

A. Decent Employment and the Millennium Development Goals: Description and analysis of a new target¹

1. Introduction

At the Millennium Summit in 2000, the international community, under the leadership of the United Nations, adopted the Millennium Development Goals (MDGs), the first of which is, by 2015, to halve the proportion of people living on less than US\$1 a day. Consequently, many reports have focused on monitoring progress towards this goal and forecasting whether the world will achieve it.

It is now commonly accepted that realizing full and productive employment and decent work for all, is the main route for people to escape poverty. The ILO and the MDGs Technical Working Group on Employment have recommended indicators for a new target: *to make the goals of full and productive employment and decent work for all, including women and young people, a central objective of our relevant national and international policies and our national development strategies.*

The acceptance of this new target by the international community is a major achievement as it establishes the priority of decent and productive work as a vehicle for poverty reduction. From a practical viewpoint it brings new challenges to the ILO, most notably the responsibility of delivering indicators that measure progress towards the new target, and also explain the linkages between decent and productive work and poverty reduction.

This section of the chapter is intended to address both of these challenges. Following

the introduction, part 2 explains the selection of indicators, their advantages and limitations. Part 3 provides regional trends based on these selected indicators while part 4 concludes. The background on the MDGs and the introduction of the new target are provided in box A1 and A2, respectively.

2. The selection of indicators for the new target

Given the strict criteria for choosing the indicators, as mentioned in Box A1, but also the challenge of measuring a complex concept such as “*full and productive employment and decent work for all*” (especially those aspects most related to the quality of work), the ILO and the Interagency Technical Working Group on Employment proposed a set of indicators. Most of the indicators have a focus on the income component of decent work but, as discussed below, they are often indicative of other components. In addition, the fact that the MDG goal, under which this target is placed, stresses income poverty, justifies the focus on the income component of decent work. Given its limitations, however, the ILO is working on new ways to measure decent work to paint a clearer picture of this complex issue. Nonetheless, the initial set of four indicators includes:

Employment-to-population ratios for persons aged 15 years and over and youth (age 15 to 24 years) by sex

Employment-to-population ratios (KILM 2) indicate the efficiency of an economy to provide jobs for those who want to work.

¹ This section was prepared by Dorothea Schmidt of the ILO Employment Trends Team.

Employment-to-population ratios express the number of people in employment as a percentage of the population for the corresponding age group (either 15 years and over or youth). There is no “correct” employment-to-population ratio, but there are certain “rules” and favourable trends that have a positive impact on reducing decent work deficits in the short and long run. For example:

- Ratios should be lower for youth than for the overall population (15 years and over) as more young people (as a share of their age group) participate in education in comparison with adults, which means they are not employed (not counted in the numerator), but they are still in the population (denominator). Also, a reduction of employment-to-population ratios for young people can be seen as a positive sign if this is caused by an increase of them in education.
- Efforts to increase employment-to-population ratios are needed when unemployment is very high in a country (indicating that people are looking for work but not finding it).
- Efforts to increase ratios are also needed whenever they are low as a result of discouragement (indicating that people have probably given up hope of finding a job).
- Ratios for women can be lower than those for men as long as this is the result of women voluntarily staying at home and not participating in labour markets. However, if the difference is the result of involuntarily low labour force participation for women, ratios should increase over time.
- On the other hand, employment-to-population ratios should not be too high. Ratios above 80 per cent, for instance, often occur in very poor countries and usually indicate an abundance of low quality jobs.
- In addition, increases in employment-to-population ratios should be moderate as sharp increases could be the result of decreases in productivity.
- During the development process, employment-to-population ratios and

poverty can both be high because people simply have to work to survive. The wealthier a country becomes the lower the ratios are because some people can increasingly afford not to work, particularly if conditions are not ideal. After a certain level of wealth, however, ratios have a tendency to increase again, mainly because of increases in the labour force participation rates for women.

Vulnerable employment

The indicator of status in employment (KILM 3) – used to identify people in vulnerable employment – distinguishes between three categories of the employed: (1) wage and salary workers; (2) contributing family workers; and, (3) self-employed workers, including self-employed workers with employees (employers), self-employed workers without employees (own-account workers) and members of producers’ cooperatives. The share of vulnerable employment is calculated as the sum of contributing family workers and own-account workers as a percentage of total employment.

