

# Creating jobs: what can governments do? Just Jobs campaign brief

# Just Jobs



JOB  
CLIMATE-FRIENDLY JOBS  
RIGHTS  
SOCIAL PROTECTION  
EQUALITY  
INCLUSION

A New Social Contract for Recovery and Resilience

# Creating jobs: what can governments do?

## Just Jobs campaign brief

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### A global jobs crisis

The COVID-19 pandemic has led to an unprecedented loss of jobs and workers' livelihoods. The world has lost the equivalent of 255 million full time jobs since the beginning of the crisis, and an additional 130 million jobs are at risk in 2021. A number of governments have taken measures to safeguard jobs and incomes through the expansion of social protection systems and the use of temporary wage subsidies in hard-hit sectors to prevent job loss. These measures have been a critical support to workers, however they are unlikely to be enough to rebuild economies and deliver full employment.

Governments can enact policies that foster the creation of quality jobs to underpin a robust, resilient and inclusive economic recovery. However they must avoid repeating the failed job creation strategies that many governments took during the last economic and financial crisis, which led to greater poverty, increased inequalities and the deterioration of workers' rights. Countries were unprepared for this pandemic and unable to tackle it effectively due to insufficient investment in health, care and other vital services.

### 575 million new jobs by 2030

**The ITUC is committed to full employment, and has set a global target for the creation of 575 million new jobs by 2030 as well as the formalisation of at least 1 billion informal jobs, representing half of the total global informal economy.** Achieving these targets will enable delivery on government commitments for "*full and productive employment and decent work for all*" as part of Goal 8 of the UN Sustainable Development Goals.

Achieving these targets will require active government policies, including public job creation and strengthened public investment in critical areas including infrastructure development, environmentally-friendly sectors and the care economy. Governments must ensure that the jobs created are quality jobs, with rights, decent wages and working conditions and must work to formalise

the informal economy through a combination of incentives and appropriate enforcement measures. Supporting formal employment and enhancing job-quality will help to stimulate aggregate demand, strengthen tax revenues and further boost economic recovery. Investment in education and training will enable workers to take advantage of the massive labour market transformations underway, helping ensure that they are ready to take up the new jobs that are created. These strategies should be part of governments' broader industrial policies; they must be proactive in managing structural transformations in the labour market and providing incentives, direction and coordination for the development of domestic industries and the creation of new and decent jobs.

## Job creation plans in action

### Key components of a job creation plan

- ✓ Strengthened industrial policy to support domestic industries and public investment, especially in climate-friendly industries and sectors that directly benefit people (e.g. infrastructure development and care).
- ✓ Direct creation of jobs, including public sector jobs and public works programmes.
- ✓ Promoting decent work, through regulation, incentives and procurement practices.
- ✓ Formalising the informal economy through incentive and enforcement measures.
- ✓ Investment in training and skills development, to support workers adapt to new jobs.
- ✓ Full involvement of unions in the development of jobs plans.

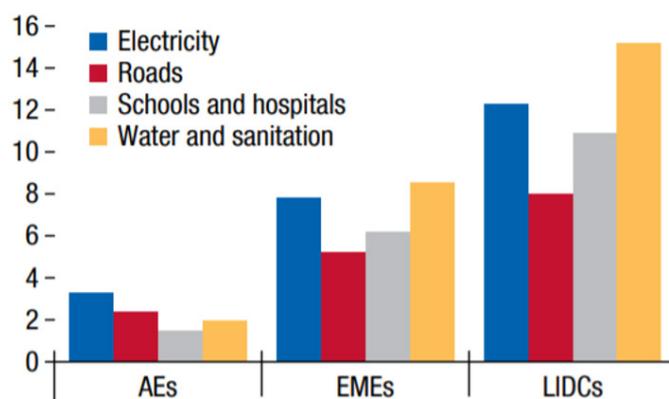
### What does not belong in a job creation plan

- ✗ Using low wages and labour standards as a means to attract foreign direct investment.
- ✗ Deregulation and weakening of workers' rights, including on employment protection legislation.
- ✗ Reduction of labour costs, in particular on wages and social security contributions.
- ✗ Weakening of collective bargaining, including through allowing deviations from CBAs and decentralisation of negotiations.
- ✗ Providing unconditional tax cuts/subsidies for businesses that don't require retaining/creating jobs.

