



The Global Jobs Pact and Prospects

**Synthesis of statements by Juan Somavia
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at the 307th Session of the Governing Body**

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This occasion is an opportunity for the Governing Body to reflect on what we have achieved since the adoption of the Global Jobs Pact. And, more importantly, it is a chance to look forward to the continuing immense challenges of the global jobs crisis and to discuss how we can respond effectively with a longer-term perspective through an employment-oriented framework for balanced growth.

The backing for the Global jobs Pact indicates that it was a good policy response to the global jobs crisis, but we certainly cannot be complacent. **There is no recovery without jobs recovery.** The jobs crisis is still growing in many countries even as signs of a highly differentiated output recovery are visible. Precariousness and uncertainty are still very much present and have increased for many people. We cannot exit from a policy drive to generate more jobs and protect people.

Looking back, I would say that the action required in 2009 made it a governmental year. The question was whether or not governments could save the situation. They were able to save banks posing systemic risks and stop a greater recession. The next two years will be different – the question is “will the real economy pick up?” and there will be a limit to governmental action. So 2010-2011 will be much more about a productive convergence of public and private policies, partnerships and decisions. Patterns of recovery will be varied. Our ILO competence, given our roots in the real economy will be essential. Social dialogue, our tool and our way of working, will be needed. Governments, workers and employers will have to reflect and act on these issues together.

Having said that we still face a global jobs crisis, we must not conclude that measures, of which the Pact approach is part, have not worked. The ILO has estimated that unemployment could have been about one third higher without the effect of stimulus measures and the action of automatic stabilizers. So the negative tide seems to be weakening, maybe even turning, although there are clearly serious risks that recovery may turn out weaker in many countries than the more optimistic forecasts.

We must have the ambition to show that **good policies, implemented in an integrated way nationally and coordinated internationally can accelerate a jobs-rich recovery.** Governments have been very active over the last year with policies along the lines of those contained in the Pact. We can see some common features across countries, but we also see a great deal of national and regional specificity. The ILO is your vehicle for sharing that experience and we have already produced a range of reports and studies, and others are in preparation, to help your policy dialogue at home and in the realities of your own regions.

If I were to make a preliminary stab at summing up medium and long-term issues that are pointers to the future based on our experience, it would be that: **We absolutely need an employment-oriented framework for balanced and stable growth.**

This imperative must be built in to crisis response and longer – we will not get there with just a short-term vision and with short-term discretionary policies to weather the emergency. It calls for the creation of an overall policy environment conducive to the generation of decent work opportunities, sustainable enterprise and the eradication of poverty.

Large scale unemployment and underemployment are part of the unbalanced growth patterns of the past, and have long lasting and severe social consequences. I believe that they must be prevented through the same high-level political focus, extraordinary efforts, and policy creativity that were applied to rescuing financial institutions and to stopping a deeper recession. **We now need to apply the same policy decisiveness that saved banks and the economy to supporting sustainable enterprises and saving and creating jobs.**

Getting those who have lost jobs back to work and ensuring that the 45 million young women and men who start looking for work each year get a good start in their working lives is vital. **If we don't, a social and political backlash is looming on the horizon in many countries** – and we can already see signs of this.

The employment-oriented agenda

The agenda for policy dialogue and action on an employment-oriented framework for strong, sustainable and balanced growth calls for many converging objectives in different policy fields, among them:

- **Making employment creation a priority macro-economic goal** in the same way as low inflation and sustainable public finances. Let's remember that the charters of the US Federal Reserve System, the International Monetary Fund (IMF) and the World Trade Organization (WTO) all refer to full employment. Given the huge fiscal challenge that many countries face, we must formulate an employment strategy that is also a sound fiscal strategy. We will need a much closer linkage between labour market developments and other aspects of macroeconomic policy than we have had in the recent past.
- **Increasing the employment intensity of growth.** It calls for the development of national strategies for productive investment and decent work and targeting a significant expansion of overall employment through a good balance between labour-intensive sectors and high-innovation, high-productivity sectors. In order to do that, more refined methodologies to assess the employment content of different investment options and growth patterns are needed.
- **Promoting an income-led growth pattern.** Aggregate demand should be firmly anchored not in increasing debt but in earned income and broad access to employment and social protection, thus progressively raising the real purchasing power of middle- and low-income households. To do so, the link between productivity gains and wages needs to be strengthened.
- **Promoting integrated policy packages** covering diverse policy fields can have an added impact – the whole becomes more than the sum of the parts. Integration creates synergy – disaggregation has less impact. Moving from sectorial and parallel policymaking to a more convergent and comprehensive approach is a major challenge we are facing.