By definition, contributing family workers and own-account workers are less likely to have formal work arrangements, which allows the usage of the indicator on vulnerable employment to confirm or refute claims of an increasing informalization of labour markets. If the proportion of vulnerable workers is sizeable, it may be an indication of a large subsistence agriculture sector, lack of growth in the formal economy or widespread poverty. The poverty connection arises because workers in the vulnerable statuses lack the social protection and safety nets to guard against times of low economic demand and often are incapable of generating sufficient savings for themselves and their families to offset these times.

Indeed, figure A1 shows the positive relationship between changes in working poverty at the US\$1 a day level and changes in vulnerable employment share in the world’s two poorest regions – South Asia and sub-

Box A1. Background on the MDGs

History of the MDGs and the concept of decent work¹

The eight Millennium Development Goals (MDGs) – ranging from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015 – form a blueprint agreed to by the international community and its leading development institutions, which together have galvanized unprecedented efforts to address the needs of the world's poorest.

Each goal is accompanied by a set of targets that need to be met. Each target is measured using one or more indicators. These indicators are chosen based on specific criteria: indicators should measure progress made on each target, must be well established in the statistical community, easily available for many countries, comparable between countries and quantifiable. Furthermore, it must be possible to aggregate the data at the regional and world level. Lastly, there has to be a responsible agency for the production and analysis of the indicators.

These criteria insure that the indicators not only measure progress towards the targets but also that countries and regions can compare their progress. They also allow for the identification of best cases so that policy advice can be formulated.

Since the adoption of the Millennium Declaration and the MDGs, the UN system, through the coordination of the Department for Economic and Social Affairs (DESA), has produced annual reports on progress towards achieving the MDGs by 2015. The ILO has been part of the interagency technical team constructing the indicators. Over the course of the last six years the ILO has been working at the technical and political levels to integrate the Decent Work Agenda into the UN Millennium Development Goals. Two MDG targets are directly related to employment: a gender employment target under goal 3 and a youth employment target under goal 8.

The MDGs

In September 2000, the United Nations' member States unanimously adopted the Millennium Declaration. After consultations among international agencies including the World Bank, the International Monetary Fund, the Organisation for Economic Co-operation and Development, and the specialized agencies of the United Nations, the UN General Assembly recognized the Millennium Development Goals as part of the road map for implementing the Millennium Declaration.

The goals, along with the specific targets set for each one, commit the international community to an expanded plan of action aimed at encouraging sustainable and equitable development, one that promotes human development as the cornerstone for sustaining social and economic progress, and recognizes the importance of creating a global partnership for development. The goals set out below together with their targets, have been commonly accepted as a framework for measuring development progress.

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria, and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development

Source: <http://www.un.org/millenniumgoals/>

Box A1 - continued

The Decent Work Agenda

With “decent work” the ILO introduced to the world a concept that, in a short period of time, received significant recognition and was cited by the international community, researchers and the media. It is now common conviction that only by giving people a decent job – not just any job – they get a chance to avoid and/or escape poverty. A decent job for all is thereby the alternative to what can be observed throughout the world: a large number of people looking for a job but who cannot find work; an even larger number of discouraged people, who gave up the hope of being able to participate in labour markets; and, most importantly the large number of people who work – often long hours and under poor conditions – but with low productivity jobs that make it impossible for them and their families to escape poverty. In other words, the potential of these individuals is either ignored or underutilized, whereas they could be contributing significantly to economic development by being provided with decent and productive work.

These arguments are the main reasons why decent work for all is the principal goal of the ILO. But what is decent work? It is work that gives people the opportunity to earn enough for themselves and their families to escape poverty, not just temporarily but permanently. But the concept is not limited to the income component. A decent job provides social security and ensures protection by labour laws, and a voice at work through freely chosen workers’ organizations. It gives the job a human face and makes sure that people can work in dignity and freedom.

The enabling conditions for the development of sustainable enterprises that create such jobs is especially important in times of rapid change, as there is an increasing sense of insecurity associated with globalization. Underpinning the growth of more and better jobs in all countries are the ILO’s fundamental principles and rights at work. Decent work reflects the aspiration of men and women everywhere to obtain productive work in conditions of freedom, equity, security and human dignity.²

1. See http://www.unescap.org/stat/apex/2/APEX2_S.2_Report%20of%20FOC%20on%20MDGs.pdf.

2. For more details see: ILO: *Working out of Poverty*, Report of the Director-General Juan Somavia to the 91st International Labour Conference (Geneva, 2003): <http://www.ilo.org/public/english/standards/relm/ilc/ilc91/pdf/rep-i-a.pdf>. Also: World Commission on the Social Dimension of Globalization: *A fair globalization: creating opportunities for all*; ILO (Geneva, 2004): <http://www.ilo.org/public/english/wcsdg/docs/report.pdf>. For a list of publications on the topic see: <http://www.ilo.org/public/english/bureau/integration/decent/publicat.htm>.

