

The Geneva Challenge: Advancing Development Goals 2017 **The Challenges of Employment**

“The creation of quality jobs will remain a major challenge for almost all economies well beyond 2015” – United Nations, Sustainable Development Goals

“The alarming rise in youth unemployment and the equally disturbing high levels of young people who work but still live in poverty show how difficult it will be to reach the global goal to end poverty by 2030 unless we redouble our efforts to achieve sustainable economic growth and decent work.”¹ - Deborah Greenfield, Deputy Director-General for Policy of the International Labour Organization

“No one in society remains untouched by a situation of high unemployment. For the unemployed themselves, it is often a tragedy which has lasting effects on their lifetime income.”² - Mario Draghi, President of the European Central Bank

Last year, 1,281 graduate students from 110 different nationalities registered in 333 teams to take part in the Geneva Challenge 2016, with over 57 percent of the participants coming from a developing country university. Building on this success, the Graduate Institute continues to encourage interdisciplinary problem solving analysis among graduate students from all over the world. Thanks to the vision and support of Ambassador Jenö Staehelin, a long-standing partner and friend of the Graduate Institute, we are proud to launch **the fourth edition of The Geneva Challenge – Advancing Development Goals Contest, which in 2017 proposes discussions on “The Challenges of Employment”**.

The challenges of employment have become a critical concern for both developing countries and advanced economies in different regions of the world. Access to employment is regarded as a tool to improve living standards and eradicate poverty. It is also regarded to be instrumental to the enhancement of human development and to improve the set of choices and capabilities available to the individuals (Human Development Report 2015). In the context of the Sustainable Development Goals, access to employment is core to goal number 8, “Promote inclusive and sustainable economic growth, employment and decent work for all”. Much evidence also suggests that the gains associated with employment opportunities go beyond the private ones and societies as a whole benefit from this.

Several factors are shaping employment prospects and career trajectories of millions of individuals in countries at different stages of development. Demographic transitions, structural change, economic globalization and greater volatility, as well as technological change, and innovations in the organization of work are transforming the way individuals earn a living, and are shaping the world of work in different ways.

¹ ILO Newsroom, “Global youth unemployment is on the rise again”, 24 August 2016, http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_513728/lang-en/index.htm

² Speech by Mario Draghi (President of the European Central Bank) at the Annual Central Bank Symposium in Jackson Hole, “Unemployment in the euro area”, 22 August 2014, <https://www.ecb.europa.eu/press/key/date/2014/html/sp140822.en.html>

First, the number of jobs and the creation of employment are affected. The economic consequences of the global economic crisis of 2008 have led to an increase of 0.9 percent in the global unemployment rate compared to 2007, reaching 6.6 percent in 2009.³ “In 2015, the number of unemployed people reached 197.1 million – approaching 1 million more than in the previous year and over 27 million higher than pre-crisis levels.”⁴ To keep pace with the growth of the global working age population and “to keep the ratio of employment to working-age population constant”, as pointed out by the World Bank, “in 2020, there should be around 600 million more jobs than in 2005.”⁵ Regionally speaking, more than 175 million jobs will be needed in East Asia and the Pacific as well as in South Asia, where the growth rate of population would be 15.5 percent from 2005 to 2020.⁶ In Sub-Saharan African, the number of jobs would need to increase by about 50 percent⁷ where the growth rate of population would be 49.4 percent by 2020. During the same period, in Eastern Europe and Central Asia where populations are aging where the growth rate of population would only be 1.73 percent, still 2.4 million new jobs would need to be created.⁸

Second, the nature of work is also affected. The changing nature of global production and the rapid pace of technological change are causing enormous transformations in the labor market of developing countries. Many of them are experiencing a “pre-mature deindustrialization” (Rodrik, 2015) with a shift to a service economy without having experienced the process of industrialization that the advanced economies experienced when they were at a comparable stage of development. Also, it is estimated that in the next 15 years, urbanization and migration will shift work in developing countries from traditional farming to wage employment in other sectors of the economy⁹ while in the developed countries, technological improvements and outsourcing reliance on developing countries caused a decline in the number of their middle-skilled jobs.¹⁰

Third, inequality in access to the employment and working conditions remain central issues, and aspects related to “decent work, employment creation, social protection, rights at work and social dialogue” provide the foundations for specific targets in the context of goal 8 in the 2030 Agenda for Sustainable Development.¹¹ Employment in the informal sector and informal employment remain important in many developing countries. Informal employment is often characterized by low productivity activities and a lack of basic social protection. For many workers it represents the main source to generate revenue without leading to improvements in living standards. It is estimated by the ILO that there are “some 780 million women and men who are working but not earning enough to lift themselves and their families out of USD 2 a-day poverty.”¹²

³ International Labour Organization, “Unemployment reached highest level on record in 2009: Somavia calls for the same policy decisiveness that saved banks to save and create jobs”, 26 January 2010, http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_120465/lang-en/index.htm

⁴ International Labour Organization, *World Employment Social Outlook-Trends 2016*, 2016, Geneva: International Labour Office, P3.

