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Multi-year Expert Meeting on Enhancing
the Enabling Economic Environment at All Levels
in Support of Inclusive and Sustainable Development,
and the Promotion of Economic Integration and Cooperation
Third session
Geneva, 25 and 26 February 2019


Report of the Multi-year Expert Meeting on Enhancing
the Enabling Economic Environment at All Levels in
Support of Inclusive and Sustainable Development, and
the Promotion of Economic Integration and Cooperation
on its third session

Held at the Palais des Nations, Geneva, 25 and 26 February 2019

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Introduction

1. The third session of the Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation, was held at the Palais des Nations in Geneva, Switzerland, on 25 and 26 February 2019.

I. Chair's summary

A. Opening plenary

2. In his opening statement on behalf of the Secretary-General of UNCTAD, the Officer-in-Charge emphasized that rethinking the role of macroeconomic and labour policies was more important than ever, in light of the complexities of interdependence and in the pursuit of effective international policy coordination. The role of income distribution, in particular wage and employment and social protection, as well as fiscal policies, was vital to ensuring the healthy growth of aggregate demand and investment. Discussing these issues would not be complete without addressing the gender dimension of macroeconomic and employment policies, as well as the role of the global monetary system in contributing to a pace of global economic and trade growth consistent with the economic requirements of sustainable development. The Officer-in-Charge noted that this session of the Multi-year Expert Meeting provided an opportunity to extract concrete lessons for cooperation in policymaking and, when necessary, for reform.

3. The Officer-in-Charge highlighted the trends in the world economy that could act as obstacles to achieving the Sustainable Development Goals. A structural limit to the achievement of the Goals was posed by two trends, namely, the global retrenchment of labour income shares and the weakening of fiscal policy, which together contributed to eroding domestic demand. Given these trends, policymakers could be forced to an excessive reliance on the growth of external demand, which not only disregarded domestic needs, but might be affected by the fallacy of composition. Another limit to the achievement of the Goals was a dependency on global financial markets, which imposed limits to domestic policy space, in particular in developing countries. The push for international funds needed to be balanced with the push for domestic investment. The Officer-in-Charge noted that discussions to be held at this session of the Multi-year Expert Meeting, along with research work undertaken at UNCTAD, underscored the potential of well-designed macroeconomic and employment policies to help address these trends.

B. How labour and macroeconomic policies can contribute towards the achievement of the Sustainable Development Goals

(Agenda item 3)

1. The role of the State, employment policies and organized labour in addressing the challenges of employment creation in an increasingly globalized world economy

4. The first informal session focused on the monetary, fiscal, industrial and employment policies that could help create the good quality, well-paying jobs essential to achieving the 2030 Agenda for Sustainable Development. Some experts emphasized that having enough decent jobs was not only important in itself as an essential pillar of an inclusive society, but played a vital role in fuelling the pace of aggregate demand that underpinned technological progress, which ultimately triggered productivity growth, trade and sustainable development. This essential link between employment and aggregate demand had often been underestimated in conventional wisdom. Discussions at the first informal session focused on how to rethink the current roles of macroeconomics and labour policies, to rebalance the relations between capital and labour and reinvigorate the global commitment to full employment. One expert noted that arguments against wage rises or

collective bargaining could sometimes seem convincing at the level of the individual and in the short term, but were proven fallacious in the long term because such measures starved demand and investment. Furthermore, the policies adopted in one country could spill over to others, and the contradiction between underconsumption in countries with low wages and debt-financed consumption in other countries could be eroded in the long term.

5. The first panellist detailed national experiences that reinforced this message. For example, in the early 2000s, in China, average manufacturing wages in dollars had been less than half those in Mexico. However, since 2003, China had embarked on a policy of boosting domestic wages and raising aggregate demand, and Mexico had repressed wage growth. Wages in China, 15 years later, were 30 per cent higher than those in Mexico, and strong domestic demand had been the largest source of growth, increasing resilience to global policy shifts and demand shocks. Growth was also creating an opportunity for neighbouring countries such as Cambodia, Indonesia and Viet Nam to increase wages, further increasing domestic and regional demand. Such growth was possible in part because national policy spaces had been retained in the region.