Saharan Africa. Only economies where working poverty at this level exists, and estimates are reliable, are shown. The bottom left quadrant shows that countries with larger decreases in the share of vulnerable employment – such as Angola, Botswana, China, Mozambique, Pakistan and Viet Nam – also had some of the largest decreases in their share of working poverty. Similarly, smaller declines in the share of vulnerable employment were associated with smaller decreases in working poverty share, as can be seen in Bangladesh, Colombia, Egypt, Malawi, Nicaragua, Niger, Peru, the Republics of Korea, Sudan and Uganda, and, among others. The figure also shows that there are no countries where decreases in vulnerable

employment coincide with increases in working poverty, another fact underlining the strong positive correlation between the two indicators. However, the figure does display many outliers, usually for countries where increases in vulnerable employment were observed. This indicates that there are indeed many other factors affecting working poverty including the level of development, the pace of development, policies and institutions in place. In the future, it will be an important goal to identify peculiarities within each country in order to address them so that they no longer impact on the positive correlation between working poverty and vulnerable employment.

Box A2. Introduction of the new target relating to full and productive employment and decent work for all

Throughout the many discussions related to the MDGs, the ILO has always advocated that decent work is the primary means for individuals to lift themselves and their families out of poverty in a sustainable manner. It was the Secretary-General of the United Nations, Kofi Annan, who picked up this message, leading to paragraph 47 of the 2005 Summit Outcome document. In his last Secretary-General's Report to the General Assembly in August 2006, Mr Annan included the following text in paragraph 24 on the further development of the MDG targets,¹

World leaders further agreed to several other important targets at the 2005 World Summit. I am therefore recommending the incorporation of these commitments into the set of targets used to follow up on the Millennium Declaration. This includes: a new target under Millennium Development Goal 1: to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies and our national development strategies; ...

With the introduction of the Secretary General's Report to the General Assembly, the ILO now has strong support to bring the issue of decent and productive work to the forefront with respect to the MDGs initiative. Following the release of the report, members of the ILO Employment Trends Team and the Bureau of Statistics have been working with representatives from the various sectors within the ILO as well as DESA, UNSD, World Bank and various specialized agencies to develop a set of indicators to measure the new target. The set of indicators, which is discussed in detail in part 3, was accepted in early 2007.

1. See http://www.unmillenniumproject.org/documents/EXCERPTS_Report_Secretary_General.pdf.

The share of working poor (US\$1 a day) in total employment

Working poor (KILM 20) are defined as individuals who work, but nevertheless live with their families in poverty on less than US\$1 a day per family member. This total number is then divided by the total number of employed in a country to calculate the share of working poor. The ILO calculates upper- and lower-bound estimates of the working poor. Upper bound estimates are calculated using the equation: ($working\ poor_u = poverty\ rate * population_{15}$), where $population_{15}$ is equal to the population aged 15 and above. The lower-bound estimate of the working poor is calculated using the equation: ($working\ poor_l = poverty\ rate * labour\ force_{15}$), where $labour\ force_{15}$ is the labour force aged 15 and above. The key assumption behind these bounds is that all of the poor of working age, and in the labour force, are employed. This assumption is made because in countries where social safety nets do not exist, poor individuals must work in order to maintain a subsistence level. The working poor data is based on a weighted-

average of the data derived using the two methodologies (i.e. a weighted average of the upper bound estimates and the lower bound estimates). The working poor definition is consequently based on poverty data (using the international poverty line at US\$1 a day), but it also takes into account countries' specific labour market characteristics, such as the size of the working-age population and the labour force participation rate. By combining these labour market factors with poverty data, working poverty estimates give a clearer picture of the relationship between poverty and employment than that provided by using standard poverty data alone. Working poverty also gives an indication of the lack of decent work: if a person's work does not even provide an income high enough to lift them and their families out of extreme poverty, then these jobs, at the very least, do not fulfil the income component of decent work and it is likely that other components are not being fulfilled either. Within the development process, the working poor share would decrease, which again would foster the development process.

Labour productivity

Given that the target to be evaluated is “full and *productive employment and decent work for all*”, labour productivity – measured as output per person employed – is by definition important. This indicator (KILM 18) can be used to assess the likelihood of the country’s economic environment to create and sustain decent employment opportunities with fair equitable remuneration.