⁵ The World Bank (2012), P51.

⁶ Calculated from the following data.

Max Roser, “Future World Population Growth”, 2016, <https://ourworldindata.org/future-world-population-growth/>

United Nations Department of Economic and Social Affairs Population Division, “Total Population-Both Sexes”, 2015, <https://esa.un.org/unpd/wpp/Download/Standard/Population/>

⁷ The World Bank (2012), P51.

⁸ The World Bank (2012), P51.

⁹ *Ibid.*, P50 and P54.

¹⁰ *Ibid.*, P54.

¹¹ Sustainable Development Knowledge Platform of the United Nations, “Employment, decent work for all and social protection”, <https://sustainabledevelopment.un.org/topics/employment>

¹² International Labour Organization (ILO), “Decent work and the 2030 Agenda for sustainable development”, <http://www.ilo.org/global/topics/sdg-2030/lang-en/index.htm>

These are pressing issues and central to the academic and policy debate in many countries around the world. However, “if current policy responses are maintained, the outlook is for continued economic weakening, posing significant challenges to enterprises and workers.”¹³ The question facing the world today, is: **what kind of solutions should be implemented in adapting and reforming the current employment patterns for countries to reach sustainable development?** We believe the key to this significant challenge is an interdisciplinary solution that crosses traditional boundaries between academic disciplines, and thus we would like to invite graduate students from all academic background to provide helpful strategic recommendations.

Highlighted below are some issues and challenges related to employment.

Youth Unemployment and NEET

- In many countries youth unemployment has increased after the economic downturn and has reached very high levels. The youth unemployment rate was 12.9 percent in 2015¹⁴, varying between an average of 15.0 percent in developed countries, 13.3 percent in emerging countries, and 9.4 percent in developing countries.¹⁵ Youth unemployment is a pressing issue as unemployment at earlier stages of life decreases the future employability of young people, and can lead to a significant social and economic cost for the individual and society as a whole.
- In addition to the unemployed youth, there is a large share of youth who are neither employed nor enrolled in an education and professional training program, or looking for work. This group is defined as NEET (neither employed, nor in education or training)¹⁶. Disengagement from both education and work are negatively associated with levels of completed education and skill proficiency,¹⁷ and NEET are at a high risk of social exclusion.¹⁸ This been a severe problem recently especially in some developed countries. In 2015, the average NEET rate among 15-29 year-old youth in OECD countries was 14.5 percent, but has reached higher levels in Southern European countries such as Spain (22.8 percent), Greece (26.1 percent) and Italy (27.4 percent), and has peaked in Turkey at 28.8 percent.¹⁹

Employment Creation and the Changing Nature of Work

- The development of new technologies such as learning machines, robots, artificial intelligence, etc. has reached an unprecedented speed. In this context, machine automation is likely to put an end to millions of jobs and replace human workers.²⁰ The expansion of technology-driven manufacturing and

¹³ ILO, *World Employment Social Outlook-Trends 2016*, 2016, Geneva: International Labour Office, P3.

¹⁴ UN Office of the Secretary-General's Envoy on Youth, “Global Youth Unemployment is on the rise again”, 25 August 2016, <http://www.un.org/youthenvoy/2016/08/global-youth-unemployment-rise/>

¹⁵ UN Office of the Secretary-General's Envoy on Youth, “Global Youth Unemployment is on the rise again”, 25 August 2016, <http://www.un.org/youthenvoy/2016/08/global-youth-unemployment-rise/>

¹⁶ ILO, *World Employment Social Outlook-Trends for Youth 2016*, 2016, Geneva: International Labour Office, Pviii.

¹⁷ Kramarz F. and M. Viarengo (2015), “Using Education, Training and Skills to Prevent and Combat Youth Unemployment and Increase Employment,” EENEE Analytical Report commissioned by the European Commission.

