

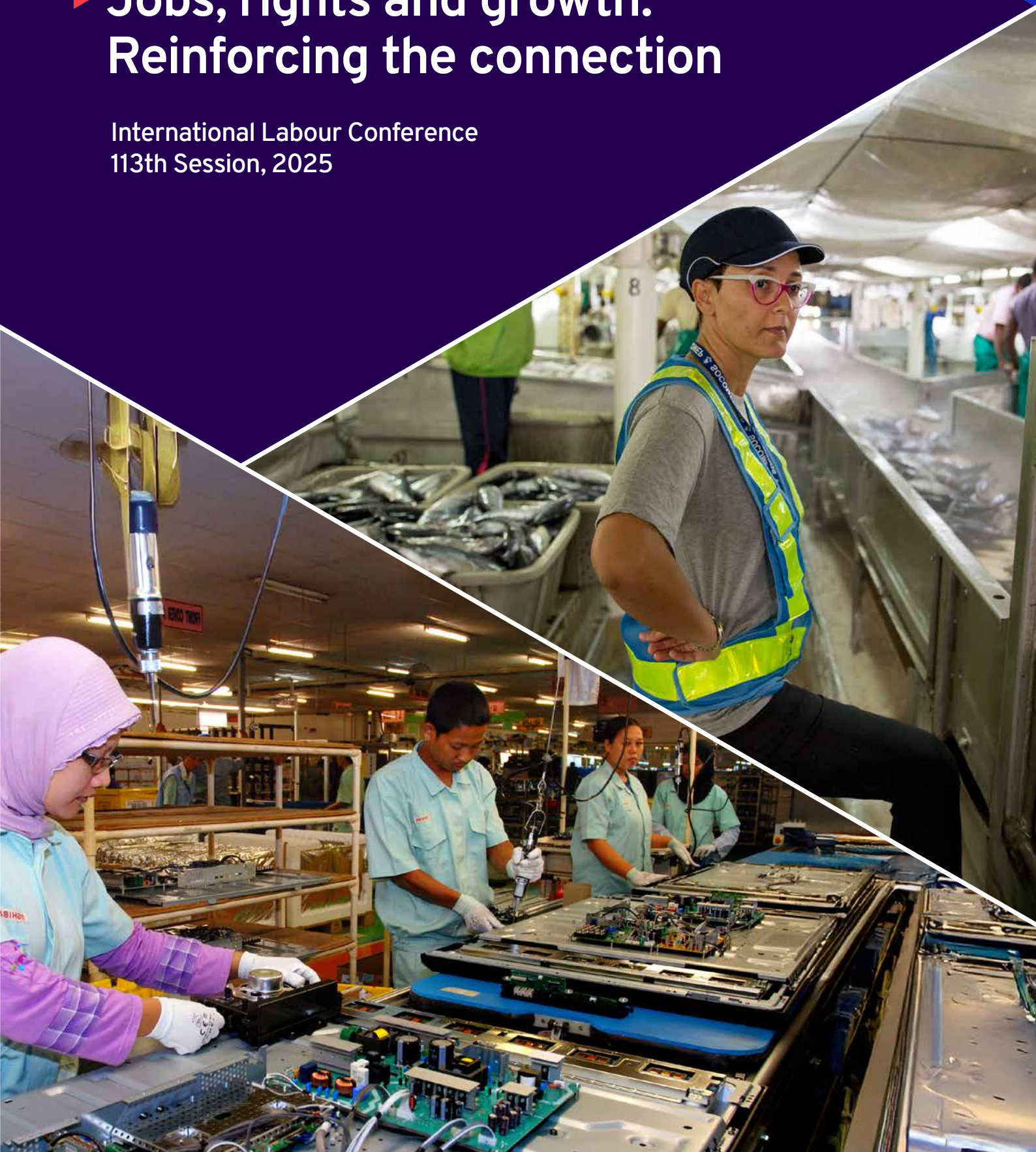


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► Jobs, rights and growth: Reinforcing the connection

International Labour Conference
113th Session, 2025



Report I(B)

► **Jobs, rights and growth: Reinforcing the connection**

Report of the Director-General

First item on the agenda



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► Preface

In recent years, I have grown increasingly concerned by the sense of disillusionment I witness from working people around the world. Many feel unheard, unprotected and disconnected from decisions that shape their lives. Trust in institutions is fading, and the promise that effort and contribution will be met with dignity and opportunity feels broken for too many. This is not just an economic issue – it is a crisis of confidence, one that cuts at the heart of social cohesion and social justice.

I am struck by how often these concerns are voiced not in abstract terms, but in deeply personal ways: “Will my job still exist tomorrow?”, “Can I make ends meet?”, “Do I have a say in what happens next?”. These are not unreasonable questions. And we should not shy away from acknowledging the growing gap between what people expect and what they experience.

Yet I refuse to believe that we are powerless in the face of these challenges. On the contrary, I believe we know what needs to be done. The ILO was founded in 1919 with the constitutional conviction that where “conditions of labour exist involving such injustice, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperilled... an improvement of those conditions is urgently required”. The 1944 Declaration of Philadelphia reminds us that all national and international policies and measures, in particular those of an economic and financial character, are to be held up to the light of whether they promote social justice. We have an institutional responsibility to respond.

This report – my third to the International Labour Conference – reaffirms that social justice depends on strengthening the relationship between jobs, rights and growth. This report also makes the case that this deepened relationship is held together by democratic values and institutions – those that ensure accountability, participation, fairness and, critically, democratic participation. We know this: social dialogue allows people to have a voice on the issues that matter, ensuring that they do not simply endure outcomes, but rather craft the solutions that shape our collective futures.

Social dialogue, in other words, is where these values come to life. It is how trust is rebuilt, how diverging interests are reconciled and how lasting progress is made. In a time of rapid change and deep uncertainty, it is also our most promising means of making economic growth inclusive, work decent and institutions responsive.

We have the mandate. We have the tools and the knowledge. What we need now is the resolve – to listen deeply, to act in a manner that fosters policy coherence and to recognize once again that a just world of work is within our reach. I trust this report will help us to move, together, in the direction of social justice for lasting peace.

Gilbert F. Hounbo
Director-General

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► Chapter 1

Age-old questions for new turbulent times

1. The world is grappling with ever more intense and complex challenges, blurring the line between crisis and normality. These crises – spanning health, the climate, geopolitics, and economic and social domains – emerge in rapid succession and often overlap, amplifying their impact.
2. The world of work bears deep scars from these disruptions, making the search for effective and widely accepted solutions to build a more resilient future both urgent and challenging. In this context, I addressed you in 2023 to share my vision for advancing on our constitutional mandate to foster social justice in a divided and uncertain world. Last year, I took this further by exploring how a renewed social contract can be a key strategy for ensuring a fair and equitable world of work across countries in different sociopolitical circumstances.
3. Currently, the world is facing yet another period of turbulence and uncertainty – one I would describe as a “time of discontent”. This time, it is not only about climate, technology or inflation, it is about the *people* impacted by these changes, who are voicing the tensions that have built up over years of economic transformation and geopolitical friction, with various manifestations. The results of recent elections worldwide were a solemn reminder that delaying action on people’s daily struggles carries serious political consequences. History teaches us that economic and social divides predictably lead to political polarization, which in turn threatens the very foundation of democratic society and shared prosperity.
4. As John Maynard Keynes once said, “[t]he political problem of mankind is to combine three things: economic efficiency, social justice, and individual liberty”. This is precisely where the world is currently falling short. More specifically, people want to see how these “three things” can be realized in their daily lives and are demanding credible, tangible solutions from decision makers. Furthermore, they want to be part of the solution-seeking process, not just recipients of outcomes that often do not respond to their real needs.
5. This issue strikes at the very core of the ILO’s mandate, and in fact is deeply rooted in its history. Work is a fundamental part of daily life for billions of people worldwide, making it a critical measure of our commitment and capacity to address “the political problem of mankind”. From the media to the ballot boxes and to the streets, it is clear that much of people’s dissatisfaction with current politics stems from the feeling that they are being left behind and alone. This sense of being abandoned is further exacerbated by a series of growing challenges, including rising living costs, austerity measures and mounting debt, all of which worsen the already strained financial situations of many people and the fiscal space for governments to help. And, most acutely, it is felt in the world of work today with a chronic shortage of, and unequal access to, decent jobs.
6. From the ILO’s perspective, I am inclined to draw from Keynes and advance our own three things: jobs, rights and growth, with the key question being how we can ensure that economic growth generates more and better jobs while strengthening respect for labour rights for all. It is about how we can place jobs and rights at the core of economic and financial policies – an idea I proposed last year as a key pillar of the social contract. In short, how can we forge a stronger link between jobs, rights and growth? This long-standing question, which was already central to the Declaration concerning the aims and purposes of the ILO (1944) (Declaration of Philadelphia) and which the ILO has sought to address throughout its history, is the focus of my report this year, as

it has never been more relevant. In these times of discontent, it directly addresses people's deepest concerns.

7. Before addressing the question of the jobs–rights–growth nexus, three important premises must be established. The first concerns what is often referred to as “the growth dilemma”. While economic growth – particularly when driven by productivity gains – is widely regarded as a necessary condition for creating productive employment and decent jobs, it has never been a sufficient one. Growth can be a mixed blessing, sometimes exacerbating inequalities, harming the environment, weakening communities, and even undermining democracy and labour rights.
8. It does not have to be this way. While achieving a positive nexus between jobs, rights and growth has never been easy – requiring the right policies, institutions, resources, dialogue and political will – it is entirely possible to transform this so-called trilemma into a dynamic triangle, where all three elements reinforce each other. The real challenge today is not an inherent conflict between them, but the failure to take action and turn vision into reality. This lack of action becomes even more dangerous in the recent economic and political environment, which challenges the foundations of global cooperation and policy coherence.
9. The second premise is the recognition of the full social value of decent work. Just as gross domestic product (GDP), the most commonly used measure of economic growth, fails to accurately capture well-being, the monetary valuation of decent jobs often underestimates their true significance. This point is eloquently articulated at the outset of the Global Commission on the Future of Work report, *Work for a brighter future*, which states:

Work sustains us. It is how we meet our material needs, escape poverty and build decent lives. Beyond our material needs work can give us a sense of identity, belonging and purpose. It can expand our choices, allowing us to glimpse optimistically into our own future.