Also, there is empirical evidence that the link between productivity growth and poverty reduction is highest when productivity growth and employment growth go hand in hand.² Consequently, measuring growth in employment and productivity is needed to ensure that the development process is heading in the right direction. In addition, productivity increases often influence the social and economic environment positively, in turn often leading to poverty reduction through investment, sectoral shifts, trade, technological progress and increases in social protection. Increases in productivity do not guarantee improvements in these areas, but without productivity growth, and thereby induced economic growth, improvements are highly unlikely.

Figure A2 displays the negative correlation between changes in working poverty shares and changes in levels of labour productivity for the world’s two poorest regions – South Asia and sub-Saharan Africa. The criteria used for figure A1 apply here as well. The bottom right quadrant clearly shows that countries with small declines in productivity – such as Ecuador, Fiji, Guatemala, Nepal and the Philippines, among others – had the smallest decreases in the share of working poor. Similarly, countries with large increases in productivity levels saw larger decreases in working poverty, with the most notable example being China. There are very few countries where increases in productivity coincided with increases in working poverty. This was mainly the case

when productivity increases occurred during the most recent years or these were irregular over the 10-year period. In contrast, there were more cases where countries experienced decreases in both productivity and working poverty (bottom left quadrant), with most of these in Latin America & the Caribbean. As will be discussed in the regional analysis, this is the result of the employment intensive path – versus a productivity intensive path – taken by many countries in this region as a development approach. Finally, it is important to re-emphasize that the correlation is weaker than would be expected from a theoretical point of view, but as previously mentioned, there are additional factors affecting working poverty. In the case of productivity, one important factor – besides the level and pace of development, institutions and policy paths – is the distribution of income. In countries with more equal income distribution, the impact of productivity increases trickles down much quicker to low income groups, explaining the larger impact on working poverty. This is the main reason that the correlation between productivity and working poverty is stronger in Asia – where income is more equally distributed – than in Africa.

Figures A1 and A2 provide some evidence that these two measures of productive employment and decent work (i.e., labour productivity and vulnerable employment) have an impact on working poverty and thus on poverty. However, the figures also show that there are outliers and, therefore, more in-depth country-level analysis is necessary for adequate policy recommendations to be made.

2. For a detailed discussion see ILO: *World Employment Report 2004-05* (Geneva, 2005).

Figure A1. Change in working poverty and vulnerable employment, selected economies, 1996-2006