## The multiplier effect of public investment

**Stepping up public investment can have a significant impact on job creation and overall employment levels – especially when public investment is concentrated in labour-intensive sectors such as infrastructure and care.** Data from the IMF (Figure 1) shows the direct job creation potential of an additional USD 1 million of investment in a range of different infrastructure sectors. The job creation effects are the highest in lowest income countries. Within advanced economies, job intensity is greater for green investment than for traditional investment.

**Figure 1: Jobs created per \$1 million in public investment (selected infrastructure sectors)**



Source: IMF (2020) Policies for the Recovery

In addition to creating jobs, public investment in infrastructure can have broader benefits in maintaining and improving living standards for communities. According to the ILO, infrastructure gaps are widening as many countries are paying insufficient attention to expanding and maintaining infrastructure. Currently, the world has an annual shortfall in infrastructure spending of around USD 1 trillion.

### Climate-friendly jobs

Investment in climate friendly sectors has significant potential for job creation. The IMF has highlighted that for advanced economies, the job-creation impact of investments in green infrastructure is higher than other types of infrastructure. The International Renewable Energy Agency (IRENA) has estimated that renewable energy could employ more than 40 million people by 2050 and that total employment in the energy sector could reach 100 million by 2050, up from around 58 million today, if renewable energy was to be pursued to its full potential. IRENA also estimates that measures to improve energy efficiency could also offer significant opportunities for rapid job creation, or around 2.5 million new jobs per year. Renewing and expanding physical urban and rural infrastructure, and to develop digital infrastructure, has strong job creation potential. Within the United States, for instance, it has been estimated that investing USD 1 billion annually in public transportation would lead to the creation of 49,700 jobs, a significant increase in productivity, and an economic return of USD 5 billion in additional GDP.

## *Jobs in the care economy*

Investing in the care economy in particular has been shown to be beneficial in terms of direct job creation, and it has strong multiplier effects in terms of indirect job creation – largely due to the role that care services have in enabling work-life balance and removing barriers to women’s participation in the labour market. The ILO has estimated that spending an additional 3.5% of GDP in the care economy would lead to the creation of 269 million extra jobs by 2030 (compared to 2015), and would allow countries to deliver on SDG targets for health and education. ITUC analysis has also shown that if an extra 2% of GDP were invested in the health and care sector in developing economies, it would generate increases in overall employment ranging from 1.2% to 3.2%, depending on the country (ITUC Care Economy report 2017).

## *Jobs in sustainable agriculture*

There is also significant job-creation potential in sustainable agriculture. The agriculture sector already accounts for around 1 billion jobs worldwide, and around 3% of global GDP. It is forecast that global food production will need to be increased by 70% to feed the expected world population in 2050, highlighting the potential for further growth of the sector as well as the importance of improving efficiency and productivity. The UN Food and Agriculture Organisation (FAO) has emphasised that the transition to green and more sustainable farming practices can improve the quality and quantity of food supplies and could lead to the creation of 200 million jobs by 2050. The quality of jobs in agriculture is also important, with a large proportion of the world’s agricultural workforce excluded de facto or in law from labour protections.

## *If you don’t look after people, they can’t look after the economy*

It is important to take into account that **well-designed investment policies from governments can also help to ensure both rapid and long-term impacts on employment levels and support greater economic resilience**. Infrastructure investments have a strong impact on short-term employment, which can fade out in time as hard infrastructure projects come to an end; this makes infrastructure investment particularly helpful in responding to job loss during economic crises. Investments in the care economy can be expected to have longer-term impacts on employment over time, and can build up the resilience of vital sectors including health, education, childcare and long-term care that have been chronically underfunded in many countries, as revealed by the

COVID-19 pandemic. Investment in climate-friendly sectors has both short and longer-term employment impacts, and can help to build long-term resilience of labour markets in the face of structural shifts caused by climate change. An effective combination of these different investments can help governments respond to job losses in economic emergencies, as well as support broader structural transformation of labour markets and the overall economy.

## **Investing in the public sector and creating public employment programmes (PEPs)**

The state is the largest employer in almost all countries, with the public sector accounting for around 21% of all jobs on average across the OECD. According to IZA, **expanding public sector employment** can be an effective means of reducing unemployment in the short term, especially during crises, and expanding the public sector during recessions can provide a stabilising effect on jobs. Public sector employment can create demand in other sectors of the economy, such as private services.