6. The panellists provided several examples of Governments that had successfully acted as employers of last resort, such as through the national rural employment generation scheme in India and during the post-crisis recovery in Greece, where the greatest proportion of Government expenditure in recent years had been directed to public employment that could also help boost aggregate demand. In this regard, integrating employment with industrial policy was also required. The promotion of full employment was necessary not only due to hysteresis effects at the macro and micro levels following a period of unemployment, but also due to the social costs of unemployment. One panellist noted that job losses might increase death rates by as much as 50 per cent. The definition of employment also needed to be expanded, to include informal and unpaid productive work, much of which showed a gender bias. For example, on average, women spent 265 minutes per day in unpaid care work, compared with 83 minutes spent by men. The gender, health and social values related to work heightened the need for engaged public policies, to better align private interests with social interests in job creation. Some panellists noted that the care economy could create more jobs, but that it needed to be formalized, with social protection and decent wages. One delegate noted that tripling expenditure on social services in the Plurinational State of Bolivia had not only boosted health and education levels, but also aggregate demand, supporting sustainable growth rates of around 4 per cent.

7. One panellist highlighted the concern that in post-crisis years, an increasing proportion of jobs in both developed and developing countries were non-standard, precarious or informal, and that the share of labour incomes in gross domestic product continued to retreat in general and in some countries rather sharply, for example, by 15 per cent in Italy and Spain and by 20 per cent in Saudi Arabia and Turkey. One delegate noted the challenges posed by informal employment, in particular when correlated to recessions, and stated that countries could not simply wait for growth to occur and hope that jobs would become formal. Another delegate noted that it would be helpful to separate demand-side from supply-side constraints, for example with regard to gender equality. One panellist emphasized that the strongest way to rebalance wages would be through minimum wage policies, as had been enacted in the Plurinational State of Bolivia, for example, where the annual minimum wage had been raised from \$80 in 2005 to \$290 in 2016, thereby boosting demand and reducing extreme poverty levels, from 38 to 17 per cent.

8. The panellists noted that, among countries in the Group of 20, increasing the share of labour with respect to gross domestic product by 1–5 per cent could lead to a 2 per cent increase in growth, as giving a greater income to people with a greater propensity to consume acted as a significant multiplier, and they emphasized that strong labour market institutions that promoted such increases were not a luxury but a necessity, which developing countries should not neglect. Some delegates questioned the role of monetary policy in job creation, and whether central banks could have a dual role with regard to employment and price stability, as high or volatile inflation had negative effects on investment and direct effects on the poor. In this regard, one panellist noted that inflation could also be caused by a lack of productive capacities, which encouraged price-volatile

imports, and the two objectives of employment and price stability could therefore be reconciled. In addition, in policy design, political leaders needed to accept from the start that capacity-building and employment should be given priority. Another panellist stressed that monetary policy could not affect employment directly, but could be helpful, given different policies on credit creation and bank supervision. Some experts raised the issue of a universal minimum income, and there was broad agreement that such an income should not be promoted at the expense of other, existing public goods and services.

9. One delegate noted that not all public investment had been as effective as intended and that the issue of how to finance policies was important. Most panellists commented on the virtuous cycle that could be created between formal employment, tax payments and fiscal space. One panellist stressed that if a tax system worked properly, countries could pay for the needed policies without taking on debt, and that tax havens included some of the largest economies. Finally, a few experts noted that it would not be possible to achieve the goals of employment growth and income and social protection without a sufficient degree of international policy coordination. A global deal with stable exchange rates, capital controls and a robust international financial architecture was needed to help achieve the goals of full employment and industrialization.

2. Global and macroeconomic challenges to overcome gender inequalities in employment and earnings

10. The second informal session explored global and macroeconomic challenges to overcome gender inequalities in employment and earnings. In his introductory remarks, the Chair stressed that achieving gender equality required decisive and well-designed policy action. In addition, macroeconomic insights underscored that many of the efforts in this area should not be considered costs, but investments, with meaningful multiplier effects on the aggregate economy.

11. The first panellist emphasized the need for a new global deal for gender equality, as women made major economic contributions that were often not appreciated at their true value. She noted that gender gaps in terms of wage work had declined in most regions in 1995–2015, although sometimes marginally, and that women continued to provide most unpaid care work, while inadequate infrastructure for care limited women's opportunities in education or labour markets due to care-related responsibilities. The International Monetary Fund and the Organization for Economic Cooperation and Development, for example, had recognized the potential macroeconomic contribution from greater gender equality, yet the panellist noted that these institutions continued to promote the traditional macroeconomic policies of fiscal constraint and labour market flexibility that harmed gender equality. Some of the main elements of a new deal for gender equality could include (a) for companies: ensuring more flexibility to enable women to retain jobs within the formal sector; using outsourcing to informal or low-wage sectors less often; and demonstrating more concern for women's rights and sexual harassment; (b) for States: preventing the need to work double shifts; investing in care-related infrastructure and services; giving credits for informal and unpaid work in social protection systems; supporting employment formalization; and extending employment rights; and (c) for the community and households: strengthening women's rights to hold income and assets, to increase bargaining power in households; supporting women's education; and taking action to change gendered social norms. Such a new deal would benefit women and society in general, and investing in a care economy would enhance macroeconomic, efficiency-related and human capital benefits. Finally, the panellist noted that the related formalization of jobs, together with the extension of labour rights, would help foster social security.