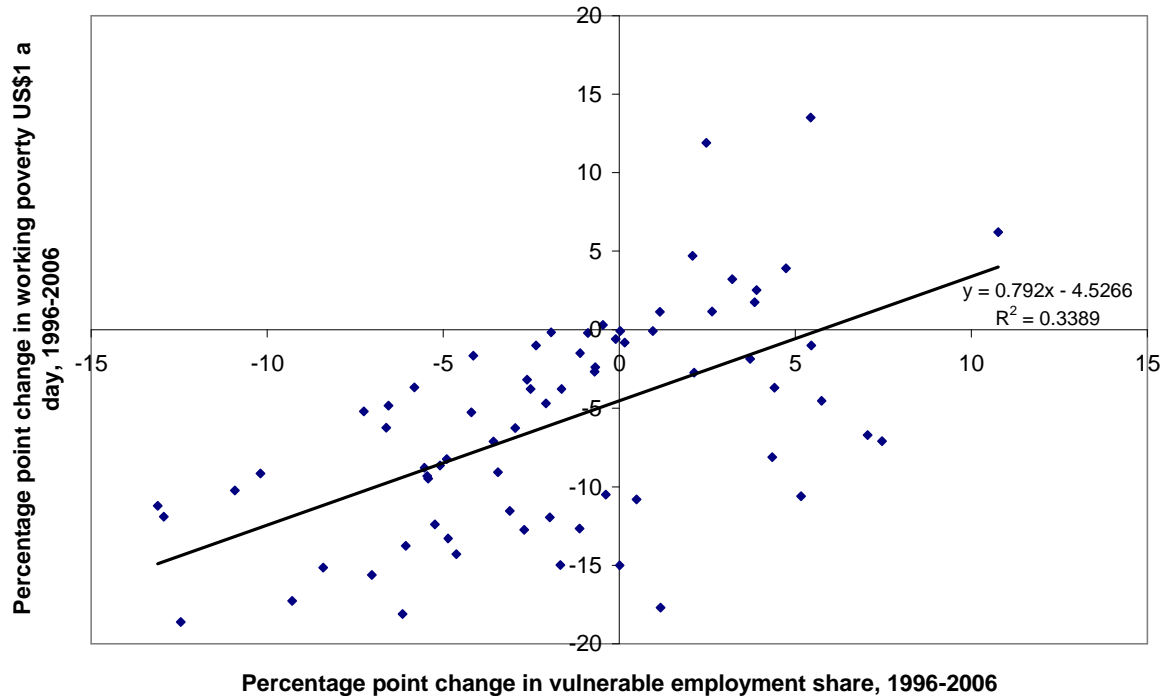
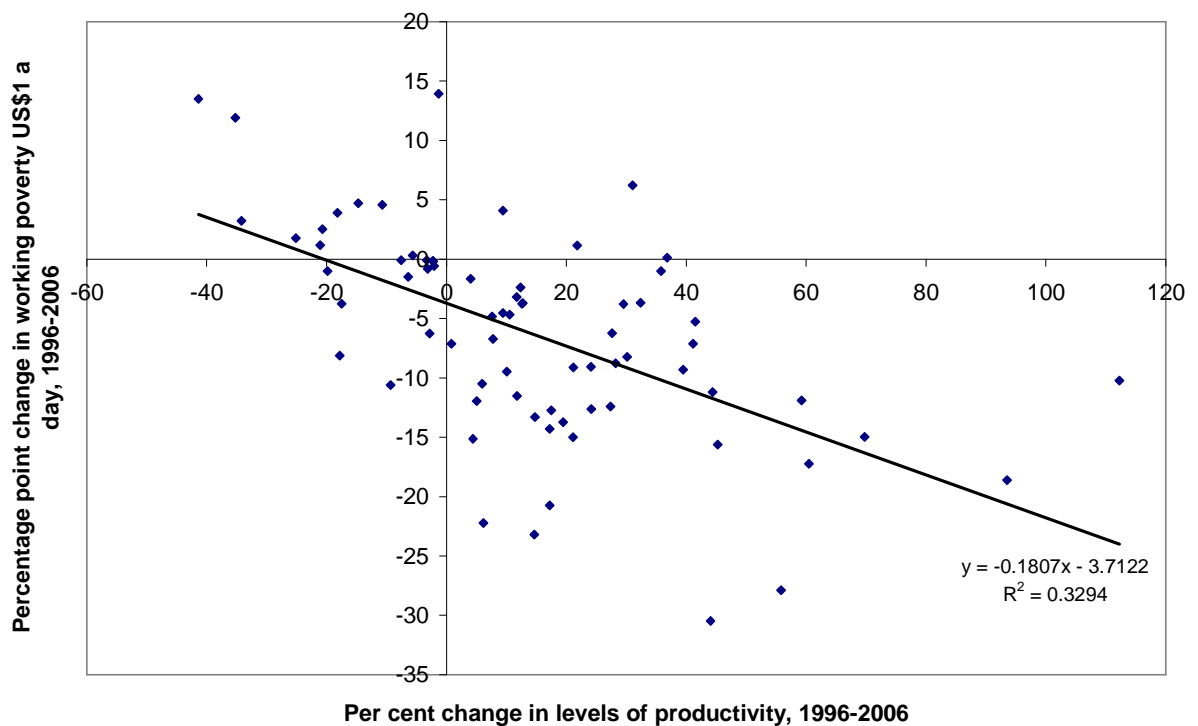


Figure A2. Change in working poverty and levels of productivity, selected economies, 1996-2006



3. Global and regional analysis of the indicators

To determine which regions are on their way to reaching the target, the trends for the four indicators have to be analysed together. Table A1 presents the figures for this analysis.³

Central & South-Eastern Europe (non-EU) & CIS

Employment-to-population ratios for young people, which have been very low even after the breakdown of the Soviet system, decreased further between 1996 and 2006. Although this could be interpreted as the result of an increase of youth in education, it is actually due to increased discouragement, as youth had given up hope of finding employment, especially in the earlier periods of the transition process. Employment-to-population ratios also decreased for the working-age population as a whole, which is also partly the result of increasing discouragement, as well as the result of high unemployment rates caused by the restructuring processes. In more recent years, employment-to-population ratios have been on the rebound, while labour productivity has been increasing. Between 1996 and 2006, productivity grew by over 50 per cent which is the second highest increase in the world. This increase was even higher in the last five years. It is a positive sign that the region has lately managed to find a balance between productivity and employment growth. Not only does higher productivity foster hope that more well-paid jobs are available, but it should also lead to a decrease in the share of the vulnerable employment. Unfortunately, so far this has not been the case as the share in