In addition to expanding the public sector, **public employment programmes (PEPs)** can be a powerful tool for creating jobs, often acting as an ‘employer of last resort’ to workers during periods of structural unemployment. These are publicly financed and government-implemented long-term investment programmes that directly create employment through productive activities with a high labour intensity, rather than through the expansion of civil services. These interventions seek to provide employment for workers who are unable to support themselves due to a shortage of market-based employment opportunities. Examples of public works programmes include the Productive Safety Net Programme in Ethiopia, the National Rural Employment Guarantee Scheme in India, and the Expanded Public Works Programme in South Africa. According to the ILO, PEPs often have broad benefits for society, as they tend to focus on areas that benefit the general population such as infrastructure development and maintenance, the promotion of green work through natural resource management and environmental rehabilitation, the building social assets such as schools, hospitals and water facilities, and the development of services for improving health care, education, sanitation and social services.

## Stimulating the creation of quality jobs

Supporting decent work, including through **ensuring decent wages and secure employment contracts**, can create a virtuous economic circle by boosting aggregate demand, which in turn can stimulate the economy and foster the creation of even more jobs, as well as support the stability of public finances through leveraging tax revenue. Enhancing decent work can also improve the attractiveness of jobs and help respond to labour shortages in key sectors.

Ensuring job quality starts with **adequate regulation**, including on minimum living wages, respect for fundamental labour rights and occupational health and safety, and limitations on working time among other important regulations such as employment protection. The ILO Centenary Declaration and international labour standards provide important frameworks for rights, protections and job quality for all workers.

Beyond regulation, governments can support the quality of new jobs being developed in a number of ways. For public works programmes and expansions of the public service, governments have the power to set wages and working conditions directly and so they are able to directly ensure that such jobs are decent. Providing decent conditions within public works programmes and in the public sector can also have positive ‘signalling’ effects on the wages and working conditions of workers in the private sector. Nevertheless, in a number of cases the wages provided in public workers programmes are below minimum wages (e.g. Hungary), and in many countries public workers are exempt from minimum wage regulations.

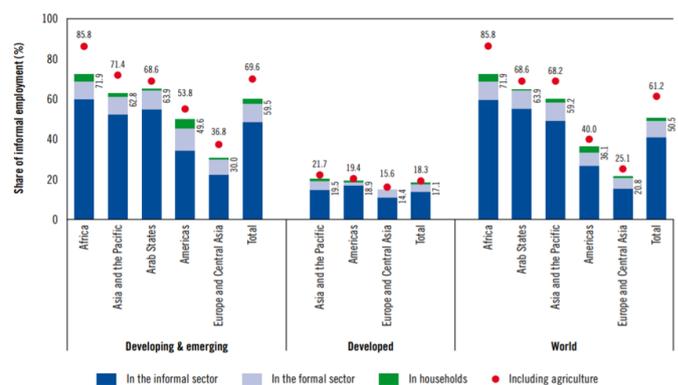
For jobs that are not directly organised by the public sector, **governments can take measures to incentivise firms to hire workers in quality jobs**. Rather than providing general subsidies to employers without conditions attached to them, governments can put in place conditions for support to ensure that subsidised employers avoid or limit layoffs and ensure net job creation at the company, hire employees with decent wages and working conditions (including regular working hours) and providing long-term and/or permanent contracts. France has recently introduced financial incentives for companies to hire young workers on a permanent contract with wages up to 1,6 times the minimum wage. The aim of the measure is to provide greater income and job security for young people with low qualifications and limited employment prospects. This is all the more important given the impact of the pandemic on job prospects for young people.

Finally, governments can promote jobs and decent work through **procurement strategies** – which can explicitly encourage and support local suppliers, manufacturers and service providers, and create clear conditions on the quality of jobs that are offered. Procurement strategies can also include conditions for employing disadvantaged or underrepresented groups in the labour market. Such fair procurement strategies are especially important in supporting decent work in all sectors related to climate action, where procurement is widely used.