¹⁸ OECD Data, “Youth not in employment, education or training (NEET)”, <http://data.oecd.org/youthinac/youth-not-in-employment-education-or-training-need.htm>

¹⁹ *Ibid.*

²⁰ Rebecca J. Rosen, “Machine automation is replacing human workers”, *The Atlantic*, 03 September 2015, <http://www.theatlantic.com/business/archive/2015/09/jobs-automation-technological-unemployment-history/403576/>

services has led to a change in the nature of work.²¹ A large share of existing jobs are regarded as vulnerable to automation, ranging from 47 percent in the United States to a larger share in developing countries such as 69 percent in India, 77 percent in China, and 85 percent in Ethiopia.²²

- The fast population growth in many developing countries will lead to a significant increase in the working-age population which will need significant jobs growth to be absorbed. Moreover, increased longevity and longer participation in the labour-market during the life-cycle will lead to the need of redefining public policies of work as well as social security and pensions schemes (Human Development Report 2015).

Underemployment and Skills Mismatch

- Underemployment refers to the employed who have not attained their full employment level according to the Employment Policy Convention adopted by the International Labour Conference in 1964.²³ Due to the lack of sufficient jobs, the educated and skilled are left to limited employment opportunities that suit their qualification. Under such circumstances, instead of choosing a job, the employed are facing a dilemma of whether to take jobs they are over-qualified for, or stay unemployed. The underemployment rate in Africa can reach over 75 percent, with Cameroon for example 75.8 percent.
- With the development in technology, developing and emerging economies are offering more and more employment opportunities in high-skilled production activities. For example, India and China rank top in the list of countries with the highest attractiveness for the outsourcing of services.²⁴ Some cities such as Bangalore and Chennai in India and Suzhou in China are nowadays functioning as global research and development hubs.²⁵ Despite the improvement in education in coping with such shift among these countries, mismatch of skills and employment opportunities continue to be a problem. For example, more than 50 percent of employers in Arab states such as Lebanon do not find an adequate pool of skilled workers to support the industrial expansion.²⁶

Informal Employment and Nonwage Employment

- The expansion of the informal employment derives from “the inability of countries to create a sufficient number of formal jobs to absorb all those who want to work. When there is a lack of decent jobs, workers often turn to informal employment, which is typically characterized by low productivity and more precarious working conditions. This problem is unlikely to recede quickly, particularly in developing economies with rapid population growth.”²⁷ For example, this has become a pressing issue in countries such as India where

²¹ The World Bank, “Chapter 1: The jobs challenge”, *World Development Report 2013: Jobs*, 2012, Washington D.C.: The World Bank, P49.

²² “Machine earning: Jobs in poor countries may be especially vulnerable to automation”, *The Economist*, Jan 30th 2016,

<http://www.economist.com/news/finance-and-economics/21689635-jobs-poor-countries-may-be-especially-vulnerable-automation-machine-earning>

²³ International Labour Organization, “Underemployment statistics”, <http://www.ilo.ch/global/statistics-and-databases/statistics-overview-and-topics/underemployment/lang--en/index.htm>

²⁴ The World Bank (2012), P55.

²⁵ *Ibid.*

²⁶ ILO (2016), P44.

²⁷ ILO, P19.

the informality rate is as high as 80 percent, Bolivia 75 percent, Thailand 42 percent and Uruguay 40 percent.²⁸

- Jobs are regarded as means of wage employment. However, not all jobs bring income, let alone regular income. For example, nonwage work represents around 80 percent of the employment in Sub-Saharan Africa, and around 60 percent in East Asian and South Asia.²⁹ Such nonwage employment includes farming and self-employment, where gender performances also differ greatly between men and women.

Working Poverty and Vulnerable Employment

- Working poverty includes those individuals who are either employed or looking for work but with an income that falls below the poverty line. The developing and emerging economies “account for approximately 30 percent and 70 percent of the world’s extreme poor”³⁰.
- Vulnerable employment reflects the “limited access to social protection schemes”³¹ of the employed and greater earning volatility. In today’s world, “vulnerable employment accounts for over 46 per cent of total employment globally, which translates into nearly 1.5 billion people.”³² This challenge will become even more important in emerging economies where the number of vulnerable workers is predicted to grow by 25 million over the next three years.³³ The vulnerable employment rate is especially high in emerging economies and developing countries. The rate is estimated to be as high as 73 percent in Southern Asia and 70 percent in Sub-Saharan Africa.³⁴ Other forms of employment such as forced labour, child labour, are often related to hazardous forms of work and appear to be particularly significant in developing countries.

Gender Gaps, Inequality and Social Inclusion

- There are significant gender gaps in employment rates as well as labour-market outcomes. Even if more women have joined the labour force in the past 25 years, they represent about 40 percent of the global labour force³⁵ with great variation among countries and regions. For example, in Pakistan, only 28 percent of women participate in labour force while 82 percent of men do. There are also some industry and occupational segregation patterns that have been identified in countries at different stages of development. “[In developed countries,] women are particularly concentrated in less well-remunerated sectors, such as health and social work, education and other services. In many developing and particularly low- income economies, women are over-represented in time- and labour-intensive agricultural activities, which are often poorly remunerated, if they are paid at all.”³⁶ In general, women provide the largest share of housework and make up the majority of the low paid, unorganized, informal sector of most economies. Gender gaps in earnings and economic opportunities have also been documented in different countries.³⁷

²⁸ The World Bank (2012), P64.