12. The second panellist highlighted the benefits of investing in the care economy as part of a gender-equitable strategy for employment generation and inclusive growth. Drawing on recent collaborative work on the potential of the social care services sector, in particular with regard to early childhood education and care, as an effective target of fiscal spending for robust employment generation and gender inclusive growth, she noted that the employment and distributional outcomes were more promising if public expenditures were increased in social care services rather than physical infrastructure and construction. The expansion of such services created not only significantly more jobs but did so in a

more gender-equitable and fiscally sustainable way than, for example, a construction boom. In addition, social care spending could be an effective tool for decreasing poverty reduction and socioeconomic inequalities among households and children. The panellist noted that these findings underlined that public investment in building social care services infrastructure could serve as a proactive fiscal policy tool for faster and more gender-equitable employment creation in the short term.

13. The third panellist discussed the recent experience in Greece of improved formal childcare at a time of austerity. Greece had experienced three consecutive economic adjustment programmes in 2010–2018, which had caused an austerity and recession spiral and high levels of unemployment. Significant cutbacks of publicly funded childcare and a crisis in the care economy might have been expected, yet had not taken place. Instead, the Government had supported families in their care duties by maintaining public expenditure directed to childcare services, in part by making use of funds from the European Union, and thereby offset escalating child poverty. The Government had kept the pre-crisis care economy from experiencing the damages that may have been anticipated by the collapse in the disposable income of households and by the retrenchment of public spending, and had managed to considerably improve rates of participation in formal childcare. The panellist underlined that this example showed how active policies could influence the care economy, protect or enhance women's participation in the labour market and mitigate or reduce a lack of gender equality, even under austerity.

14. In the ensuing discussion, one delegate shared the experience of Nigeria in providing one free meal per day to children of 5–8 years of age, a scheme that had created many jobs, in particular for women. The representative of one specialized agency noted that the benefits from investing in the care economy were often underestimated because the underlying measures were based on low wages in the care sector rather than on the related output, which was far greater. In response to a query from one delegate with regard to the cost of such care policies and their financing methods, the panellists emphasized the need to redirect public expenditure towards this sector, which would have increased multiplier effects, given its labour-intensive features and its limited foreign leakages. Finally, with regard to a query by one delegate as to whether providing a basic income could be a solution, the panellists concurred that such an initiative, although it entailed some positive aspects, risked accentuating the specialization of women in informal activities and therefore reinforced a lack of gender equality. Employment-of-last-resort programmes appeared more promising, as shown for example in the experience of North Macedonia, which had successfully provided social safety nets.

15. In his concluding remarks, the Chair emphasized that achieving gender equality in employment, work conditions and income was a priority goal that could not wait until all favourable conditions had been met. In addition, many of the policy options that favoured gender equality were also optimal in terms of macroeconomic implications.

3. Labour institutions and macroeconomic policies for structural transformation and job creation

16. The third informal session focused on labour institutions and macroeconomic policies for structural transformation and job creation. The panellists stressed that policy, in particular macroeconomic policy, and institutional changes, were key in spurring employment protection, boosting aggregate productivity and economic growth and promoting industrialization and structural transformation for employment creation. They highlighted that, ultimately, active policymaking and institutional reforms could be determining factors in achieving the Sustainable Development Goals.

17. The first panellist underlined that the common view of labour market regulations as a means of protecting workers from unsafe working conditions or unscrupulous employers typically led to the perception of such regulations as an added cost and an impediment to job creation. She noted the importance of labour regulations in protecting workers, but highlighted the important role that such regulations also played in ensuring fair competition among enterprises and in catalysing firms to improve productivity through reorganizing work, including through technological investments. Finally, the panellist

underscored the macroeconomic benefits, in terms of stimulating aggregate demand and lessening the social expenditures needed to compensate for poor quality, low-paying jobs.