Work also holds collective significance by providing the network of connections and interactions that forge social cohesion. The way in which we organize work and labour markets plays a major role in determining the degree of equality our societies achieve.

Yet work can also be dangerous, unhealthy and poorly paid, unpredictable and unstable. Rather than expanding our sense of possibility, it can make us feel trapped, literally and emotionally. And for those unable to find work, it can be a source of exclusion.
10. Considering these broader implications of work in our society, economists would argue that *decent jobs* generate positive externalities, while *bad jobs* create negative externalities and erode human capabilities. When such negative externalities are widespread and not addressed, societies face a chronic shortage of decent jobs and an oversupply of bad jobs. If this is the case, I expect that my economist friends would not hesitate to advocate proactive policy interventions for more and better investment in decent jobs. Such a situation is not hypothetical, as we saw during the COVID-19 pandemic, when persistent labour shortages and high employee turnover caused by the undervaluation of workers in key economic activities (healthcare workers, truck drivers, sanitation workers, farmers) affected the provision of basic services. These workers are deemed essential, yet their contributions are often treated as marginal and there are deficits in their working conditions.¹
11. The third is too often taken for granted – the question of democratic values supporting the actors with the agency necessary to implement policies, and upholding the processes and institutions that support their engagement and participation. Since such opportunities need to be accessible to all in society, the dynamic, mutually reinforcing triangle of jobs–rights–growth inherently

¹ ILO, *World Employment and Social Outlook 2023: The Value of Essential Work*, 2023.

requires a democratic process. As Mahatma Gandhi wisely stated, under democracy “the weakest should have the same opportunity as the strongest”. We also now know that equality is not a luxury to be claimed once an economy has reached maturity but is instead a vital part of the development engine. Inequality bites us back in the form of slow and volatile growth and social and political instability. It is essential to recognize that effective social dialogue can and should still occur. And for social dialogue to be meaningful, fundamental rights such as freedom of association and collective bargaining must be respected, regardless of the prevailing political system.

12. Seen in this light, democratic participation values serve as a binding force (or glue) that connects jobs, rights and growth, fostering a mutually supporting dynamic triunity in which evolving tensions and new challenges are addressed through inclusive dialogue that involves social partners and all other relevant stakeholders and fosters coordinated action. This message is consonant with my message last year urging the advancement of “democracy at work” through the social contract. This year I call for us to deepen our commitment to the democratic participation values that will make the mutually reinforcing jobs, rights and growth triangle a dynamic reality.
13. In this report, I will first assess the evolving linkages between jobs, rights and economic growth. Second, I will then shift focus to transformative changes – technological advancements, demographic shifts, climate change and trade dynamics, exploring their implications for the linkages. Third, as these assessments raise the crucial importance of economic and social choice in determining the eventual outcome of transformative changes, I will move to look at questions relating to social actors, power dynamics and institutional frameworks. The discussion will bring me to the critical value of democratic participation in sustaining and reinforcing the jobs–rights–growth nexus. I will conclude with some further thoughts on how to renew our commitment to strengthen the linkages between the dynamic trio of economic growth, decent work and labour rights to ensure that they reinforce one another in a sustainable and inclusive manner.

► Chapter 2

Weakening linkages

14. Where do we stand regarding the nexus of jobs–rights–growth? This is not a simple question to answer. Fortunately, the ILO’s research has already provided a solid empirical foundation for assessment. The overall picture is mixed, with unfortunately some signs that the nexus is weakening.

Growth and jobs

15. At the outset, it is necessary to assess how economic growth, as typically captured in GDP, has translated into decent jobs. While this question might immediately recall the lively debates on “jobless growth”, the reality is more complex and nuanced. Over the past two decades, GDP growth averaged around 3.5 per cent per year, which is relatively solid, although marked by recurring episodes of economic crises and differences between countries and regions.² In parallel, employment increased on average by 1.3 per cent per year – and even if this is not much, we cannot say it was jobless growth.
16. However, the concern is that economic growth is creating *fewer* jobs over time. The employment intensity of growth – how much employment increases for every 1 per cent rise in GDP – was 0.40 over the last decade. This is an improvement from 0.32 in the previous decade, mainly due to the rising participation of women and the fact that the majority of jobs were created in the employment-intensive service sector. But the impact has varied, with upper-middle-income countries in particular experiencing slower job creation, raising fears of economic stagnation, inadequate and incomplete structural transformation processes and increasing inequalities.
17. Another key issue is that much of this job growth comes from population increases, not necessarily from stronger economies. As a consequence, in many developing countries, people must take informal jobs due to limited formal employment opportunities. The real question therefore is: How can we ensure that growth creates formal jobs?
18. The trend is concerning. At the start of the twenty-first century, 1 per cent economic growth led to a 0.50 per cent rise in formal jobs – faster than overall employment growth. But in the past decade, this dropped to 0.38 per cent, showing a weaker link between growth and formal job creation.
19. In addition, growth needs not only to be judged by the amount of formal employment created, job quality matters. In this context, let us have a look at the impact of growth on wage earners and how economic benefits from production are shared. The good news is that, globally, average

² In particular, Latin America has seen a weak growth performance over the last decade, which is therefore referred to as a lost decade. The [2024 Labour Overview: Latin America and the Caribbean, Executive Summary](#), states that if economic growth rates are confirmed, the region will have grown “at an average annual rate of 1 per cent between 2015 and 2024, implying stagnation in GDP per capita during this period ... and growth levels well below the average rate of around 3 per cent per year observed between 1990 and 2010”.

wages have increased, wage inequality has declined in most countries, and extreme working poverty (earning less than US\$2.15 per day) has fallen over the past 30 years.³

20. However, wages continue to lag behind labour productivity growth – a crucial factor shaping people's perceptions of “fair wages” – and the gap has recently widened further. In advanced countries, the gap between real productivity growth and real wages was estimated to have increased to 14.2 percentage points since the beginning of the twenty-first century, leading to a decline in labour's share in the fruits of economic progress.⁴
21. In addition, for millions of people the question is quite stark. Simply put, can they meet their basic needs and those of their families with the income they make, which it becomes more and more difficult to do with the cost-of-living increases seen around the globe. Amid this pressing situation, both enterprises and workers are increasingly discussing the operationalization of the concept of living wages as a means to ensure decent work, reduce poverty and foster a mutually supportive relationship between wages and sustained economic growth.⁵ When workers earn enough to afford a decent standard of living they have greater purchasing power, which boosts demand for goods and services, stimulates business activity, expands fiscal space and ultimately fosters sustainable economic development.
22. In short, economic growth is a key means of ensuring more jobs, better incomes and a reduction in inequalities. We need to understand why recent growth has created fewer jobs than expected, particularly in the formal economy, and why these jobs are often compensated by less than what they contribute to the economy. We cannot ignore the fact that the positive linkage between growth and jobs is weakening, because of the negative impact this has on social and economic development, equality and future growth.

Growth and rights

23. What about the linkage between growth and rights? Has economic growth, by improving material conditions, led to an expansion of workers' rights? Or, conversely, have we seen that workers with strong rights contributed more effectively to economic progress? In fact, the linkage between work and rights can and should function in both directions. As the Nobel laureate Joseph Stiglitz has powerfully argued at the ILO: “There are imperfections of competition and imperfections of corporate governance, and laws granting workers the rights to association and collective bargaining may serve to redress the balance, to give more effective voice to the concerns of workers, to enhance overall economic efficiency”.⁶
24. Analyses conducted by the ILO have repeatedly confirmed the economic benefits of freedom of association and collective bargaining rights, especially since the ILO Declaration on Social Justice for a Fair Globalization (2008), as amended in 2022 (Social Justice Declaration), which noted the particular importance of these rights in the context of economic globalization. The debates on freedom of association and collective bargaining rights often focus on impacts resulting from higher wages for union members, but, in reality, they also create positive spillover effects for non-union members and reduce overall wage inequality. This holds across developed and developing

³ As of 2023, Africa continues to have the highest proportion of working poor, with 29 per cent of its employed population living in extreme poverty; in sub-Saharan Africa alone, this affects approximately 145 million workers, nearly one third of the employed population.

⁴ ILO, *Global Wage Report 2024–25: Is Wage Inequality Decreasing Globally?*, 2024.

⁵ This web page offers access to essential ILO documents and publications related to living wages: ILO, [The Question of Living Wages](#).