²⁹ The World Bank(2012), P50.

³⁰ ILO(2016), P19.

³¹ ILO(2016), P16.

³² *Ibid.*

³³ ILO (2016), P4.

³⁴ ILO (2016), P4.

³⁵ World Bank 2016, <http://data.worldbank.org/indicator/SL.TLFTOTL.FE.ZS>

³⁶ *Ibid.*, P23.

³⁷ World Bank (2012), World Development Report “Gender Equality and Development”.

- Also, other groups such as the youth, migrants, minority groups, disabled individuals, those who live in remote etc. continue to lag behind in employment and labour-market outcomes. There are more than 500 million young people between 15-24 years old living on less than \$2 a day³⁸; young graduates, in the UK for example, more ethnic minorities are found unemployed³⁹; in the case of migrants, the lack of social safety nets or social networks in the cities, can lead to high isolation and high rates of return-migration to the rural areas.⁴⁰ In this context, “social inclusion aims to empower poor and marginalized people to take advantage of burgeoning global opportunities”⁴¹ and could provide opportunities for those who could not fully have access to employment opportunities.

Employment for the Rapidly Growing Population of Megacities and Workplace Dislocation

- The number of megacities (i.e., metropolitan areas with more than 10 million people) is increasing rapidly. By 2030, China is expected to have a new megacity in addition to the existing 6; India is estimated to have 7 megacities; Cairo, Kinshasa and Lagos are currently the only megacities, however, Dar es Salaam, Johannesburg and Luanda are projected to have over 10 million people in 15 years; Bogota and Lima in Latin America are also likely to be joining the four current megacities in this region.⁴² In this context, providing employment for the rapidly growing population in these metropolitan areas as well as reducing unemployment and underemployment will be significant challenges.
- Technological development and globalization are not only bringing challenges to job creations, but also changing the nature of production. The fast pace of technological change has led to the fragmentation of production, the offshoring of knowledge flows and to a reorganization of labor across and within firms. The ‘New Globalization’ is regarded as being more ‘sudden, unpredictable and uncontrollable’.⁴³ The U.S. Bureau of Labor Statistics estimates that 3.2. million individuals in the United States were displaced from a job they had held for at least three years over 2013-15. This category includes ‘persons 20 years of age and older who lost or left jobs because their plant or company closed or moved, there was insufficient work for them to do, or their position or shift was abolished’.⁴⁴

The challenges of employment have been experienced by countries in different regions and at different stages of development. They are especially pressing issues in the context of achieving sustainable development goals which aim to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, as of the new 2030 Agenda for Sustainable

³⁸ Office of the Secretary-General’s Envoy on Youth, “#YouthStats: Hunger and Poverty”, <http://www.un.org/youthenvoy/hunger-poverty/>

³⁹ BBC, “Ethnic minorities face ‘entrenched’ racial inequality”, 18 August 2016, <http://www.bbc.com/news/uk-37114418>

⁴⁰ Janneke Pieters, “Youth Employment in Developing Countries”, October 2013, *IZA Research Report No. 58*, P20.

⁴¹ The World Bank, “Social Inclusion”, August 15 2014, <http://www.worldbank.org/en/topic/socialdevelopment/brief/social-inclusion>

⁴² United Nations Department of Economical and Social Affairs, *World Urbanization Prospects*, 2014, New York: United Nations, P14.

⁴³ Baldwin, Richard E. (2016), “The Great Convergence Information Technology and the New Globalization”, Cambridge, MA: Harvard University Press

⁴⁴ <https://www.bls.gov/news.release/disp.nr0.htm>

Development.⁴⁵ To address the employment strategies, countries need an integrated approach involving different levels of government and stakeholders.

This highlights the pivotal need for interdisciplinarity in confronting this emerging issue. The underlying idea here is that this pressing challenge provides scope of participation from various disciplines such as (but not limited to) – anthropology, development studies, economics, engineering, geography, history, international affairs, international development, law, management, political science, psychology and behavioral science, social policy, sociology and urban studies.

Hence we welcome students from diverse academic backgrounds to present their ideas and proposals to tackle this pressing issue.

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⁴⁵ Sustainable Development Knowledge Platform of the United Nations, “Employment, decent work for all and social protection”, <https://sustainabledevelopment.un.org/topics/employment>

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