



**Statement by Juan Somavia
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at the European Parliament**

**Strasbourg, France
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Mr. President,

Dear Members of Parliament, Dear Friends,

It is a great honour to address the European Parliament in these troubled times. I wish to thank warmly President Jerzy Buzek and all groups for this kind invitation. Thank you so very much for this privilege.

The developed world is again facing the danger of moving towards recession territory, with more limited fiscal options and weaker labour markets than in 2008 and growing uncertainty about its global impact.

Today, the voice, actions and leadership of the European Union – Parliament, European Council, and Commission - and its member countries are central to a more stable, fair and secure world. Your political and policy options have profound influence beyond your borders.

Let me address four issues.

First, values. The convergence of the founding values and objectives of the EU and the ILO must guide us today.

Second, jobs and people. New policy orientations to put job creation and productive investments in the real economy at the heart of national, regional and global decision-making.

Third, cooperation. Strong EU-ILO linkages.

Fourth, global governance for a fair globalization.

Our shared values

On a personal level, I come before you as an admirer.

I believe that the European Union is the most courageous, visionary and realistic contribution to world peace in the history of Europe.

It stems from the conviction that only by your own political will could you leave behind centuries of conflict and divisions.

From the European Coal and Steel Community to the Treaty of Lisbon and EU 2020, you have shown a constant political capacity to both expand and deepen your economic, social and political integration, successfully confronting all sorts of difficulties in the process.

I highlight values and political conviction because I am addressing you, political leaders, representing a wide spectrum of thinking mandated by your citizens to maintain the collective will and a shared vision of European interests that fuels the European journey.

You strive to build democracies founded on fair societies and dynamic open economies and the principles of solidarity and responsibility are put to a test these days.

Ninety-two years ago, this same political conviction inspired the founders of the International Labour Organization.

Our Constitution of 1919 opens with the words: “whereas 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 imperiled; and an improvement of those conditions is urgently required.”

For the first time in history, an international agreement linked peace and security in the world with the quality of work and the dignity of working women and men

These were visionaries.

After decades of social struggle at the end of the 19th century and beginning of the 20th century, they conceived a tripartite institution to promote social justice in order to cultivate peace through international labour standards.

They believed that labour is not a commodity; that poverty anywhere is a threat to prosperity everywhere.

Our founders were also practical. They understood that bringing together on an equal footing, governments and representatives of workers and employers was the way to achieve results fair to all.

They invented international social dialogue and gave strong support and space to workers’ organizations and collective bargaining.

The EU and ILO share the premise that lasting peace can only be secured through regional and international cooperation for social justice, with people’s needs guiding policy. And your historic achievement – above all others – has been uninterrupted peace for two generations of EU citizens.

At the ILO we have put these shared values into practice, promoting policies and instruments which have proven their worth and are integral parts of the ILO’s Decent Work Agenda that has received global support.

- Social dialogue bringing together governments, employers and workers, to produce, through consensus building, policies that are legitimate, effective and equitable.
- Respect for human rights and democracy, including at the workplace through effective international labour standards.
- Commitment to balanced economic growth and social progress with wide and fair opportunities for decent work and fair sharing of its product.

Yet, today our world is steadily moving away from our founding values.

One graphic illustration.

The notion, portrayed by financial markets that societies are about winners and losers has gained ground.

Modern democracies stand for something else; progressively raising the well-being of persons, families and communities, valuing the environment, in a competitive well-regulated social market economy is the path to stable, peaceful, secure societies.

Translating this vision into reality has become more and more difficult. Why?

Today, political systems –mainly in the developed world- are torn between two forces:

- A powerful and compelling demand of financial interests for strong fiscal austerity measures.
- And a growing voice from society and the street saying: “we feel the pain, yet we are not responsible for this crisis”.

Inevitably they think: that “some banks are too big to fail, and we are too small to matter.”

Understandably, there is anxiety, anguish, and anger. And activism is on the move.

Europe has all the capacity to weather this crisis – it has successfully done so many times in history. But modern democracies, educated citizens and young people have a problem when the way out of the crisis is patently unfair for too many.

Jobs and people

My central message to you is jobs; decent work, a world of shared prosperity through the dignity of work.