⁶ Speech at the ILO Global Employment Forum in 2001.

countries. Often, these higher wages can be accompanied by higher labour productivity, offsetting the impact on labour costs. This is a key insight of “high road” employment practices, where paying workers more pays off in terms of retention and increased productivity.⁷

25. The tragedy today is that despite much expectation and evidence, there are signs that labour rights have been eroded in many parts of the world amid sustained economic growth.⁸ Overall, and unfortunately, the linkage between growth and labour rights is under tremendous strain on many different fronts.
26. Take the example of freedom of association and collective bargaining, which is an important part of Sustainable Development Goal 8 (indicator 8.8.2). The ILO has been tasked with assessing global developments, drawing on both ILO supervisory body textual sources and national legislation. After an initial stagnation in the scores over the last ten years, the global trends in freedom of association and collective bargaining rights have been worsening in an alarming way since the pandemic. From 2020 to 2023, around 40 per cent of countries saw the situation of freedom of association and collective bargaining deteriorate, while only 15 per cent of countries managed to improve it – leading to a 7 per cent deterioration globally in the protection of these rights. Thus, while the global economy advanced, the engine of workers’ rights regressed.⁹
27. Progress in eliminating child labour and forced labour has also stalled. For instance, as of 2021, 27.6 million people were in forced labour, or 3.5 people for every thousand people globally. Ten years ago, it was 3.4 people for every thousand people. The change in the ratio may look small, but it means that forced labour increased in absolute terms by 2.7 million people. The overall rise was mainly due to significant increases in privately imposed forced labour.¹⁰
28. Economic fortunes have been amassed at the expense of human life and dignity. Take the extreme level of annual profit generated from forced labour in the world today: US\$236 billion. As stated in *Profits and poverty: The economics of forced labour*, “[t]his figure reflects the wages or earnings effectively stolen from the pockets of workers ... It represents money subtracted from the incomes of workers often already struggling to meet the needs of their families. For migrant workers, it is money taken from the remittances they send home to their families and relatives. For governments, these illegal profits represent lost tax revenue ... More broadly, the profits from forced labour can incentivize further exploitation, strengthen criminal networks, encourage corruption and undermine the rule of law”.¹¹ Virtually no one can benefit from the horror of forced labour, but it still happens and is even increasing.
29. Why did the regression take place? There are many reasons, but crucial ones are certainly a deterioration in the rule of law and in respect for civil liberties and human rights, a shrinking democratic space and a weakening of democratic institutions, and growing corporate power.

⁷ David Kucera and Dora Sari, “Globalization and freedom of association and collective bargaining rights”, in K. Elliot (ed.) *Handbook on Globalisation and Labour Standards* (Edward Elgar). It shows no negative impact of stronger freedom of association and collective bargaining rights on exports, even for labour-intensive industries such as apparel and footwear. The clearest findings of this research are that for low- and middle-income countries as exporters, stronger freedom of association and collective bargaining rights are associated with higher exports for several industries as a result of improved productivity, workforce stability and buyer confidence, which are key competitive advantages.

⁸ ILO, *2024 High Level Political Forum Thematic Review of SDG 8*, a room paper for the Expert Group Meeting, 2025.

⁹ ILO, *2024 High Level Political Forum Thematic Review of SDG 8*.

¹⁰ ILO, *Profits and Poverty: The Economics of Forced Labour*, 2024. It is essential to distinguish between criminal practices – often perpetrated by illicit actors – and the vast majority of enterprises working to uphold decent work. Also, it needs to be mentioned that the majority of child and forced labour happens in the informal economy.

¹¹ ILO, *Profits and Poverty*, 2024.

These have all seriously undermined the realization of all fundamental principles and rights at work in some countries.

Jobs and rights

30. Given the setbacks in both the growth-jobs and growth-rights linkages, it is not surprising that new cracks have also emerged in the jobs-rights nexus – and I already hinted at some of them above. A decent job, meaning the type of job that is promised for every person under Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all) comes with certain rights, such as social protection, voice and representation at work, and respect for all labour rights. But this is far from the reality for many people. An immediate concern in this respect is the rise in absolute numbers of informal workers, keeping the overall informality rate rather stagnant, even during the strong post-pandemic recovery. Of course, as we are discussing at this session of the Conference, informal employment is a highly heterogeneous phenomenon. While the challenges require an array of well-defined, targeted policies, one common challenge informal workers face is their lack of the right to access social protection, which exacerbates their income insecurity and ultimately undermines broader economic stability by reducing macroeconomic multipliers.¹²
31. And recent developments have raised broader questions that extend beyond informality, prompting us to ask: What kinds of jobs are created? It is often said that any job is better than no job, but we should be wary of this broad and sweeping conclusion and of the assumptions behind it. In reality, it is easy to be classified as “employed” but much harder to be recognized as “unemployed”, even if many people’s economic reality is much closer to being unemployed, despite the fact that they work.
32. Let me make this point clearer by looking more closely at what the most widely used, yet incomplete, labour market indicator – unemployment – means, and what it tells us and does not tell us. Surprisingly, the world is converging when it comes to the unemployment rate. In 2024, the global unemployment rate stood at 5.0 per cent, with only a small difference of 0.7 percentage points between the income group with the highest rate (upper-middle-income countries at 5.7 per cent) and those with the lowest rate (lower-middle-income countries and high-income countries at 4.4 per cent).¹³ The reason for this odd convergence is simple: many workers in the developing world cannot afford to be unemployed. For them, as I mentioned earlier, the real “choice” is between formal and informal employment, not employment versus unemployment. Informal workers are counted as employed but are almost always lacking basic rights and protection.
33. In fact, as our statisticians remind us, the current definition of unemployment is strict, and must be complemented with other measures of labour underutilization to grasp its full extent and the variety of difficulties to access employment faced by different groups. For instance, in the case of young people, measuring those who are not in employment, education, or training (NEETs) helps us capture better the magnitude of challenges young people are facing in the world of work and how these interact with their participation in education. NEET rates are still at alarmingly high levels of over 20 per cent and look particularly concerning for young women (at 28.1 per cent in 2023, more than double the rate for young men), hinting at the barriers women face, including

¹² For instance, ILO research finds that social protection spending leads to positive economic growth. The median cumulative multiplier was 1.52 after 2.5 years, with a wide range of -2.1 in Ireland to 7.4 in Mexico. This means that for each extra dollar invested in social protection, the economic output rises by US\$1.52 after 2.5 years. See Dante Cardoso et al., *The Multiplier Effects of Government Expenditures on Social Protection: A Multi-Country Study*, working paper 18, MADE/USP, 28 August 2023.

¹³ ILO, *World Employment and Social Outlook: Trends 2025*, 2025.

access to education and employment, and the disproportionate amount of unpaid care work women perform.

34. Similarly, to reflect all forms of labour underutilization, the international statistical community refers to a composite labour underutilization rate covering not only unemployment, but also time-related underemployment and participation in the potential labour force (being outside the labour force but available for or seeking employment). Once we consider this, the overall picture is different and more complex. This labour underutilization rate stood at 14.1 per cent in 2022, slightly higher than the 13.7 per cent recorded in 2019. In other words, nearly one out of every six workers in the world today does not have sufficient paid work. And the situation is again worse for women, who, mainly because of care and domestic responsibilities, often have a more difficult time in the labour market.¹⁴
35. But having work, even if it is a formal job, is not the end of the story. There are many other dimensions of work that influence what people consider to be a “good job” with rights to labour and social protection. One important aspect is employment security. People will feel insecure if their expectation of continued employment is low. They will also feel insecure when they are stuck in temporary or casual employment (or even worse, zero hours contracts) with no prospect of changing the situation. Over the past two decades, there has been an upward trend in the share of employees on temporary contracts, with over one in five employees, in the 50 countries for which we have data, reporting to be on such contracts. While some reasons for being on temporary contracts may be desirable – for example, if one is in education or training – for the most part, workers would prefer more stable forms of employment. In Europe, for example, two thirds of the workers who were on temporary contracts had not been able to find a permanent job.
36. There is also concern about the persistence of pay gaps between countries and between groups of workers within countries. Despite sustained and positive wage growth and a significant reduction in working poverty globally, noted earlier, high levels of wage inequality persist in many countries. For example, in low-income countries where wage inequality is particularly high, 22 per cent of wage workers are classified as “low-paid”, that is they earn less than half the median wage (the wage earned by a person in the middle of the wage scale). The consequences of such inequality are dire. Globally, the purchasing power of workers in the bottom 10 per cent is only 6 per cent of that of workers in the top 10 per cent. Furthermore, the gender wage gap persists across countries and in all income groups. The ILO estimates that at the global level women continue to be paid approximately 20 per cent less than men, a gap that seems to have stagnated at that level despite increasing awareness and policy action in many parts of the world.¹⁵
37. There are other dimensions of work quality where we see mixed progress. First, let us look at what is happening with working time. One of the key challenges related to working time is excessive working hours, which is still the reality for millions of people in this world. This challenge calls for the capping of daily and weekly hours of work at a reasonable level and sufficient rest periods, such as weekly breaks and paid annual leave. At the same time, many people struggle with insufficient or rigid working hours, making it difficult to earn a decent income or maintain a healthy work–life balance. Especially during and after crises, both situations (too many and too few working hours) hinder the recovery and resilience of societies. The ILO’s latest estimates show that over one third of all workers regularly work more than 48 hours per week, while a fifth of the

¹⁴ The labour underutilization rate is 16.1 per cent for women, compared with 12.8 for men.

¹⁵ ILO, *Global Wage Report 2024–25*.

global workforce is at the opposite end of the spectrum, working short hours (often called part-time work) of less than 35 per week.¹⁶

- 38.** Occupational safety and health also remains a shared concern. While the inclusion of occupational safety and health in the fundamental principles and rights at work is a big achievement, we know that this right is not respected everywhere. As of 2023, nearly 3 million workers die annually due to work-related accidents and diseases, marking a 5 per cent increase compared to 2015.¹⁷ Occupational safety and health becomes particularly important in the light of climate change and the associated growing number of episodes of extreme weather events that pose significant health hazards for approximately 70 per cent of the global workforce. Against this backdrop, there is a strong need for adaptive occupational safety and health strategies.¹⁸
- 39.** People have the right to have a decent job in all its dimensions and societies have the obligation to provide such jobs and reduce inequalities. We cannot afford to increase frustration, particularly among young people, who find their aspirations to find decent work and their desire for inclusive societies not becoming reality. Otherwise, we put social peace at risk.

