

ILO Statement to the G24 108th Meeting of Ministers and Governors

Washington D.C., October 11, 2022

Global growth has remained subdued in 2022 and it is projected to slow further in 2023¹. Increasing prices of food, fertilisers, and energy, increasing interest rates and credit spreads and currency depreciations are severely affecting the near-term outlook of developing countries including many emerging markets and developing economies (EMDEs). The combination of significantly higher inflation and the ongoing slowdown in the economic recovery are exacerbating existing employment challenges and fuelling a cost-of-living crisis.

The cost-of-living crisis comes on top of significant losses in the total wage incomes for workers and their families during the COVID-19 crisis, which in many countries had the greatest impact on low-income groups. The ILO expects the global number of hours worked to remain significantly lower than the pre-pandemic level. Indeed, labour incomes have not yet recovered for most workers. Those in low-, lower-middle- and upper-middle-income countries (excluding China) still face reduced labour incomes compared to the pre-crisis situation while labour income in high-income countries has exceeded its pre-crisis level².

Available evidence for 2022 suggests that rising inflation is causing real wage contract in many countries³, reducing the purchasing power of the middle class and hitting low-income groups particularly hard. Minimum wages, a widely used instrument around the world to protect the incomes and the purchasing power of low-paid workers and their families, have decreased in real terms in several countries⁴.

Many EMDEs need to address debt sustainability, act on climate adaptation and mitigation, and manage limited fiscal budgets. Already constrained by limited fiscal

¹ IMF. World Economic Outlook, Update July 2022; OECD Economic Outlook, Interim Report September 2022.

² ILO. 2022. [ILO Monitor on the world of work](#). Ninth edition. 23 May 2022.

³ ILO. Global Wage Report 2022/23. Forthcoming (28 November 2022)

⁴ Ibid.

space and vaccination rollouts, these countries are now being struck by the impact of financial, food and energy shocks.⁵

In the absence of adequate policy responses at the national and multilateral level, this persistent lack of a full economic recovery in developing countries and EMDEs can jeopardize global growth, financial, economic and social stability and progress to environmental sustainability. All this calls for urgent global action and additional resources to tackle the development crisis.

Fiscal policy, while designed in a way to avoid adding to high inflationary pressures, must address inequalities and rebuild buffers to cushion living standards and assist enterprises.

In its communique, the G24 is calling for a timely implementation of the G20 Common Framework for Debt Treatments and the need for developing a commonly accepted coordination platform to deal with supporting the debt treatments also for middle-income countries (MICs). Other global and multilateral measures on addressing sovereign debt distress, supporting trade and value chains recovery, on global minimum taxation and climate action are also welcomed and encouraged.

The shares this G24 assessment and emphasises the need of policies that can support recovery, protecting the most vulnerable and promoting transition to more productive and greener economy by:

- Making access to adequate social protection for all a reality, strengthening delivery systems and mobilising resources from diverse sources to finance those system. Concerted international support is critical for fast-tracking progress towards universal social protection, especially in low-income countries with marked underinvestment in social protection and limited fiscal and economic capacities.
- Providing an adequate adjustment of the minimum wage that would significantly improve the living standards of low-income households in the current cost-of-living crisis. Minimum wage systems are in place in many EMDEs. Yet, for this mechanism to be effective, minimum wages need to be adjusted regularly to take into account the needs of workers and their families, along with relevant economic factors. Furthermore, strong social dialogue, including collective bargaining, can be instrumental in achieving wage adjustments to agree on how much to compensate inflation with regards to wages above the minimum wage.
- Significantly boosting public and private investment in just transitions: The high prevalence of employment in informal economy in developing countries is posing a major challenge to realizing the right to social protection. A transition to formalization can positively affect the development of sustainable enterprises, increase public revenues and increase governments' regulatory scope of action. Furthermore, a just transition to more environmentally sustainable economy is required to tackle climate change are to be economically, socially, and politically

⁵ Ibid.

feasible based on the principles of international equity enshrined in the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement.

Global collective action is needed to support EMDCs. Global solidarity must create the fiscal space, liquidity, and the global public goods necessary for the human and physical investment that is required to create full and productive employment and increase resilience to shocks. The ILO is fully committed to support G24 efforts for a fairer, inclusive, and sustainable recovery in collaboration with the UN System, the IMF, the WBG, all the MDBs.

Only by advancing social justice can we ensure sustainable development and lasting peace.