Decent employment and enhancing productivity

- **Raising labour productivity** through a conducive environment for innovation, entrepreneurship and enterprise development that combines sound regulations, improved infrastructure, business services, and adequate employment skills.
- **Holding and reversing downward pressures on wages** so that household consumption is able to recover and sustain income-led recovery and long-term sustainable development. Policies to progressively counteract downward trends in the wage share of national income and the falling return to workers from increased productivity are needed to rebalance growth and progressively expand sustainable demand. Strengthened labour institutions, such as regularly reviewed minimum wages and an effective labour inspection system, together with more widespread use of social dialogue and collective bargaining can play a key role. Respect for fundamental principles and rights at work is an integral part of this process.
- **Supporting increased investments and employment creation by sustainable enterprises** in particular through easing the continuing squeeze on credit to the real economy and smaller enterprises as well as improving enabling environments in the longer term. Special attention should be given to supporting and promoting entrepreneurship and productive investment in micro, small and medium enterprises. **Sustaining the “small” economy to generate quality work, where the largest share of employment is created, is central to link emergency and long-term recovery and to secure a job-rich recovery.**

A social protection floor

- **Building a social protection floor for the most vulnerable** comprising essential social transfers and services as a basis for the employment-oriented agenda. As many are learning in their crisis responses, social protection brings a triple benefit. It protects people from becoming trapped in debilitating poverty, empowers them to seize market opportunities and contributes to aggregate demand. The crisis has showed very clearly the impact of social protection on demand, and for the first time, social protection has been seen by many financial sector analysts not as public spending, but as investment. Gradual expansion of a fiscally sustainable social protection floor to protect the most vulnerable in all countries should be pursued. Least developed countries wishing to invest in a basic social protection floor should receive international development cooperation assistance.
- **Promoting a “working out of poverty” approach.** An integrated social protection and decent employment policy approach is the primary route towards working out of poverty, particularly in the informal economies of most developing countries. The review of the Millennium Development Goals (MDGs) in 2010 should concentrate on this issue.

The Green Economy

- **Preparing the transition to clean energy.** The global transition to clean energy will affect a large number of enterprises, jobs and workplaces. New skills will be needed. New green jobs will emerge. A proper system of incentives would greatly help such a transition. And public-private partnerships are ideally suited for this task.

As you know, the ILO is collaborating with the global networks of unions and employers and the United Nations Environment Programme (UNEP) on policies for greening the economy. Our role is to facilitate the dialogue between employers’ and workers’ organizations and governments which is essential to address the changes called for in

technology, production, consumption and employment and to ensure a fair and smooth transition process to the green economy.

Exit strategies

- **Balancing exit strategies from stimulus measures.** All countries need to fashion their exit strategies as a function of the progressive expansion of private demand and productive investments to counter the danger of excessive debt ratios to GDP and pressures by financial markets for premature exit from stimulus packages. An exit strategy that leads to job-weak growth and a contraction of social protection can lead to a double-dip recession.

In preparing the sequencing of their eventual unwinding, priority should be given to retaining as long as necessary those measures related to productive investments, sustainable enterprises, employment and social protection. Layoffs should be the last resort. Social dialogue can be and has proven to be a useful tool in this exercise. We must not forget that for working families and communities, the priority exit strategy is the exit from unemployment.

Recent developments on international capital markets suggest that even advanced countries face increasing difficulties in raising the funds necessary for further action. This makes additional fiscal stimulus more expensive and threatens to force countries to scale back pre-emptively on their policy measures.

International cooperation

- **Reinforcing international cooperation for balanced growth.** Economic re-balancing is more vital than ever and a better link between trade, employment and social protection is required. Many countries are turning to exports as a way to faster growth. Increasing trade implies adjustments in both importing and exporting countries, which have labour market consequences. But export-led growth cannot be a global strategy. It must have as a counterpart an import-led growth strategy. It simply does not add up if all countries pursue the same export-led strategy.
- **Ensuring that financial markets service the real economy.** The finance sector should meet the need for investment, innovation, trade and consumption in the mainstream economy. International coordination is essential to designing new financial policies and regulations which encourage resource flows and allocations towards longer-term productive investment by sustainable enterprises that raise output and employment growth. They should discourage the formation of damaging asset bubbles through short-term speculation and other distortions in the financial sector.

Increasing international cooperation is also important to **prevent tax competition** undermining the revenue base countries need to ensure the provision of vital public goods. Experience has shown that in a crisis context, tax cuts are more likely to have an impact on aggregate demand through increased consumption if poor households are targeted. In periods of uncertainty, tax cuts for middle- and high-income sectors will probably be converted into an increase in savings, which has positive effects but not the desired result of increased demand.

- **Enhancing international support to fiscally constrained countries for crisis response and to recovery promotion policies.** This must be part of a reinforced effort to increase the volume and quality of finance for development. Much more vigorous and

innovative means of international support is needed as part of the new framework to ensure that they are able to adjust through growth and jobs and that recovery is globally inclusive. International cooperation is essential to finance basic social protection and employment promoting programmes in rural development, infrastructure and other areas.