## Supporting the transition from informal to formal economy

The vast majority of the world’s labour force (61%) works in the informal economy, lacking rights and protections offered to workers in the formal workforce. Figure 2 shows there are major regional variations in the incidence of informality. The prevalence of informal work is especially high in developing and emerging economies, though informality is also growing in many high-income countries through the growth of non-standard forms of work including ‘platform’ businesses. Informality can pose a major challenge to economic and social development as well as to the stability of public finances, as informal workers often do not contribute to the general tax base nor have access to contributory social security arrangements. There is a need to support the formalisation of these workers as well as look at how existing labour laws and social protection systems can be more inclusive of them.

**Figure 2: Components of informal employment as a percentage of total employment: the informal sector, formal sector and household sector**



Source: ILO (2018) Women and men in the informal economy: A statistical picture

The ILO Centenary Declaration reaffirmed that all workers, including those in the informal economy, should enjoy a floor of labour protections as well as have access to social protection. It sets out the ambition to support the transition from the informal to formal economy. **ILO Recommendation 204 on the**

**Transition from the Informal to the Formal Economy** sets out an agreed international framework for supporting formalisation of the workforce, stressing the need for a **combination of both incentives and enforcement measures**. Incentive measures include, but are not limited to, improved access to inclusive financial services such as credit and equity, reduced costs for registering a business and reduced compliance costs, simplified procedures for registering taxes and contributions, improved access to training and skills development measures, and improved access to social security. In addition, increased labour inspection, efficient and accessible complaint and appeal procedures, and measures to ensure that administrative, civil or penal sanctions provided for by national laws for non-compliance are appropriate, adequate and strictly enforced are all important measures to reduce informality.

Finally, in view of the rise in non-standard forms of work, **reducing employment misclassification and ensuring that employers register and take responsibility for their workforce** are also critical in reducing the incidence of informality. In this regard, a number of countries, including Canada, Greece, Hungary, Italy and Saudi Arabia have put in place a presumption of an employment relationship in their laws and place the burden of proof on the employer.

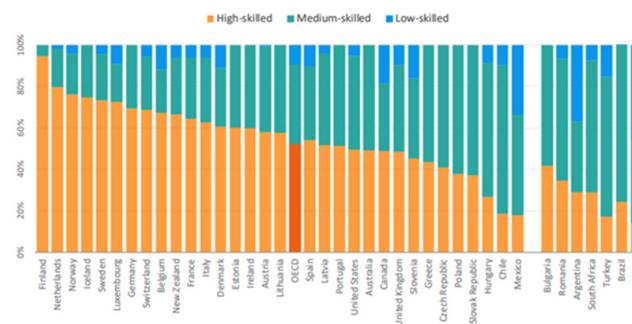
## Investment in skills training

Even before the current crisis, changing technologies and new ways of working were disrupting jobs and the skills employees need to do them. In 2017, the McKinsey Global Institute estimated that as many as 375 million workers—or 14 percent of the global workforce—would have to switch occupations or acquire new skills by 2030 due to technological change. The OECD has pointed out that for the vast majority of countries, high and medium-skilled jobs are in the highest demand (see figure 3) – although labour market polarization has somewhat reduced demand for medium-skill jobs in some countries. However the COVID-19 pandemic has led to dramatic disruptions and transformations in the labour market and put further pressure on workers to adapt their skills to new labour markets. The Global Deal has highlighted that in order to prevent skills depreciation and obsolescence and to facilitate transitions towards sectors and jobs that are expanding, strong adult-learning systems are needed more than ever. The importance of lifelong learning is given prominence in the ILO Centenary Declaration.

**Public investment in vocational education and training** is central to facilitating workers' access to new skills. In addition, a number of countries, are using payroll taxes, or training levies, to incentivise

employers to put greater emphasis on upgrading the skills and productivity of their workforce.

**Figure 3: Share of employment in high demand by skill level**



Note: High, medium and low skilled occupations are ISCO occupational groups 1 to 3, 4 to 8 and 9 respectively. Shares of employment in each skill tier are computed as the corresponding employment in each group over the total number of workers in shortage in each country. Data refer to the latest year for which information is available.  
Source: Elaborations based on the OECD Skills for Jobs database (2018).