vulnerable employment remained almost unchanged at 19.7 per cent in 2006 (compared to 19.9 per cent in 1996). Nevertheless, this is still the lowest share held by any region outside of the developed economies. Finally, there was a considerable decline in the share of working poor from 7.5 per cent in 1996 to only 1.9 per cent in 2006, with most of the decrease taking place in the most recent years. If the region can continue the trends of the last five years and start translating economic growth into decent employment growth, it could further reduce the decent work deficit.

East Asia

Along with exceptional annual GDP growth rates of close to 9 percentage points between 1996 and 2006, all four indicators in East Asia exhibit positive trends. The decrease in youth employment-to-population ratios, as well as in the overall employment-to-population ratios, was attributed to an increase of youth in education. Given that the region traditionally had the highest employment-to-population ratios in the world (with the exception of the former Soviet Union States before the collapse), a decrease towards levels such as the ones observed in many developed countries should be viewed as a positive trend. Unemployment rates are also comparably low and discouragement seems to be contained. Labour productivity has doubled within the 10-year period and the share of working poverty more than halved. Finally, the vulnerable employment share has decreased by almost 10 percentage points. The region has already reached the goal of halving the poverty share and will further proceed towards decreasing the decent work deficit. In fact, this region could likely face a labour shortage in the future. While there is scope for improvement in the quality of many jobs, nowadays, at least, most jobs allow workers to keep themselves and their families out of poverty.

3. Even though MDG Goal 1 is not targeted for the Developed Economies & EU, this region is included in the table because it is closest to reaching the target of full and productive employment and decent work for all and can, therefore, be used as a benchmark for comparison with other regions. In addition, the levels of employment-to-population ratios in the Developed Economies & EU were one criterion on the judgment of trends in employment-to-population ratios in other regions.

Table A1. Indicators for measuring progress towards full and productive employment and decent work for all

Region	Employment to Population Ratio				Labour Productivity (PPP, constant 2000 US \$)		Vulnerable Employment Shares		Working Poor Shares (US \$1/day)	
	Youth (15-24)		15+		1996	2006	1996	2006	1996	2006
	1996	2006	1996	2006						
WORLD	50.9	47.3	62.6	61.5	15,824	19,834	53.5	50.2	25.0	16.7
Developed Economies & European Union	45.0	44.5	55.9	56.5	52,876	62,952	11.2	9.4	0.1	0.0
Central & South- Eastern Europe (non-EU) & CIS	36.8	35.1	54.6	53.8	11,787	18,121	19.9	19.7	7.5	1.9
East Asia	69.0	62.3	75.0	71.9	6,347	12,591	64.8	56.2	19.5	9.5
South-East Asia & the Pacific	52.9	47.0	67.5	66.3	8,068	9,419	64.9	59.2	22.1	13.6
South Asia	44.9	42.5	58.4	56.7	5,418	7,998	81.4	78.2	56.6	33.5
Latin America & the Caribbean	47.3	44.6	58.4	59.9	17,652	18,908	31.2	32.7	12.1	8.0
North Africa	28.0	27.0	42.9	44.8	12,967	14,751	37.7	32.1	2.8	1.6
Sub-Saharan Africa	55.7	53.6	68.6	67.0	4,490	5,062	76.3	74.1	58.5	53.5
Middle East	29.5	31.8	46.0	49.6	22,130	21,910	37.7	33.3	2.3	4.9

South-East Asia & the Pacific

Development in South-East Asia & the Pacific has been less impressive than in East Asia. Nevertheless, the region has profited from the economic boom in China and India and the good economic performance of most developed economies in recent years. Employment-to-population ratios for youth, and the overall population, decreased considerably between 1996 and 2006. This is partly the result of more education. However, as a result of the Asian financial crisis, the region also saw more discouragement and less available jobs. Since then unemployment rates have been higher than before, and despite still being comparably low and decreasing again in recent years, employment opportunities have not been created to the extent that the employment-to-population ratio has stopped decreasing. Labour productivity was stagnant and much slower than in other regions, with an average annual increase of only 1.6 per cent between 1996 and 2006. At least the reduction in the vulnerable employment share was considerable – down 5.7 percentage points – and the working poor share almost halved – down from 22.1 per cent in 1996 to 13.6 per cent in 2006.

