



## **ELS/DEV JOINT SEMINAR**

# **Employment and Inequality Outcomes: New Evidence, Links and Policy Responses in Brazil, China and India**

**8<sup>th</sup> of April 2009**  
**OECD Conference Centre**  
Room CC7  
2, Rue André Pascal  
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## CONCEPT NOTE

### Background

1. Globalisation, with the deep integration of financial markets, the spurring of technical progress, the reduction of transaction costs and the increase of migration flows in many regions of the world has impacted on employment outcomes and will continue to do so in the future. Despite successes in creating more jobs in the course of economic expansion, welfare gains vary widely between countries and individuals. Many of the newly created jobs have neither been able to provide a minimum standard of living nor to provide adequate social protection. Indeed, some argue that the newly created jobs are often “bad” jobs, locking people into a vicious circle of low pay, high risk and insufficient prospects to climb the social ladder, which can also generate increased inequalities.

2. The OECD has monitored and analysed these trends in various work streams. For example, the Directorate of Employment, Labour and Social Affairs (ELS) ([www.oecd.org/els](http://www.oecd.org/els)) has dedicated a chapter on informal labour markets in seven OECD countries in its 2008 Employment Outlook. The same publication in 2007 focused in depth on the rapidly growing labour markets in Brazil, India, Russia and China and analysed consequences of informal employment on income inequality and poverty. More recently, the publication “Growing Unequal?” has looked at trends in poverty, earnings and incomes in OECD countries. For the OECD Development Centre (DEV) ([www.oecd.org/dev](http://www.oecd.org/dev)) the phenomenon of “bad jobs” has been the focus in its 2007/08 biannual programme of work, which focused on informal labour markets and social protection. Several case studies, including Romania, China and Mexico, demonstrate that people working in precarious conditions are no longer an exception but increasingly the norm. Informal employment – frequently without work contracts or social protection – is growing in many parts of the world, generating segmentation in the labour market that obstructs growth and creates inequalities and is affecting the way policy makers should address labour market concerns.

3. The creation of more and better jobs remains a key challenge all over the world, not least due to the increasing demand for jobs in many developing countries in the course of population growth and the expected global economic slowdown. Indeed, according to the last OECD estimations the number of unemployed in OECD countries is expected to rise by about 8 million people to reach 42 million over 2009-2010, the most rapid rise in OECD unemployment since the early 1990s. At the global level, the most recent ILO projections suggest that the number of unemployed people around the world could increase by 20-30 million by the end of 2009 compared with 2007. Moreover, many more individuals may fall into poverty while still working; or they will have to pick up informal jobs to guarantee a minimum standard of living for their families.

4. Other than reducing the number of jobs, the current economic slowdown also risks to have a significant impact on the quality of jobs, potentially eroding the working conditions of some specific groups and rendering them more vulnerable. Even in developed countries, the quality of jobs needs to be improved to counter the “informalisation” of formal jobs, a phenomenon that describes a process towards de-linking formal jobs from labour legislation, formal social security systems and state regulations. Specifically, the development of new forms of employment with lower pay or levels of social protection has generated a segmentation of the labour market that obstructs growth and creates inequalities.

5. The lack of “good jobs” and the limited coverage and effectiveness of social security systems implies that the poor often have to undertake any type of job in order to sustain themselves and their families. Dismissed workers frequently have to move to the first available job even if it is of lower quality than the one they have just lost. However, not everybody has been forced into the informal sector. While the majority of informal workers remain trapped into low productivity and low-paid jobs in subsistence activities, others with relatively higher skills and experience have often opted out of the formal sector to avoid taxes and social security contributions that many perceive as too high compared with the expected benefits.

6. Brazil, China and India, three of the OECD's "enhanced engagement countries", offer interesting examples to study these phenomena. Over the past decade, all three countries have experienced major economic and social transformations. Greater integration into the world economy and structural reforms have pushed these countries into a higher growth path. While sustained economic growth has contributed to bringing extreme poverty down, high and often growing disparities in employment opportunities, coupled with a limited coverage of social protection systems, have been associated with persistently high (India), very high (Brazil) and, in some cases, rapidly widening (China) earnings and income inequalities. Although all three countries are committed to fighting poverty and inequality (as witnessed, for example, by Brazil's "Zero Hunger" programme; the Chinese government's focus on "economic growth balanced with social harmony and stability"; and the Indian government's commitment to "inclusive growth"), growing segmentation in the labour market has made it increasingly difficult for the tax and benefit systems to redistribute economic resources. In some cases, the tax and transfer systems have even contributed to increase rather than decrease inequalities.

### **The Seminar**

7. As part of the increased dialogue and cooperation between the OECD and the enhanced engagement countries, and as part of an in-depth study on inequality jointly undertaken with the European Commission, the purpose of this joint ELS/DEV Seminar is to review the evolution of the quantity and quality of employment and its impact on poverty and inequality, with a specific focus on Brazil, China and India. Based on an in-depth assessment of labour market trends in each of these countries, the seminar will discuss policy options towards more and better jobs.

8. The structure of the seminar is as follows: It will start with a presentation of the main trends in employment and its impact on poverty and inequality, mainly in middle income countries. The core of the seminar's discussions will then centre on the link between growth, employment outcomes and inequality in three of the OECD enhanced engagement countries: Brazil, China and India. The seminar will end with a short wrap-up and concluding session. Some of the key questions that will be discussed include:

- Is becoming "informal" a normal trend in the labour markets? Who are the most hit by this situation, in particular in Brazil, China and India? What explains the persistence of informal employment and, in particular, what is the role of labour regulation as well as tax and social policies in these countries?
- To what extent are inequality trends determined by developments in the labour market? In particular, do changes in the amount of formal/informal work drive changes in market incomes?
- How have the links between economic growth, employment and the quality/productivity of jobs evolved over the past decade? To what extent have these links been influenced by greater integration of these countries into the world economy and technological change?
- To what extent have labour market and social policies contributed to reducing (or increasing) inequalities? Are there lessons to be learned from the experiences in Brazil, China and India regarding labour and social policies? Regarding the labour market and the social policy measures, what are the more pressing priorities/needs to better deal with the consequences of the current economic slowdown?

### **Expected participants**

Representatives of OECD Delegations and the European Union, external experts and internal staff. Around 50-70 participants.

### **Contacts**

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