## Industrial policy to stimulate the development of domestic industries

**Maximising the effectiveness of these policies requires governments not to consider them in isolation, but rather as part of a coherent industrial policy to support the development of domestic industries.** Industrial policy represents an official strategic effort of a country (or group of countries) to stimulate the development or growth of specific sectors of the economy by providing direction, coordination and incentives. It generally comprises a combination of different policies and measures including, but not limited to, public investments, fiscal incentives, specific trade policies, competition policies, education and skills training, technology and innovation policies. The importance of industrial policy in supporting the development of jobs and overall economic growth has been increasingly recognised by international institutions; the IMF in particular has acknowledged how rapid growth in South-East Asia has been largely underpinned by strong industrial policies that were export-oriented and supportive of technological innovation.

As part of their industrial policy agendas, a number of countries have been increasingly taking measures to stimulate the development of their domestic industries. The government of France, for example, has recently announced that it will be investing 35 billion Euros in industrial relocation measures to incentivise French companies to move production back to France. South Korea has announced a 160 trillion Won (141 billion USD) “Korean New Deal” to support the development of digitalization and low-carbon industries. There are also relevant examples of regionally-developed industrial policies. In 2020, the European Commission adopted its New Industrial Strategy for a Globally Competitive, Green and Digital

Europe, which seeks to stimulate the competitiveness and autonomy of European industries, develop climate-friendly industries as well as support the development of strategic digital infrastructures and key enabling technologies, among other measures.

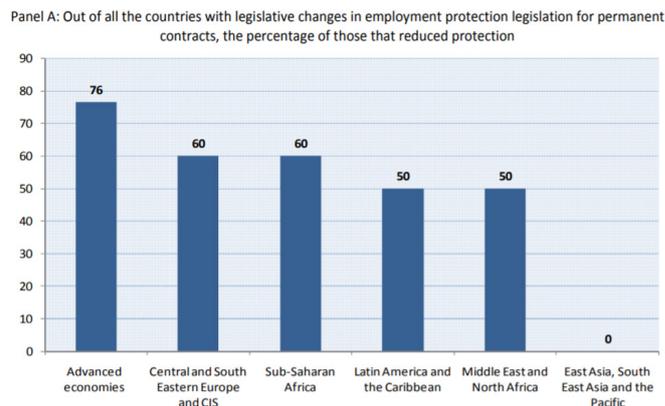
The COVID-19 pandemic has brutally revealed the vulnerability of some countries who are heavily dependent on global exports, catalysing national reflections on how to review national industrial policies and strengthen domestic industries as a matter of urgency. In Ghana, trade unions have highlighted how existing trade rules must be revisited in order to allow domestic industries to be competitive and to stimulate greater autonomy in the production of primary goods. In South Africa, a shortage of personal protective equipment early in the pandemic stimulated national-level discussions on the need to ramp up local manufacturing. This led to an agreement by the National Bargaining Council on a strategy for the domestic production of PPE, including 14 million facemasks, as well other products, allowing for the preservation and creation of thousands of jobs in hundreds of small, medium and micro-enterprises (SMMEs). The government of South Africa has since announced major investments to further strengthen the development of domestic manufacturing, with around one trillion rand (USD 60 billion) to support local production in various sectors including agro-processing and industrial equipment.

## Avoiding a repeat of a failed job-creation strategies

A misguided strategy taken by many governments to create jobs – often promoted by international financial institutions – has been to deregulate the labour market and apply downward pressure on wages and labour costs as a means of incentivising firms to hire new workers. This strategy was widely employed during the last economic and financial crisis, where many governments weakened employment protection legislation (EPL), incentivised the hiring of workers on temporary and precarious contracts, and undertook wage cuts and freezes, including on public sector wages and minimum wages. Figure 4 shows the extent of EPL cuts during the 2008-2012 period. Experience from that crisis has shown, however, that such strategies often lead to increased precarity for workers, as well as greater poverty and inequalities. A number of studies have called into question the supposed evidence underpinning the recommendations to weaken labour markets, showing how such policies have not been shown to have any clear effects on increasing employment. A [meta-analysis](#) of labour market flexibilisation

measures has, for instance, shown that these have had no clear impact on decreasing unemployment.

**Figure 4: A global overview of changes in employment protection legislation 2008-2012**



Source: ILO (2012) Employment Protection and Collective Bargaining: Beyond the deregulation agenda

Weakened collective bargaining, through decentralising collective bargaining and allowing companies to deviate from collective agreements, was another tactic used by governments in the last crisis to try to stimulate jobs by reducing so-called ‘rigidities’ in the labour market. However the ILO has highlighted that such measures have not been shown to have positive effects on employment, but have instead put downward pressure on wages and working conditions and have contributed to greater inequalities. Such measures have further been shown to be counter-productive by reducing productivity.