¹⁶ ILO, *Working Time and Work-Life Balance Around the World*, 2022.

¹⁷ ILO, *A Call for Safer and Healthier Working Environments*, 2023.

¹⁸ ILO, *Report at a Glance: Ensuring Safety and Health at Work in a Changing Climate*, 2024.

► Chapter 3

A question of choice: Transformative changes as an opportunity for a dynamic triangle

40. My assessment of the jobs–rights–growth nexus highlights some growing concerns. To complete the assessment, it is important to consider the profound structural forces that are driving transformative changes.
41. The transformative changes include technology, climate, demography and trade. While we want to recognize these shifts as opportunities for prosperity and decent jobs, none of the outcomes are predetermined. As the term “opportunity” suggests, this is merely potential, dependent on the choices we make with regard to political decisions, policy measures, the building and reforming of institutions, and the democratic processes that guide decision-making.
42. Considering the profound and far-reaching impact of these changes on the world of work, it is obvious that unless we effectively manage the consequences for labour markets well, we risk squandering invaluable opportunities to transform the trilemma into a dynamic, mutually reinforcing triangle.

Technology

43. Let us start by considering the technological changes that are currently on everyone’s mind. History has shown that technological change creates both winners and losers in the labour market and can contribute to increasing inequalities in societies. And, once again, all technological innovations, including artificial intelligence, will have an impact on jobs, rights and growth. The rapid pace of their development and diffusion will create new challenges and uncertainty in the coming years but also has the potential to spur productivity growth and economic development.
44. The current surge in AI applications comes on top of a long wave of digital technologies and access to large data sets that have expanded the digital economy and reshaped how we produce, sell and distribute goods and services.
45. Access to the internet has surged over recent decades, with the share of the population using the internet increasing from just 16 per cent in 2005 to 68 per cent in 2024. However, there is a significant digital divide: the share of people using the internet reached 93 per cent in high-income countries, compared with just 27 per cent in low-income economies. Almost one third of the global population is not online, limiting their ability to take advantage of new technologies, such as generative AI. Without specific policies and investments, countries that already have the energy, digital infrastructure and digital skills will benefit most from these technologies, leaving least developed countries even further behind.
46. And the challenge does not end with the lack of access for millions of people. New technologies, including digital networks and communication infrastructure, have led to the creation of new platforms and new forms of production and work. While data are difficult to collect, the ILO estimates that digital labour platforms account for 3 to 5 per cent of employment in most

countries, creating both work opportunities and also challenges in terms of working conditions and quality of employment.¹⁹

47. The most discussed fear, which has strongly affected people's perceptions, is that AI will destroy jobs. And while this risk is certainly present, we need to be careful with generalizations. The ILO estimates that the augmentation effect of generative AI (complementing work by automating only a few tasks) is six times greater than the automation effect, which arises when a large proportion of tasks in a job are automated (3.3 per cent of global employment is at potential risk of automation, compared with 20.5 per cent of jobs that could potentially be augmented).²⁰ Also, due to differences in tasks, certain occupations are far more exposed to automation, most notably clerical support work. Consequently, women are twice as affected by potential automation as men.
48. These findings are in line with historical evidence that shows that new technologies benefit some workers more than others, including in terms of skill levels. Earlier views centred on the process of skills-biased technological change, with higher-skilled workers gaining more from new technologies in terms of their employment share and wage level. Focusing at a more granular level on the effects of computerization and automation on tasks, evidence in some countries has revealed a polarization in the labour market (a hollowing out of middle-skilled and routine jobs) and rising inequality.²¹
49. At the same time, jobs are being generated, including through the development of AI, ranging from data scientists to online content moderators. Even prior to the rapid emergence of AI over the last few years, some 60 per cent of employment in 2018 in the United States of America was in jobs that did not exist in the 1940s.²² The COVID-19 rise in remote work persists. This has created new opportunities, including for women, through remote work. However, it continues to be more the privilege of high-income countries and certain sectors and occupations.
50. In this debate about new technologies creating or destroying jobs, we need to keep in mind that the most significant effects of new digital technologies will arguably not be on the quantity of jobs but on how we work and the quality of jobs. For example, AI technology has great potential to be used for what are typically regarded as managerial tasks, such as hiring, scheduling, supervising and evaluating workers. At the same time, the use of algorithms and the automation of certain tasks and work processes also raise concerns for the agency (or decision-making power) of workers and the privacy of their data.
51. To conclude, the focus of technology should be on how to ensure its usage in a way that creates jobs, protects rights, respects dignity, enhances productivity and builds trust.

Demographic shifts

52. Now let us bring in the no less complex issue of demographic changes. The interplay between demographic shifts (including those driven by migration), social protection and socio-economic

¹⁹ ILO, *Digital Platforms and the World of Work in G20 Countries: Status and Policy Action*, paper prepared for the Employment Working Group under Italian G20 Presidency, 2021.

²⁰ Paweł Gmyrek, Janine Berg and David Bescond, *Generative AI and Jobs: A Global Analysis of Potential Effects on Job Quantity And Quality*, ILO Working Paper 96 (ILO, 2023).

²¹ David H. Autor, "Why Are There Still So Many Jobs? The History and Future of Workplace Automation", *Journal of Economic Perspectives*, 29(3) (2015), 3–30; Daron Acemoglu and Pascual Restrepo, "Automation and New Tasks: How Technology Displaces and Reinstates Labor", *Journal of Economic Perspectives*, 33(2) (2019), 3–30.

²² David Autor et al., "New Frontiers: The Origins and Content of New Work, 1940–2018", *The Quarterly Journal of Economics*, 139(3), 2024, 1399–1465.

development profoundly influences the nexus between jobs, rights and economic growth, especially in times of transformation. We must understand these dynamics in order to foster inclusive and sustainable development.²³

53. According to the United Nations World Population Prospects, by 2030 the global population aged 60 and over is projected to reach 1.4 billion, while the number of children under 10 is expected to be approximately 1.35 billion. This means that by 2030 there will indeed be more people over 60 than children under 10. Furthermore, it is projected that by 2030 nearly three quarters of the world's older population will reside in developing countries.
54. Currently, however, the global demographic landscape is still characterized by two contrasting trends: a burgeoning youth population in certain regions and an ageing population in others as a result of lower fertility rates and increasing longevity. In many developing countries, particularly in Africa and parts of Asia, a significant proportion of the population is under 25. This "youth bulge" presents both opportunities and challenges. On one hand, a large youth cohort can drive economic growth through increased labour supply and consumption – this is what drove the success of some Asian countries and what traditional growth theories predict. On the other, a lack of decent jobs for young people can lead to squandered investments in human capabilities, increasing inequalities, social unrest and economic stagnation, as it did during the Arab Spring and continues to do in many developing countries, especially in Africa.
55. The situation for young people continues to look bleak, as already mentioned. Youth unemployment, although at a historic low at the global level, continues to be much higher than adult unemployment, and too many people start their work in (and most likely never leave) the informal economy. NEET rates are persistently high, especially for young women. When the investment in young people's education does not pay off, it breeds distrust in institutions and undermines social cohesion. The share of young workers in occupations that do not match their higher-level degrees (an educational mismatch of overeducation) has increased over time, while at the same time employers across the world complain that young people do not have the skills needed. Two in three young adult workers in developing economies hold qualifications that do not match their job,²⁴ while in some countries more than 80 per cent of companies are affected by labour shortages.²⁵ Moreover, the challenge of skilling young workers for a digital and AI-driven economy is greatest in developing countries, where high levels of informality discourage adequate investment in education and vocational training systems. All this is an economic risk for young people and a risk for societies, not only from an economic perspective, but also from a social coherence perspective, as young people are more and more willing to fight for their rights to work and to work under decent conditions.
56. Conversely, developed economies and, increasingly, emerging economies are grappling with ageing populations, leading to higher economic dependency ratios and potential labour and skills shortages. However, ageing also comes with chances, at least if the older population is given the opportunity to age actively and in good health, and is well protected against poverty. The care economy is a good example of this, where the increased demand in ageing societies comes with the opportunity for economic growth and the potential to create decent jobs – especially for women, who comprise the group with the highest risk of old-age poverty. In addition, the

²³ This topic was last discussed at the International Labour Conference in 2013. The report to the Conference remains relevant and contains a detailed analysis as well as policy options, see ILO, *Employment and Social Protection in the New Demographic Context*, ILC102/IV, 2013.

²⁴ ILO, *Global Employment Trends for Youth 2024: Decent Work, Brighter Futures*, 2024.

²⁵ Manpower talent shortage survey, taken from STATISAT.

development of the care sector brings the chance to improve the quality of life for older people, thereby making their right to age in dignity a reality.

57. Another critical consideration in ageing societies is the concept of active ageing, allowing older individuals to remain engaged in the labour market. By implementing age-sensitive employment and labour market policies, societies can unlock significant economic and social potential. When given the opportunity to contribute, older individuals bring experience, skills and stability, fuelling growth. Yet, despite rising life expectancy, many are still sidelined, their untapped potential representing a loss, not just for them, but for the economy and society as a whole.
58. In addition, there is one demographic trend that is universal: the workforce in rural areas is ageing. While in developed economies accompanying challenges are often handled through better use of technology, this is not yet an option in many developing economies. The ageing of the workforce in rural areas comes with considerable risks as it slows down agricultural production, which is still central to growth in many developing countries.

