase both the quality and the quantity of jobs and to foster productivity increases, which need to be equally distributed to increase living standards and promote investment.
- 240.** While the implementation of comprehensive employment policy frameworks has evolved, particularly through NEPs, there is still a need to better understand what works and why; find out whether new aspects and additional stakeholders have to be added in the process; and determine how they can successfully cooperate. Going forward, the following areas for improvement have been identified:

- It is particularly important to focus more on those left behind or at risk of being left behind. Addressing inequalities and disparities with a view to establishing more inclusive labour markets is a major challenge that needs to be addressed to achieve the SDGs.
- More focus needs to be put on demand-side policies in NEPs in order to promote inclusive structural transformations as a key process for creating decent work in a sustainable manner. This requires more employment-centred macroeconomic policies and sectoral policies.
- Transformations that are under way as a result of either future-of-work drivers, the current crisis or policy interventions have implications for job creation and labour market transitions for workers, as well as for enterprises. These transitions need to be well managed and workers need to be protected through an integrated package of training, social protection and ALMPs. With regard to ensuring a just transition to a carbon-neutral economy, the ILO *Guidelines for a just transition towards environmentally sustainable economies and societies for all* provide detailed guidance on how to handle these transitions.¹⁸⁴
- Elements that merit even greater attention in gender-responsive NEPs include measures to support the creation of green jobs; approaches to leverage technological changes for decent work; measures related to demographic shifts and globalization; and approaches to boost the creation of decent jobs in the rural economy and through SMEs in the context of the future of work.
- Adequate financial resources are key for successful employment policy implementation. In countries in which fiscal capacity is severely constrained, important options for consideration include innovative partnerships, multilateral support and the mobilization of national resources.

241. The ILO needs to further strengthen its leadership within the multilateral system in order to ensure the required commitment and support, as well as to raise awareness of the fact that inclusive, gender-responsive employment policies are vital in facing the great challenges of our time.

¹⁸⁴ ILO, *Guidelines for a Just Transition*.