The suspension or reduction of employer obligations to pay social security contributions has been another strategy by governments with the rationale of reducing labour costs for employers and stimulating hiring. Not only is there a lack of evidence that such strategies work, but these measures have often resulted in workers having to compensate by paying increased social security contributions themselves (e.g. Romania). This in turn reduces workers’ take-home income and risks further depressing aggregate demand during a crisis. The reduction of social security contributions by employers jeopardises the financing base for social protection schemes.

## Developing a global jobs target

In 2008, within the ILO Declaration for Social Justice and a Fair Globalization, governments, employers and workers jointly declared their ambition of ‘full and productive employment and decent work for all’. Governments renewed their commitment to this objective when adopting the UN Sustainable Development Goal #8 for Decent Work and Economic Growth, and in doing so reaffirmed the linkages

between the objective of supporting the creation of new, decent jobs with the broader international agenda for sustainable and inclusive economic development.

While there is no universal definition of what constitutes ‘full employment’, in order to support the achievement of SDG Goal 8 **unions are calling for the creation of at least 575 million jobs by 2030**. This target is based on the objective of achieving at least 75% employment globally, in line with the world’s highest performing labour markets. This estimation is based on the current size of the labour force of 3.386 billion people and a current global participation rate of 58%. In addition to this target, unions are calling for **the formalisation of one billion jobs in the informal economy** – in other words, half of the world’s two billion informal workers – in order to provide strengthened rights and protections to workers. Formalising the informal economy will positively contribute to public finances through increased taxes and social security contributions and will help lift informal workers out of poverty.

The rationale for selecting a target based on higher employment, rather than setting a target for a lower unemployment rate, is that unemployment criteria vary between countries. Moreover, the unemployment rate often leaves out involuntarily inactive segments of the labour force who are not officially considered unemployed - for instance ‘discouraged’ workers who had been seeking employment for an extended period of time before giving up, as well as parents/carers who might be involuntarily out of work because of lack of formal care arrangements - most often women.

This global jobs target does not consider the account of projected changes to the size of the labour market over the next years, nor does it estimate the amount of jobs that would specifically need to be created for men or women. Persistent gender gaps in employment exist globally; on average, the female employment rate is a staggering 27 percentage points lower than men (74% for men compared to 47% for women). It

is therefore clear that a large majority of new jobs created must go to women in order to deliver on agreed international commitments to gender equality, including SDG Goal 5 to achieve gender equality and empower all women and girls. Formalising at least half of the informal economy would additionally positively contribute to gender equality, as women are disproportionately represented in the informal economy. Formalisation would significantly improve access to rights for workers in those jobs, and raise their wages and working conditions.

These global targets are ambitious, but not impossible to achieve and should be seen in alignment with SDG Goal 8. To deliver on them, governments must take a proactive approach to creating jobs and managing structural transformations in the labour market, including the transition to a low carbon economy, through the development of sound industrial policies. They must ensure strong public investment, undertake public job creation, and provide incentives, direction and coordination for the development of domestic industries. Measures to support education and skill training to enable workers to be ready to take on new jobs is essential. Job quality must be the focus of any job creation strategy, and governments must cease to rely on the ineffective strategy of trying to attract employment on the basis of low wages and labour standards. Creating formal jobs and enhancing decent work requires a comprehensive combination of incentives and enforcement measures to formalize the informal economy, in line with ILO Recommendation 204. Finally, social dialogue must be an essential component in any successful job creation plan; as direct representatives of workers, trade unions must be meaningfully involved in the development of job creation measures, as they understand best the needs of the workers affected and can foster strong public support for the measures taken.

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Publisher responsible in law:  
**Sharan Burrow**, General Secretary

**ITUC**  
5 Bld du Roi Albert II, Bte 1, 1210-Brussels, Belgium  
Tel: +32 2 224 0211 Fax : +32 2 201 5815  
Email: [press@ituc-csi.org](mailto:press@ituc-csi.org) Web: [www.ituc-csi.org](http://www.ituc-csi.org)