Climate change

59. Last year, the earth passed the 1.5°C limit.²⁶ Climate change is not a distant threat, it is a present reality, reshaping our world at an alarming speed and putting at risk growth prospects, social development and a healthy future for our children. The ILO has long warned of the profound implications of this crisis for the world of work, yet national and global action remains inadequate. Unless we change gears, the current trajectory endangers labour productivity and livelihoods, undermines important fundamental rights, hinders progress towards more equal and inclusive societies, and jeopardizes future prosperity.
60. Estimates suggest that by 2030 climate change could push an additional 68 to 135 million people into poverty, unless proper actions are taken.²⁷ Moreover, the displacement caused by climate-induced disasters forces internal and international migration, pushing more workers into the informal economy without social protection or the ability to realize their fundamental rights; some estimates suggest that by 2050 there could be 1.2 billion climate refugees. This erosion of rights again disproportionately affects the most vulnerable and those who are already the least protected, exacerbating their vulnerabilities.²⁸
61. Many more also stand to experience a worsening of working conditions. For example, and as already mentioned, rising temperatures and extreme weather events threaten the right of workers to safe and healthy working conditions. Heat stress, for instance, not only diminishes productivity but also endangers lives, particularly among outdoor workers. ILO estimates show that more than 2.4 billion workers (or 70 per cent of the global workforce) are likely to be exposed to excessive heat at some point.²⁹ And it is projected that heat stress alone will cause productivity losses equivalent to 80 million full-time jobs by 2030. Agriculture and construction are particularly hard hit.³⁰

²⁶ World Meteorological Organization, "WMO Confirms 2024 As Warmest Year On Record At About 1.55°C Above Pre-Industrial Level", press release, 10 January 2025. The 1.5°C limit in climate change refers to the internationally agreed target, set by the Paris Agreement, to keep global warming below 1.5°C above pre-industrial levels to prevent the most severe environmental, social and economic impacts of climate change.

²⁷ United Nations, "Five Ways the Climate Crisis Impacts Human Security"; Global Facility for Disaster Reduction and Recovery (GFDRR) and World Bank, "Managing the Impacts of Climate Change on Poverty", feature (2015).

²⁸ ILO, *World Social Protection Report 2024-26: Universal Social Protection for Climate Action and a Just Transition*, 2024.

²⁹ ILO, *Heat At Work: Implications for Safety and Health – A Global Review of the Science, Policy and Practice*, 2024.

³⁰ ILO, *Working on a Warmer Planet: The Impact of Heat Stress on Labour Productivity and Decent Work*, 2019.

62. Within countries, rural areas are particularly badly affected: climate change will increase the competition for land and water, driving up prices and overall inflation and leaving small farms at greatest risk. The increased frequency of droughts, floods and unpredictable weather patterns will lead to crop failures and reduced yields, directly affecting farmers' incomes and food security. Crop yields are expected to decrease by 2.6 per cent (crop failures) and 2.9 per cent (reduced yields) respectively by 2050 because of impacts from climate change.³¹ If we remember the discussion in this report on the impact of ageing on rural areas and the disconnection of rural areas from modern technologies, we can see that these regions carry a triple burden regarding the impact of the mega-drivers of change facing this world.
63. As with other drivers of change, climate change affects everyone, but the burden of transition falls disproportionately on certain regions and populations, often those who have least contributed to climate breakdown. The familiar process of creating winners and losers is no exception here. However, addressing climate change and environmental degradation can be a win-win for both people and the planet. For instance, we estimate that shifting towards low-carbon and circular economies could create 100 million jobs by 2030, including through advancements in renewable energy, sustainable agriculture and resource efficiency.³² And many economic opportunities will arise from action to address climate and environmental change. For example, there are now more jobs in renewable energies – 35 million – than in fossil fuels – 32 million.³³ More than 60 million people are engaged in activities involving nature-based solutions,³⁴ often supporting adaptation and resilience, and such solutions could generate up to 32 million additional jobs by 2030.³⁵ With the increasing demand for critical energy transition minerals, new opportunities for employment are emerging in all regions of the world.
64. Yet, many people will lose their jobs and consequently their livelihoods, with the poor, who have neither the means nor the capacity to mitigate the impacts, being most affected. Others face the onerous prospect of having to relocate to where new job opportunities are emerging, if that is even possible. This is why countries must address climate change in a way that maximizes the social and economic opportunities of climate action, while carefully managing and minimizing any challenges that may arise from the transition.
65. While some argue that stringent climate policies hinder growth, the reality is that unchecked climate change will lead to far greater economic and labour market turmoil. And experience has clearly shown that thoughtful policies to promote innovation can yield new technologies, products and markets that provide new opportunities for job growth and decent work.
66. We should not fear policies, but rather the absence of policies. The destruction of infrastructure, loss of productivity and increase in health costs are but a few of the economic consequences. True prosperity lies not in short-term gains but in sustainable development that harmonizes economic activities with ecological balance. Climate change is not just an environmental issue and an economic issue, it threatens human rights and labour rights.

³¹ TechnoServe, "5 Ways Climate Change is Threatening the Livelihoods of Smallholder Farmers", August 2022.

³² ILO, *Skills for a Greener Future: A Global View*, 2019.

³³ International Energy Agency, *World Energy Employment 2024*, 2024.

³⁴ Nature-based solutions are approaches that use ecosystems and natural processes to address societal challenges, including climate change, while creating decent work opportunities and promoting sustainable development.

³⁵ ILO–United Nations Environment Programme–International Union for Conservation of Nature, *Decent Work in Nature-Based Solutions 2024: Unlocking Jobs Through Investment in Skills and Nature-Based Infrastructure*, 2024.

Trade and globalization

67. All three types of transformative change have shown signs that they could and do disrupt the delicate link between jobs, rights and growth. It is not hard to imagine that once this link is broken, counterforces will emerge to challenge the very process of transformation. This is exactly what has happened with trade and globalization.
68. The current multilateral tensions are deeply rooted in discontent simmering among working people worldwide. Despite global economic growth, inequality deepens, social protections weaken and a troubling reality emerges: for many, the promise of globalization – that rising tide that lifts all boats – remains unfulfilled. Instead, workers fighting just to stay afloat see a system that, so far, has left them behind.
69. Our liberal trade system faces deep challenges. Poorly coordinated trade policies – marked by short-term competition rather than long-term cooperation – can destabilize supply chains, erode labour markets and undermine investor confidence. Worse still, adversarial approaches to globalization, which have too often neglected social and environmental priorities, risk fracturing economic interdependence and exacerbating inequalities – leaving workers and industries to bear the brunt of the fallout
70. At the heart of these concerns is the question of how trade can benefit everyone when it has significant distributional effects, often resulting in winners and losers. For years, our ILO research has documented how international trade can be an engine of growth, welfare and decent employment creation, including for women.³⁶
71. Such beneficial outcomes can only be assured if those who are negatively affected by trade can transition to other equivalent economic opportunities and if States prioritize decent work. Otherwise, the differentiated effects of trade can be a source of rising income inequalities. Furthermore, there is evidence that the capacity of trade to create jobs is falling. Recently, the World Bank has demonstrated that the positive effects of trade on employment, earnings and productivity have diminished following the global financial crisis of 2007.³⁷
72. With such evidence, the ILO has been a leading voice in the call to ensure that trade benefits people, especially through decent-job-rich trade. The Social Justice Declaration called for renewed efforts to ensure that fundamental principles and rights at work would enable countries, employers and workers to benefit from the opportunities of globalization. The substantial increase of social and labour provisions in trade agreements demonstrates the growing realization that trade needs to be grounded in solid social foundations.
73. Bringing the benefits of trade to people also means that decent job opportunities must be made available, especially for those suffering most from trade expansion. Inclusive job-rich trade thus requires coherent and coordinated policies at the global, regional and domestic levels, including economic, industrial and employment policies to ensure that trade boosts decent jobs and income.³⁸

³⁶ Marva Corley-Coulibaly, Pelin Sekerler Richiardi and Franz Christian Ebert (eds), *Integrating Trade and Decent Work: Has Trade Led to Better Jobs? Findings based on the ILO's Decent Work Indicators, Volume 1* (ILO, 2023).

³⁷ Maryla Maliszewska and Deborah Winkler, *Leveraging Trade for More and Better Jobs* (World Bank, 2024).

³⁸ For interesting and detailed information on labour provisions and trade agreements, see ILO, “[Labour Provisions in Trade Agreements Hub](#)”. This Hub allows users to navigate and analyse labour provisions in trade agreements through an interactive world map, trend graphs and tables with text.

74. But once again, the record has been mixed. While some progress has been made, particularly in linking trade to progress in respect for labour rights, other critical concerns have been neglected. Simply put, the institutions that govern global trade have not been responsive to those impacted by its shortcomings. This neglect has not gone without consequences, and people no longer hesitate to voice their frustrations. Now, global trade stands at an inflection point, where its principles are increasingly called into question. What will be the rules-based framework that supports sustainable and inclusive trade?
75. The fragmentation and disruption of global supply chains, the acceleration of their regionalization and localization, and concerns about the risks of concentration and fragility, the rise of technology and AI are but a few examples of the major transformation processes globalization and trade are going through. Fragmentation may result in substantial economic losses, while large-scale shifts in the structure, from producing goods to providing services, add further complexity, especially for developing countries.
76. In addition, the trend towards more protectionist and interventionist policies echoes rising popular discontent and the feeling for many workers and enterprises that they do not benefit from the effects of globalization. In many parts of the world, the realization that traditional manufacturing jobs are scarce increases the sense of economic insecurity.
77. In this challenging global context, the differential impacts of trade policy on domestic industries, consumption patterns, employment and labour markets, wages and income distribution are always challenging to predict. Nobody knows for sure yet what impact the most recent round of tariff increases will have, but history has shown that less trade usually hampers growth. And while trade-induced growth is not necessarily a source of decent job creation or a means of disseminating workers' rights, not having the option of well-managed trade comes with a huge risk of countries drifting further apart and inequalities between and within countries growing. And just to be clear: a solution here is not one that harms countries that have benefited from trade, but one that recognizes that there is a need for win-win situations that include all people in all countries.