Conclusion

Dear Friends,

I do think the effort led by the G20 averted what could have become a global depression. Building on what has been achieved we still have a long way to go to improve our policy coordination mechanisms. The recent GB discussions showed that a rather large number of countries are not able to participate in coordinated stimulus measures and that our international support mechanisms are not providing them with the scale of countercyclical finance they need, on terms they can afford. This is holding back more vigorous action along the lines envisaged in the Global Jobs Pact.

Practice has shown that the Global Jobs Pact is valid for all countries – developed, emerging and least developed - yet it is responsive to different realities. It was founded on the policy knowledge of our members. It captured well the responses that by June last year were already being put in place. But it also was a call to action to do more, to work together and to use the “integrated approach” that we developed in the 2008 ILO Declaration on Social Justice for a Fair Globalization. It has required a very close interaction between the Office and constituents and within the Office. The knowledge flow is definitely two-way.

Let me say that I tend to talk about the “Pact approach” because, of course, no country just downloads it, checks the boxes and applies it. Each country’s policy approach is tailored to its situation and possibilities. You have adapted it to your own realities. But most of the measures do fall within the framework of the Pact. I think this is a tremendous strength as we move into the next phase of action. We can facilitate coordination without requiring conformity.

What we are doing at this Governing Body session is key to our responsibility as an institution – to gather information, **to know the policies that are being applied and to have the capacity to understand what works and what does not in different contexts and national situations.** We can analyze such information and enable an exchange of experience. **I invite you to put your experience in all areas of the Global Jobs Pact at our disposal.** In this way we can expand our knowledge base and open up access to information that you are all looking for. Right now we are expanding on our country scans reflecting policies that are being put in place – they can be upgraded with your contribution.

We developed the Global Jobs Pact but, for the implementation of the Pact approach, partnerships are indispensable. We draw on our collective experience of governments, employers’ and workers’ organizations to define policies. However, the ILO is not a bank. We need those who have the major resources – the World Bank, the regional development banks, UNDP to respond to the call of the United Nations, the G-20 and others to support the implementation of Global Jobs Pact policies by countries. I hope others will follow the example of the UNDP Board in backing the Global Jobs Pact. The UNDP has a network of offices in some 142 countries. The Administrator has given her own support to the Pact. The door for working together at the country level with UNDP is open to you and you must seize this opportunity. Bilateral development cooperation must also be oriented towards backing governments that wish to apply the Pact approach.

The initiative launched by Chancellor Merkel some years ago to promote greater coordination among the IMF, World Bank, OECD, ILO and the WTO is also another arena in which to promote policy convergence and garner support for the implementation of the Global Jobs Pact policies.

Within the UN framework the ILO has been involved in the System-wide crisis response initiatives developed by the UN Chief Executives Board and specifically on those relating to jobs and to social protection. The UN framework is fertile ground for advancing the Working out of Poverty approach.

In our discussions many of you highlighted the regional dimension and the importance of regional cooperation. This is essential. The world is increasingly organizing itself on a regional basis and this will need to be taken into account as we move forward in applying the Pact policies. Meeting the challenge of shaping a job-rich recovery is at the top of Presidents' and Prime Ministers' political agenda at home and at international conferences. Furthermore, they are looking to employment and labour ministers to contribute their policy perspectives to address that challenge. Labour ministers in practically all regions have met since we approved the Global Jobs Pact – you have before you a document which gives the outcomes of those events and of course we have in front of us the meeting of the G20 labour ministers next month in Washington.

In all regions we are working with constituents on the specificity of their own priorities. In most regions and groupings we have worked closely with labour ministers who want to advance implementation in their areas. We have worked with tripartite constituents to develop and adapt DWCPs to crisis-response needs.

I have participated in key events which highlighted regional priorities and gave us guidance, They are key opportunities to connect directly with the specificity of the experience of constituents, to have their feedback and to identify emerging requirements. They have been enriching for the Office and for myself. These events have included: the Inter American Conference of Ministers of Labour of the Americas held in Buenos Aires in October last year; a Forum organized in collaboration with the Arab Labour Organization in October 2009 in Beirut; in Africa, a meeting on the implementation of the Global Jobs Pact in Ouagadougou in December 2009; and the OECD Ministerial meeting of the Labour, Employment and Social Affairs Committee held in Paris in September 2009 - together with the OECD we have prepared background material for the forthcoming meeting of G-20 labour ministers in Washington. And I will be participating in the meeting of ASEAN Labour Ministers in Viet Nam in May.

Dear Friends,

On many issues, countries are moving forward along the lines sketched but it will not be easy to persist and change mindsets. We will need to deepen fact-based research and sound technical analysis. Policy dialogue among divergent views will be essential. The capacity for multilateral economic governance will be tested. Yet we must acknowledge that the possibility of rethinking policies that led to the crisis is before us. But the possibility of slowly moving back to business as usual is already happening. It is again time to recall the values of our Constitution that labour is not a commodity and - based on our real economy experience in promoting sustainable enterprises and decent work – to move forward and accept the challenge.

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