Unlike other regions, South-East Asia's likelihood to reach the goal is not so much driven by increases in productivity, but more so by increases in decent jobs. In order not to

fall behind other regions, in terms of productivity, but at the same time, use the potential of all those who, after the Asian crisis, have not participated in labour markets again, it is important to find the right balance between productivity and employment increases in years to come.

South Asia

Employment-to-population ratios in South Asia have traditionally been very low because of the low labour force participation rates of women. That they have decreased even further between 1996 and 2006 indicates that there has been little progress in this regard. Women are still a significant untapped potential in the region. Despite this negative trend, the region has seen other positive labour market developments. For instance, labour productivity increased, especially in more recent years and, in 2006, it was almost 50 per cent higher than in 1996. Working poverty decreased tremendously from 56.6 per cent in 1996 to 33.5 per cent in 2006, although this was not the result of reductions in vulnerable employment, as its share only slightly decreased from 81.4 per cent in 1996 to 78.2 per cent.

For the time being South Asia has an enormous deficit in decent work, but if the region can manage to develop, as it has in recent years, it can reach the goal of halving

poverty. It could also further increase productivity levels which, in turn, will possibly foster better jobs and hopefully further decrease its share of workers in vulnerable employment.

Latin America & the Caribbean

As one of the relatively more developed regions, all four indicators under investigation have quite different levels compared to the poorer regions, although a couple of them are catching up. In 1996 the productivity level was the third highest and above the world average, while the gap with the poorer regions was considerable. Ten years on, Latin America & the Caribbean remains in third position, although now below the world average, but Central & South-Eastern Europe (non-EU) & CIS has a comparable level of productivity, and East Asia and North Africa are also closing in. This rather slow growth in productivity was reflected in an increase of the vulnerability share, up from 31.2 per cent in 1996 to 32.7 per cent in 2006. Also the US\$1 a day working poverty share decreased slightly from its already relatively low 12.1 per cent in 1996 to an even lower 8.0 per cent in 2006. The overall employment-to-population ratio increased over time as more women began to participate in labour markets and found work. Youth employment-to-population ratios declined but mainly because of increases in education.

The region is expected to reach the goal of halving the poverty by 2015, despite sluggish productivity growth, as a sufficient number of jobs are being created to give people the chance to work themselves and their families out of poverty.

North Africa

North Africa has the lowest employment-to-population ratio in the world, which as in the Middle East, is caused by the low economic activity rates of women. Less than one-third of the youth has a job, which is even less than 10 years ago, and overall not even one out of five people in the working-age population actually works. For those who are

employed, labour productivity increased slightly from 10 years ago and, although not as impressive as in Asia, it was sufficient to further reduce the share of vulnerable employment down to 32.1 per cent in 2006 compared to 37.7 per cent in 1996. It is also promising that working poverty is now almost obsolete.

Given the low level North Africa began with, it is evident that reaching the goal of halving extreme poverty is not the most appropriate target. The region should rather focus on integrating more of the population into the labour force, particularly women, as well as increasing productivity, since its comparative advantage is not cheap labour.

Sub-Saharan Africa

Sub-Saharan Africa continues to have high employment-to-population ratios despite a slight decrease between 1996 and 2006. This is partly caused by the high incidence of poverty, which forces poor people to work, regardless of the quality of the job. Despite a decrease of 5 percentage points in the share of working poor from 1996 to 2006, more than half of the people employed still do not earn enough to lift themselves and their families out of poverty, by far the worst of all the regions. In addition, more than seven out of ten workers are considered to be in vulnerable employment, although this is slightly less than 10 years ago.

Despite many international and national efforts, sub-Saharan Africa still has a long way to go to reach the MDG 1. Hope is rising as productivity growth has been positive in recent years and employment has been created, although neither of these positive developments has yet had a significant impact on reducing poverty in the region.

Middle East

The Middle East experienced some worrisome trends between 1996 and 2006 as it is the only region where labour productivity decreased and the share of working poor doubled, although fortunately that share is

relatively low at 4.9 per cent in 2006. Nevertheless, employment-to-population ratios increased because of an increase in female economic activity, although these rates are still the second lowest in the world. Not even half of the working-age population actually works and given the high population growth in the region, the number of dependents per person employed is very high. Besides the increase in employment-to-population ratios, vulnerable employment also showed a positive trend as the share dropped slightly from 37.7 per cent in 1996 to 33.3 per cent in 2006.