What is missing? Ideas, capacities and actions

78. All in all, our record is mixed at best. Major transformative changes have created decent job opportunities, but at the same time, many people have fallen behind with no access to effective support. Some may argue that we need better ideas and more innovative approaches, and I certainly agree. However, I also believe that our current predicament cannot be entirely attributed to a lack of knowledge. In fact, there is no shortage of policy ideas. In my previous reports, I shared my perspective on policy options that promote greater and better investment in people, in the strengthening of institutions, and in the creation of decent jobs – exactly what you called for in the ILO Centenary Declaration for the Future of Work (2019) (Centenary Declaration).
79. What is truly missing are political will, actions and capacities to translate policy ideas into concrete, tangible changes for people. And we, as the international community, need to understand our role in this. We need to build and strengthen global partnerships that make a difference and ensure that those partnerships that exist, including at the global, South–South, regional and country levels, carry these responsibilities collectively. We need to understand better which economic and social forces have limited the capacity of social actors to take the necessary actions. This is the question I now want to come to.

► Chapter 4

Actors and power

80. We at the ILO have never accepted that the impact of key transformative changes is predetermined. Instead, we must persevere in our willingness, actions and faith in the ability of our institutions to adapt. Yet, we must confront a critical question. How can societies revitalize their social and institutional fabric to reinforce the vital nexus of jobs, rights and growth? Even more urgently, we must challenge ourselves to understand why democratic institutions of work are withering – and why centrifugal forces are pulling this dynamic, mutually reinforcing triangle apart. This raises the question of actors, agency and their ability to invoke centripetal forces, and, the way I see it, counteract social segmentation and power concentration.

The social partners in a fragmented world of work

81. I strongly believe that historical journeys offer invaluable insights that can shape our understanding of the present and future. To mark our centenary, the ILO embarked on its own historical journey, assessing lessons learned throughout a century of nearly continuous upheaval. The Centenary Declaration invoked “the experience of the past century” to reassert the centrality of constant and concerted action by governments, employers and workers to advance economic and social progress over the last century. Such recognition recalls the Declaration of Philadelphia, signed 75 years earlier, which validated the triunity of jobs, rights and economic growth.
82. The notion that social partners play a unique and strong role in safeguarding the jobs-rights-growth nexus is enshrined in international labour standards. Accordingly, employers’ and workers’ organizations in both the public and private sectors should promote policies that are in harmony with the objectives of full and productive employment, economic growth and improved living standards, without compromising the legitimate goals of social partners and their organizations.³⁹ We have also seen how these principles can be translated into actions that make a difference. One of most vivid examples is what happened during the COVID-19 crisis, when in many countries collective bargaining and other forms of social dialogue helped mitigate the impact of the COVID-19 pandemic on employment and earnings, reducing the impact on inequality while reinforcing the resilience of enterprises and labour markets.⁴⁰
83. Considering this, it comes as no surprise that our latest *Social Dialogue Report 2024: Peak-level social dialogue for economic development and social progress*, underlines the ongoing value of tripartite cooperation among governments, employers and workers in aligning economic, social and political goals. Between 2019 and 2024, around 80 tripartite social pacts were signed, many aimed at facilitating consensus on labour, tax and pension reforms, and, more recently, addressing the impact of the cost-of-living crisis.⁴¹ The impact on jobs, rights and growth depends on social dialogue outcomes being fully owned and agreements effectively implemented.

³⁹ The Employment Policy Recommendation, 1964 (No. 122), Paragraph 29(2)(f). Paragraph 29 devotes an entire section to practicable measures employers, workers and their organizations should take to promote the achievement and maintenance of full, productive and freely chosen employment.

⁴⁰ ILO, *Social Dialogue Report 2022: Collective Bargaining for an Inclusive, Sustainable and Resilient Recovery*, 2022.

⁴¹ ILO, *Social Dialogue Report 2024: Peak-level Social Dialogue for Economic Development and Social Progress*, 2024.

84. Yet there is another challenging reality. In today's world of work, when employment is increasingly diversified with new risks and vulnerabilities, the need for a concerted voice and dialogue is obviously increasing but remains unmet. This is calling for strong, independent and representative employers' and workers' organizations.
85. But the reality looks different. Let us first have a look at workers' organizations. There are several factors that may contribute to changing membership appeal for social partners in general and workers specifically. The shift from manufacturing to service-oriented economies has reduced jobs in traditionally unionized sectors. Service sector jobs, including in the informal economy, are often more fragmented and harder to organize. The globalization of supply chains has fragmented production across borders, dispersing workers into competing jurisdictions, complicating cross-border solidarity and reducing the leverage of their organizations. And part-time, temporary and gig economy jobs often lack the job security and benefits that make union membership appealing. In addition, younger workers, and specific categories such as rural workers, may be less familiar with the benefits of union membership and may not see unions as relevant to their work situations.
86. Empowering unions is frequently cited as an essential condition for revitalizing the interconnected dynamics of jobs, workers' rights and economic growth. Governments play a crucial role in fostering an environment where trade unions can effectively represent workers and participate at every stage of public policymaking processes, including for economic policies, not only for labour or employment policies, by providing regulatory and institutional support and investing in social dialogue.
87. Yet, the pace of change in the strategies of labour movements worldwide also needs to step up to yield significant impact. Many of the recommendations to trade unions to bolster membership, formulated decades ago, remain relevant today. These measures include organizing a more diverse workforce – such as part-time, casual and platform economy workers – and extending efforts to emerging sectors, such as services and technology. There is also a need to ensure greater representation of the evolving workforce in union leadership, particularly addressing gender-specific issues such as pay equity. Unions must also proactively shape policies around automation and digitalization to safeguard workers' rights in the face of technological disruption. Furthermore, building public support by aligning union objectives with broader societal goals, such as social justice and economic equality, is crucial to demonstrating their continued relevance in a rapidly changing world. Without accelerated and adaptive action, the potential of unions to drive meaningful progress in these areas remains compromised.
88. While multi-employer collective bargaining systems have significantly higher average coverage rates compared to mixed or single employer systems and are more likely to offer inclusive and responsive forms of labour protection, too few countries have yet opted for such systems, and in countries where they do exist, they are under increasing pressure.
89. Strategies to strengthen the membership of employers' and business membership organizations (EBMOs) have also developed around similar themes, including adaptation to changing workforce dynamics (for example, guidance on integrating non-traditional employment relationships into business models); enhancing member value and broadening engagement (for example, offering customized services and resources that address the specific challenges faced by different sectors and business sizes or creating platforms for members to connect, share best practices and collaborate on common challenges); providing members with data-driven, actionable insights on market trends, labour regulations, and economic developments; and highlighting the role of EBMOs and sustainable enterprises in driving economic growth, creating jobs and fostering social progress.

90. A strong foundation for EBMOs is essential but can be further reinforced. An effective employer voice in social dialogue and policy relies on the strength, representativeness and independence of EBMOs. These factors enable them to reflect diverse employer interests, engage in tripartite dialogue and advocate for policies that support sustainable enterprise and decent work.
91. However, EBMOs face challenges in maintaining and expanding their membership amid economic shifts, informality and new business models. Many have responded by merging with chambers of commerce or forming strategic partnerships and addressing business issues more holistically. Others have expanded their membership to include SMEs, emerging industries and informal sector enterprises, strengthening their relevance.
92. EBMOs must be seen as legitimate, well-resourced and adaptable to contribute effectively to jobs, rights and growth. Their strength and independence are not just technical concerns but essential to the ILO's tripartite system and inclusive labour market policies.
93. Let us not forget, micro, small and medium-sized enterprises (MSMEs) are vital to the jobs–rights–growth nexus, yet they too require a stronger voice and greater economic leverage to counter increasingly concentrated market power. MSMEs account for approximately 90 per cent of businesses globally and more than 50 per cent of employment worldwide, serving as the primary source of jobs in developing countries. In some economies, they contribute up to 70 per cent of GDP. Beyond their economic impact, MSMEs play a critical role in creating opportunities for disadvantaged populations, supporting rural economies through local job creation, providing a significant platform for women entrepreneurs, and fostering resilience during crises. However, MSMEs often operate in suboptimal business environments, which exacerbate persistent challenges, including limited access to finance, low productivity, regulatory barriers and intense market competition.⁴²
94. Sectoral agreements have long been recognized as a means to standardize wages, benefits, skills requirements and working conditions. For SMEs, these agreements can be particularly advantageous, as they reduce the complexity and cost of complying with disparate regulations, lessen the administrative burden of consultation requirements, and create a more predictable and stable regulatory environment. Additionally, sectoral agreements help level the playing field between SMEs and larger companies. The economies of scale achieved through sectoral social dialogue have encouraged some countries to explore sectoral co-regulation, complementing traditional approaches such as enterprise-level bargaining and jurisdiction-wide regulation.
95. Fostering representative participation to address the needs and aspirations of different categories of workers and employers across all segments of labour markets, economic and social actors remain arguably the biggest challenge to restoring the jobs, rights and growth nexus that underpins the social contract and lends legitimacy to systems of political governance. Addressing these challenges requires unions and EBMOs to adapt their strategies, engage with a broader range of employers and workers, and find new ways to demonstrate their value in a changing economic landscape.

⁴² In this context, cooperatives as an alternative business model – even though small in numbers – also play a vital role, as they are well positioned to become an essential solution to global challenges in their capacity to foster inclusive growth and strengthen community resilience.