18. The second panellist noted that structural transformation in Africa had remained elusive. The panellist outlined renewed efforts by countries in Africa to industrialize, to structurally transform economies and to create more jobs and reduce poverty. He noted that countries in Africa could seek to attract industries and technologies consistent with their comparative advantages. With a clear strategic policy direction, countries in Africa could take advantage of the imminent relocation of a substantial share of the 85 million manufacturing jobs in China. Finally, the panellist underscored that success would be dependent on human and institutional capacity, informed strategic policymaking and implementation in a pragmatic manner.

19. The third panellist addressed the role of macroeconomic policy in the context of changes in work and incomes. He outlined the changing landscape in labour markets and income brought about by the effects of financialization; the widening gap between labour and capital income; and new technologies and future patterns of work. The panellist proposed a series of public policy responses to address such challenges, centred around boosting investments, financing social protection, enacting redistributive fiscal policies and ensuring the coherence of policy at both the national and international levels.

20. In the ensuing discussion, one delegate noted the substantial weight of the informal sector in many developing country economies and the extent to which government institutions and regulations had an impact on the labour activities and practices in informal sectors. Another delegate noted that investments by China in countries in Africa had improved physical infrastructure capacities. The delegate also noted the reduced policy space available to developing countries in Africa and elsewhere to achieve structural transformation, in particular in the context of prevailing global trading rules that inhibited the policy alternatives available to Governments.

21. Another delegate stressed that labour policies should not restrict job opportunities, and also highlighted the importance of education and training in bolstering capacities and of guaranteeing social protection. He underlined the crucial role of small and medium-sized enterprises in creating jobs and boosting productivity, and emphasized that the competitiveness of such enterprises at the domestic level, and their subsequent integration into global markets, were key factors in achieving economic progress.

22. One delegate expressed appreciation for the public policy recommendations provided by the panellists and shared the perspective of a developing country considering the more complex economies of developed countries. He noted that developed countries on the whole had not adopted many of these policy recommendations in recent years.

23. In their concluding interventions, the panellists noted that even in a context in which the informal sector represented a significant proportion of economic activity, the introduction of labour regulations and standards could have a positive impact on those in the informal sector, by way of concerted efforts and public campaigns by authorities to ensure that all workers were aware of their legal rights. With regard to the flow of investment to countries in Africa, the panellists noted the absence of a clear strategy of engagement by Governments, in particular at the regional and continental levels, and emphasized that such a strategy could be crucial in directing investment towards job creation. The panellists also stressed the importance of human and institutional capacity-building, to channel investment towards structural transformation. Finally, the panellists discussed the use of environmental policy measures as a means to not only address environmental challenges, but also shape and protect national industries.

24. In his concluding remarks, the Chair highlighted the need for policy coherence that went beyond the national level, to encompass international policy coordination.

II. Organizational matters

A. Election of officers

(Agenda item 1)

25. At its opening plenary, on 25 February 2019, the Multi-year Expert Meeting elected Mr. Diego Aulestia Valencia (Ecuador) as its Chair and Mr. Mohamed Jamaledin Omer Bukheet (Sudan) as its Vice-Chair-cum-Rapporteur.

B. Adoption of the agenda and organization of work

(Agenda item 2)

26. Also at its opening plenary, the Multi-year Expert Meeting adopted the provisional agenda for the session (TD/B/C.I/MEM.8/7). The agenda was thus as follows:

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. How labour and macroeconomic policies can contribute towards the achievement of the Sustainable Development Goals.
4. Adoption of the report of the meeting.

C. Outcome of the session

27. At its closing plenary, on 26 February 2019, the Multi-year Expert Meeting agreed that the Chair should summarize the discussions.

D. Adoption of the report of the meeting

(Agenda item 4)

28. Also at its closing plenary, the Multi-year Expert Meeting authorized the Vice-Chair-cum-Rapporteur to finalize the report after the conclusion of the session.

Annex

Attendance*

1. Representatives of the following States members of the Conference attended the session:

Algeria	Mexico
Bangladesh	Morocco
Bolivia (Plurinational State of)	Nepal
Brazil	Niger
Burkina Faso	Nigeria
Burundi	Oman
Congo	Pakistan
Costa Rica	Panama
Djibouti	Republic of Moldova
Egypt	Saudi Arabia
Ethiopia	Sierra Leone
Gabon	Spain
Guatemala	Sri Lanka
India	State of Palestine
Iran (Islamic Republic of)	Sudan
Jordan	Syrian Arab Republic
Kenya	Togo
Lebanon	Turkey
Madagascar	Ukraine
Mali	Zambia
Mauritania	

2. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States
South Centre

3. The following specialized agency or related organization was represented at the session:

International Labour Organization

* This attendance list contains registered participants. For the list of participants, see TD/B/C.I/MEM.8/INF.3.