Over the 10-year period, the region followed a highly employment intensive growth path (see KILM 18 for regional estimates on the employment elasticities). The type of employment created helped people to change their status, away from vulnerable work arrangements into wage and salary work. However, this is not likely to be sustainable in the long run as is indicated by the increasing share of working poor. The large increase in employment combined with slow productivity

growth is often an indication that the jobs created are not decent. The region needs to find a balance between employment creation and increased productivity so that decent jobs are created – not just jobs – thus allowing for a decrease in the working poor and poverty, overall.

Summary of regional trends: Huge untapped potential in the world

Table A2 summarizes the results from the above analysis. Negative developments are indicated by a minus sign (-) while positive developments are indicated by a plus sign (+). When positive developments are particularly exceptional, these are indicated by two plus signs (++). Specifically, the following developments are considered worthy of two plus signs: labour productivity growth of at least 50 per cent, a decrease in the vulnerable employment share of at least 5 percentage points and a reduction in the share of working poverty of at least 5 percentage points. All changes refer to the period from 1996 to 2006.

Table A2. Results of the analysis

Region	Employment-to-Population Ratio	Labour Productivity	Vulnerable Employment Share	Working Poor Share (\$1/day)	Overall judgment
Central & South-Eastern Europe (non-EU) & CIS	+(more recently)	++	no change	++	Likely to reach goal
East Asia	+	++	++	++	Will reach goal
South-East Asia & the Pacific	neutral	+	++	++	Likely to reach goal
South Asia	-	++	+	++	Likely to reach goal
Latin America & the Caribbean	+	+	-	+	Likely to reach goal
North Africa	-	+	++	+	Likely to reach goal
Sub-Saharan Africa	-	+	+	+	Unlikely to reach goal
Middle East	-	-	+	-	Unlikely to reach goal

As demonstrated in the regional analysis section, it is impossible to determine if a change in the employment-to-population ratio is considered positive or negative simply based on its direction. Thus, the “rules” developed above were taken into account in the judgment of the employment-to-population ratio.

It is important to note that reaching full decent and productive work for all people in the world would mean a world without

poverty, which, of course, is much more than the MDG goal 1 suggests. This is why the last column only indicates whether regions are on their way to reaching the goal of halving the share of US\$1 a day poverty. As for the target of *full and productive employment and decent work for all*, even successful regions with regard to goal 1 could be far away from reaching the target.

To determine the progress made towards *full and productive employment and decent*

work for all, the four indicators should be examined as a set. This analysis showed that the different regions not only exhibit differences in their likelihood of reaching the MDG 1, but also face different challenges. It also became evident that all regions still have a huge untapped labour potential. It is not unrealistic to assume that each person working, but earning less than US\$1 per day per family member is either underemployed (working less than desired) or has a very low productivity job (working long hours, but not efficiently because of lack of education or equipment) and is, therefore, an underutilized worker. Given this definition, 16.7 per cent of the working world is underutilized. If the US\$2 a day level is used instead, and the number of unemployed people in the world, who want to work, but are unsuccessful in finding a job, are added, we find that potentially 1.5 billion people (or 30 per cent of the world's working-age population) is not used adequately. This estimate does not even include all those who are discouraged and considered inactive because they have lost hope of finding work.

and countries that have demonstrated significant decreases in poverty rates are those that managed to register growth in productivity, reduce vulnerable employment share, see “healthy” developments in their employment-to-population ratios and, hence, reduce working poverty share.

These results underline that the set of indicators chosen to measure progress regarding *full and productive employment and decent work for all* was well chosen, even though it does not reflect all components of decent work.

In a preliminary first attempt, it was shown that the results found at the regional level were also reflected at the country level; the first step towards using the findings for deeper country level analysis and policy advice in the future. However, if this is to be done, there is a strong need to improve country level data availability. This is one of the big challenges for international agencies, international donors, national governments, line ministries, statistical agencies and social partners.

4. Summary and conclusion: The way forward to the year 2015

The regional analysis illustrated the strong relationship between working poverty, vulnerable employment and labour productivity. As for employment-to-population ratios, this indicator was shown to be important not only to measure “full” employment, but also to identify important overall trends within an economy. Is education increasing? Is discouragement the reason for low rates? What about female labour force participation? The results found at the regional level were also reflected at the country level. This is the first step towards using the results for more in-depth country level analysis and policy advice in the future.

The four indicators also show a strong link to the overall MDG goal 1 to halve the share of poverty in the world by 2015. The regions