The challenge of market concentration and market power

96. The opposite side of this economic and social fragmentation is an imbalance in power arising from concentration.⁴³ The concentration of economic power in certain sectors can undermine fair competition, market access, innovation and inclusive growth benefiting employed and self-employed workers and MSMEs alike. SMEs and emerging businesses often face real barriers when competing in markets where dominant players shape standards, access, pricing and distribution.
97. In the digital revolution era, once again growth does not seem to lift all boats. SMEs for instance, face significant challenges due to the dominance of large technology companies.⁴⁴ A study found that in the European Union, the top 1 per cent of firms in the technology industry secure more than 50 per cent of the total revenue, which limits the growth opportunities for smaller tech firms. In markets with a high banking concentration, SMEs face more stringent conditions for loans. In another example, a study of over 25,000 firms from 19 developing Asian countries found a significant, strong correlation between bank market concentration and the collateral challenges faced by SMEs.⁴⁵
98. The concentration of market power leads to an imbalance of power in both labour and product markets, exacerbating inequality, hurting wages and employment opportunities for workers and negatively impacting smaller businesses. In labour markets, a monopsony results from the dominance of a few “buyers” of labour in a specific geographic area or industry, which gives these employers market power to set wages lower than what would prevail in a competitive market.⁴⁶ In addition to this wage effect, such market power can lead to lower levels of employment and restrictions on mobility of workers for better opportunities.
99. Empirical evidence over the last few decades has confirmed that this phenomenon is impacting labour markets more than previously understood. ILO research shows that higher labour market concentration is associated with higher wage inequality, along with negative effects on the transmission of productivity gains from automation to wage increases.⁴⁷ There is also evidence that increasing labour market concentration slightly reduced wages in a group of four European Union countries, ranging from a 2.1 per cent to a 3.5 per cent reduction.
100. Concentration in global supply chains is another phenomenon that has a major impact on labour markets and workers’ options. This concentration refers to the dominance of a few large firms (often multinational corporations) or specific geographic hubs in controlling key segments of global production, distribution and trade. It leads to a handful of firms dictating terms across entire supply chains or production becoming clustered in a few countries without there being any imperative reason for that to be so. This reduces worker leverage by limiting their bargaining power, as employment opportunities become concentrated within a few dominant firms or geographic hubs. In cases where production is geographically concentrated, workers may also face barriers to mobility, further restricting their ability to seek better opportunities elsewhere.

⁴³ Colin Crouch, *Post-Democracy* (Polity, 2004); Colin Crouch, *Post-Democracy After the Crises* (Polity, 2020).

⁴⁴ Annalisa Ferrando et al., “Monetary Policy, Market Power, and SMEs”, AEA Papers and Proceedings, 113 (2023), 105–109.

⁴⁵ Ei Ei Thein, Atsushi Niigata and Kazuo Inaba, “Concentrated Bank Market and SMEs’ Collateral Issues: A Study of the Firms of Developing Asian Countries”, *Journal of Economic Structures*, No. 13, Article 18 (2024).

⁴⁶ Alan Manning, *Monopsony in Motion: Imperfect Competition in Labor Markets* (Princeton University Press, 2003).

⁴⁷ ILO, *World Employment and Social Outlook: Trends, 2025*.

101. Recent United Nations Conference on Trade and Development (UNCTAD) reports ⁴⁸ demonstrate such concentration effects in supply chains, particularly in sectors targeted by industrial policies (such as advanced technologies and renewable energies) and in agriculture commodity trading. These trends suggest that the global supply of goods has become increasingly dominated by a few major exporters, potentially marginalizing smaller economies and exacerbating tensions in global trade.
102. The negative effects of consolidated corporate power are often particularly severe in specific sectors, such as agriculture, and for disadvantaged groups. Increased concentration in an industry, especially when combined with financialization, is closely linked to decreased business investment, less innovation and lower productivity growth. Research finds that increasing concentration has a downward effect on wages, a trend that accelerates at higher levels of concentration and when unionization rates are low. As workers' wages have declined, this is leading to a parallel decline in the labour share of income, a primary driver of increasing economic inequality. ⁴⁹ Even if enterprises become more profitable, gains from that growth are not automatically shared with workers, while the economy as a whole may experience declining business dynamism: fewer small businesses enter the market and existing ones struggle to compete with dominant firms. This concentration of corporate power is undermining economic vitality and shared prosperity.
103. We must not silently observe these trends. Concerns over the concentration and financialization of corporate power can be addressed within ILO policy recommendations, including those related to responsible business conduct and social safeguard frameworks.
104. There is no doubt that inequalities are the consequence of the changes of power dynamics and actors, and that such inequalities bite us back by threatening economic growth, rights and job creation. High levels of income inequality can – among many impacts – lead to underinvestment in human capital, as disadvantaged groups in unequal societies lack access to education and training opportunities, thereby limiting their potential contribution to the economy. This underinvestment hampers productivity and innovation, essential drivers of economic growth. Moreover, inequality can result in reduced aggregate demand, as wealth concentration among the affluent leads to lower consumption rates compared to a more equitable income distribution. This demand shortfall can stifle business expansion and job creation, perpetuating a cycle of economic stagnation and persistent inequality. Thus, it should come as no surprise that the Bank for International Settlements (BIS) concluded from its recent study that higher inequalities tended to make recessions deeper and more painful – what they referred to as “inequality hysteresis”. ⁵⁰
105. We have seen that economic power is changing. What impact does that have on political power? And vice versa – What is the impact of changing political power on economic power? This is the final question for which I want to share some ideas.

⁴⁸ UNCTAD, *World Investment Report 2020: International Production Beyond the Pandemic*, 2020; and UNCTAD, *Trade and Development Report: Rethinking development in the Age of Discontent*, 2024.

⁴⁹ See, for example, David Autor et al., “The Fall of the Labor Share and the Rise of Superstar Firms”, *The Quarterly Journal of Economics*, 135(2), May 2020, 645–709.

⁵⁰ Luiz Awazu Pereira da Silva et al., *Inequality Hysteresis and the Effectiveness of Macroeconomic Stabilisation Policies* (BIS, 2022).

► Chapter 5

Democracy as pivotal glue in the growth–jobs–rights nexus

- 106.** This brings me to the question of democratic values. As a start, it is worth reminding ourselves that to discuss democratic values is to pay particular attention to both the actors and institutions that sustain those values.

Why democratic values matter for the world of work

- 107.** There has been a persistently recurring view, expressed in different forms, that democracy acts as a constraint on economic growth. However, this view has always been debunked with evidence and analysis. Based on his research findings, the Nobel laureate Amartya Sen made powerful observations at the International Labour Conference in 1999, saying that “it is a remarkable fact in the history of famines, that famines do not occur in democracies ... This is because famines are, in fact, extremely easy to prevent if the government tries to prevent them and a government in a multi-party democracy with elections and a free media has strong political incentives to undertake famine prevention”. In short, democracies listen to people and can thus prevent famines. Twenty years later, another Nobel laureate, Daron Acemoglu, concluded with his colleagues that “democratizations increase GDP per capita by about 20 per cent in the long run”.⁵¹ This is true irrespective of the level of economic development.
- 108.** The reasons are numerous and far-reaching. To foster democratic values is to support mechanisms that can alter economic incentives that bring more prosperity to more people. They channel more investment towards public goods and services, including healthcare, and stimulate innovation, entrepreneurship and higher levels of productivity – all factors conducive to economic growth. They need to be based on inclusive institutions that expand decent job opportunities and empower those who are left behind. In democracies this happens through representative organizations and civic space. Additionally, democratic institutions promote gender equality and social mobility, ensuring that a larger portion of the population can participate in the economy, further enhancing the growth potential.
- 109.** Among many forms of participation, democracies also foster social peace through social dialogue with employers’ and workers’ organizations. Social partners have been instrumental in democratization processes because they possess the power to hold governments accountable. When democratically governed as well as being strong, independent and representative, they also have the capacity to guard against polarization, promote moderation through rational and fact-based debates, and pursue long-term strategies through institutional cooperation. This is why so many social partners have fought for democracy throughout history. Trade unions have been actively involved in creating democracies and their institutions, among many other countries in Poland, South Africa, Brazil and the Republic of Korea. Furthermore, business has often been supportive of democracies, as such systems bring stability, transparency, the rule of law and civic space to the economy, and provide crucial public goods such as education, health and infrastructure – an important precondition for private investment.

⁵¹ Daron Acemoglu et al., “Democracy Does Cause Growth”, in *Journal of Political Economy*, 127(1) (2019), 47–100.

- 110.** Democratic values are a glue that brings jobs, rights and growth together and steers society in a sustainable trajectory of inclusive development. Viewed from this perspective, it is no surprise that the Copenhagen Declaration on Social Development (1995) identified democracy as vital for social progress – a claim later echoed in the Centenary Declaration. It highlighted that democratic institutions and processes are essential for ensuring that the voices of all people, especially marginalized and vulnerable groups, are heard and considered in decision-making. It also underscored the importance of social justice as a cornerstone of democracy, ensuring that all individuals have equal opportunities to benefit from social and economic progress.

A new commitment to democratic values

- 111.** Yet nothing is guaranteed. Democratic values cannot be taken for granted. We need a renewed commitment to balancing political, economic and social objectives and, in the process, delivering what people need.
- 112.** As one of my predecessors, Michel Hansenne, put it at a pivotal world moment for democratic movements in 1992: “it is not just a matter of placing a ballot paper in a ballot box. It can only survive if the entire population participates and maintains its interest in public affairs. Without this participation, democracy would be powerless to satisfy people’s aspirations; it would be no more than an empty shell”.⁵²
- 113.** Democratic values and institutions have not appeared in a vacuum, they developed over time and have often been the result of positive labour market outcomes and increased income and wealth for an emerging middle class that was subsequently able to hold power to account. But recently, the erosion of civil liberties, declining trust in institutions, and the weakened rule of law in which security-driven logic risks overshadowing multilateral cooperation and respect for human rights, have all contributed to a democratic decline.⁵³
- 114.** The erosion of democratic values and institutions is happening in parallel with the erosion of organizational and political strength of – and I want to put a particular emphasis on this – free and independent employers’ and workers’ organizations. Alongside the declining density rates and bargaining power, our own data is indicating that this transformation towards weakened labour market governance and social dialogue has been driven by the dramatic increase in the violations of fundamental civil liberties for these organizations.
- 115.** In some regions, and as discussed in the previous chapter, the decline manifests itself in a significant loss of economic power by workers and MSMEs, with stagnant wages, reduced benefits and employment security, and concentration of wealth and market power, often despite increases in economic growth. The erosion of workers’ rights disproportionately affects disadvantaged groups and women, perpetuating systemic inequities.
- 116.** While there is no one democratic model and democracies vary tremendously in their outward manifestations, there are core democratic values that sustain the jobs, rights and growth nexus. Rule both by the people and for the people sustains this dynamic, mutually reinforcing triangle.
- 117.** “Rule by the people” calls upon the fundamental human rights and freedoms reflected in the Universal Declaration of Human Rights, the ILO Constitution and international labour standards, such as equality, freedom of expression, association, assembly and religion, and the protection of individuals and groups against tyranny. Human rights are essential for people and for societies

⁵² ILO, *Democratisation and the ILO*, Report of the Director-General (Part I), International Labour Conference, 79th Session, 1992.

⁵³ The Economist Intelligence Unit (EIU) Democracy Index.

as a whole, and they are essential for the functioning of independent workers' and employers' organizations. Freedom of association and collective bargaining are vital not only for social partners' organizations but also for democracy itself. Social dialogue ensures that workers and employers have a voice in shaping economic and social policies, complementing parliamentary and governmental decision-making. By fostering egalitarian participation, negotiation and consensus-building, it enhances trust in institutions, reduces conflict and promotes stability. In this way, social dialogue reinforces democratic governance, helping to counter populism, democratic deficits and corruption.⁵⁴ Government actions and decisions must be transparent, and public mandate holders must be held accountable for their actions. Citizens must be informed, engaged and willing, as well as free, to participate in the democratic process through voting, civic activities and public discourse. Only in so doing, will our societies be empowered to tackle the growing imbalance in economic and political power that we see today. And again, social dialogue is our unique tool to implement the principles of "rule by the people" and therefore democracies themselves.

118. "Rule for the people" calls for democratic institutions to be structured to address people's real needs and provide meaningful support for their daily lives. It calls for trust. Yet, trust in democratic institutions is declining globally, not because people reject the fundamental human rights and freedoms – indeed, these democratic values enjoy widespread support, but rather, the decline in trust is rooted in the repeated failure to fulfil the legitimate aspirations of both workers and businesses. This failure can be seen in the lack of decent jobs and fair incomes; the limited existence of stable, competitive environments for enterprises; persistent political gridlock; the inability to enact long-term economic reforms; and the feeling that the playing field is not level.
119. Particularly in times of multi-layered transformative changes, where some benefit while others struggle, our workplaces, our economies and our societies must show that they support those who are left behind. This support should be offered with dignity and respect, recognizing that transformative changes, by definition, imply that some will shoulder a heavier burden. In a sense, society owes them, and democracy must find a way to make amends.

The commitment to democratic values as a continuing learning process

120. To ensure resilient and responsive democratic institutions, vigilance and adaptation are needed. Open and competitive markets must be harnessed to their fullest potential to drive innovation, growth and job opportunities, while at the same time protection must be ensured for those being left behind.
121. The rules governing these markets cannot resemble the "law of the jungle," where checks and balances become concentrated in the hands of the few. Without robust safeguards – such as fair competition and antitrust regulations, fair taxation, and policies that promote equal opportunities and equitable wealth distribution – democratic values and institutions risk being overruled by a small group of economic elites. This is already evident today, as rising inequality and the disproportionate influence of corporate interests threatens to undermine the principles of fairness and representation that underpin democratic governance. To prevent this, it is necessary for societies to strike a balance: fostering economic dynamism while ensuring that the benefits of growth are widely shared and that no single entity dominates the political or economic landscape.
122. This is where the fundamental principles on which our Organization is based, as expressed in our Constitution and the Declaration of Philadelphia, should be recalled. Without freedom of

⁵⁴ ILO, *Social Dialogue Report 2024*.

association, and with it free and independent employers' and workers' organizations, the very foundations of participatory democracy will be removed. We as the ILO have a century of proof that social dialogue, collective bargaining and freedom of association, which emerged as an expression of democracy at work, are key to shaping the trajectory of our future, be it about recovery, technology or climate change. And it is key to ensuring that the jobs-rights-growth triunity takes hold. We also have a century of experience that shows that labour rights are not only based on democratic rights but that they foster democracy and make it thrive. This is why the normative agenda of the ILO is more relevant than ever, as it not only protects people's rights, but it also protects democracy.

- 123.** Democracy is inherently a “continuing learning process” because it thrives on adaptation, participation and the ability to evolve in response to societal challenges. Unlike static systems, democracies are built on the principle of self-correction, where feedback from citizens, institutions and elections drives ongoing improvements. For example, the expansion of voting rights to include women, minorities and marginalized groups demonstrates how democracies learn and grow to become more inclusive over time. Additionally, democratic systems must constantly balance competing interests – such as economic growth versus environmental sustainability – requiring iterative policy experimentation and public engagement. This dynamic nature ensures that democracies remain resilient, but it also demands vigilance, education and active participation from citizens to address emerging issues like technological disruption, inequality and climate change. In this way, democracy is not a fixed end point but an ever-evolving journey towards greater fairness, representation and collective well-being. Democracy as a continuing learning process relies heavily on the protection and exercise of fundamental constitutional rights, which serve as the foundation for its adaptability and growth. These rights – such as freedom of speech, assembly and the press – enable citizens to voice dissent, challenge injustices and hold leaders accountable, creating a feedback loop that drives societal progress.
- 124.** There is good reason for optimism. It is remarkable that many national constitutions emphasize the jobs, rights and economic growth nexus by framing economic growth, expansion or development as a means to achieve equitable distribution of wealth, fair distribution of resources and improved standards of living. Over 130 countries across various regions have enshrined the right to work in their national constitutions, interpreted in keeping with the Universal Declaration of Human Rights as the right to decent work.⁵⁵ Even rights to a competitive marketplace, understood as requiring the legal protection of individuals and businesses from monopolies, price fixing and other means of reducing competition in the marketplace, are frequently found in national constitutions. This constitutional commitment reflects what the ILO has always stood for: sustainable growth is not just about increasing outputs, but also about ensuring that prosperity is shared, rights are protected and no one is left behind.

⁵⁵ ILO, *Social Dialogue Report 2022*.

► Chapter 6

Now where do we go from here?

- 125.** Democracy, the social contract and the mutually reinforcing triangle of economic growth, jobs and rights, are deeply interconnected, as history shows. In the twentieth century, democracies thrived by combining political equity – giving people a voice in governance, with economic inclusivity – sharing the rewards of progress. This symbiotic relationship fostered trust, prosperity and stability, as democracies invested in public goods, such as education, healthcare and infrastructure, which in turn drove growth and reinforced public support. All this created crucial foundations for decent work. And, in turn, decent work was the foundation for democracy, making it clear that the relationship between decent work and democracy goes in multiple directions, and showing that the ILO's mandate to promote decent jobs for all effectively sustains democratic values and institutions, including in the world of work.
- 126.** However, over the past decades, this balance has eroded, decent jobs have not been sufficient in numbers, inequality has soared, labour income has stagnated, the cost of living has soared, the debt burden has strangled developing economies, and trust in institutions has plummeted. This has turned the triangle of jobs, growth and rights into a trilemma. I thus reiterate the call that I made last year: if we are to maintain the legitimacy of democracy, we will need a new social contract. A social contract that prioritizes institutions of democratic governance at all levels, reduces inequality, puts the needs and aspirations of people at the centre of politics, engages social partners, broadens civic space and bridges cultural divides.
- 127.** Societies that foster democratic values and strengthen democratic institutions deliver tangible benefits to their citizens and achieve faster growth and greater stability. In this way, we can and must turn the perplexing trilemma of jobs-rights-growth into a dynamic, mutually reinforcing triangle for the twenty-first century.
- 128.** Now, the world is once again at a crossroads. People have a right to be enraged. Can we help to redirect that anger to where real changes are needed: shoring up democratic values and institutions by enabling them to secure decent work for all?
- 129.** Can we awaken the living, evolving spirit that is at the heart of democratic values, democratic institutions and democratic actors to address the complex challenge of securing social justice for universal and lasting peace?
- 130.** Achieving social justice remains the responsibility of all of us, at the individual, national and global levels. From a global perspective, partnerships need to be built on democratic values. Cooperation – including bilateral cooperation, South-South cooperation, United Nations cooperation and multilateral cooperation – are all needed to support this goal. Our Global Coalition for Social Justice provides a meaningful platform for such cooperation, leveraging a century of ILO experience for political commitments, investments and concrete actions. We have the ideas, we have the frameworks and we know what works, but we need to move from commitment to action and implementation.
- 131.** I have recently been reminded that “the story of democracy has not only been one of great thinkers writing great books; it has also been constructed by ordinary people working

pragmatically to govern themselves in a collective fashion”.⁵⁶ The century-long recognition and execution of this simple yet profound understanding of democratic values that reside in ordinary people has fundamentally shaped the ILO, and, more importantly, has guided its work.

132. This time will be no different.

⁵⁶ David Stasavage, *The Decline and Rise of Democracy: A Global History from Antiquity to Today* (Princeton University Press, 2020), xii.