- Some 200 million are unemployed in the world today, the highest level ever recorded; with youth unemployment close to 20 per cent;
- two employed persons in five have an income of less than two dollars per day, that is, up to 720 dollars per year;
- half of total employment is in some form of vulnerable employment;
- eight persons in every ten have no access to any form of social security;
- a falling share of labour in total income due to productivity growing at twice the rate of wages;
- globally, the average gender pay gap is 23 per cent.

Within the European Union, you are facing major employment and social challenges, of working poverty, precarious work, low pay, social exclusion, long term unemployment.

We know that when employment is in tatters, our families and communities suffer.

Not surprisingly, events in Europe, around the Mediterranean, and many other parts of the world, illustrate again, how “injustice, hardship and privation” lead to social upheavals that put “peace and harmony in peril”.

Our patterns of growth and globalization model have become progressively more inefficient in responding to the human aspirations for decent work. You often hear: give me a fair chance at a decent job and I will do the rest. And too often that chance isn't there. People don't want hand-outs, or charity, they want the possibility of proving themselves in life through work.

New patterns of growth, based on policies true to our founding values, can again lead to efficient, but fair, markets and inclusive globalization.

Three orientations should guide us:

- Recover the trust of people. Economic and social policies must regain the trust of people who are losing hope in the way political systems and particularly financial operators are addressing the crisis. Fairness for individuals, families and communities can reconnect policies with people – and people with politics. This is what leadership is about today.
- Reduce inequality. Income and wealth inequality has reached indecent levels. So has inequality in education, health, housing, credit.

Sixty-one million people, less than one per cent of the world's population, have the same income as 3.5 billion people, 50 per cent of the world's population. In the United States, 12 per cent of total income flows to the top 0.1 per cent of income. In Europe, 60 per cent of wealth is held by just 10 per cent of the population.

- A future for all young women and men. 400 million new jobs are needed in the next 10 years worldwide; they are not coming. Present growth patterns tend to exclude young people, not only for lack of adequate education or skills but because of insufficient job offers. The flagship initiative on "Youth on the Move" certainly goes in the right direction.

We can have policies that lead towards our goal of more efficient patterns of growth with more decent work. They require an evolution in our mindset. Let me mention only a few here:

- Placing the real economy in the driver's seat of the global economy, with a financial system at its service.

This means putting productive investment in the real economy at the heart of policymaking; together with an enabling environment for sustainable enterprises.

I welcome the debates on short selling, separating investment and commercial banking, increasing margin call percentages, further recapitalization of banks, a financial transaction tax and others.

In order for these important individual instruments to be fully effective they must be part of an overall and coherent policy decision to guide banks back to their legitimate function of lending for innovation, productive investments, trade and consumption; what has been called "boring banking". In synthesis, more productive investment in the real economy, less availability of unproductive and risky financial products. Many emerging countries have done better here than developed ones.

- Change tracks to income-led patterns of growth. For too long, we have lived in a debt-driven culture. Governments, enterprises and households' addiction to debt have reached their limits. For example, less income resulting from tax reductions was replaced by public debt; wage stagnation was compensated by private debt; and private equity funds taking over large corporations through debt-financed leverage buy-outs.

Income-led growth for all, with real demand sustaining consumption, as well as savings and investments financing future growth, is the way forward to quality growth and more stability.

- Full employment as a central target of economic policies. Today we target inflation rates, balanced budgets, public debt levels but not job creation. We should mobilize as effectively to bring down unemployment as to keep inflation low. Having a measurable jobs and investment target alongside an inflation target would send a strong signal.

The EU 2020 goal of an employment rate of 75 per cent can open the way to a global discussion on job-rich growth in different regions and the convergence of policies to make it happen.

- Growing small enterprises. Entrepreneurship in small and medium-sized enterprises (SMEs) in the private sector, including cooperatives and social economy initiatives, are the most dynamic source of employment; but often the most forgotten. Again the “too small to matter” syndrome. Growth and employment in SMEs could be a central focus of new approaches to industrial policies, towards a sustainable low-carbon economy that promotes green and greener jobs. I welcome the flagship initiative on “new skills and jobs.”
- Social dialogue as a facilitator of a well-functioning real economy. Genuine dialogue with recognized social partners is fundamental to exploring real economy options, in real enterprises, in promoting decent work and respecting the autonomy of collective bargaining as highlighted in the Euro-Plus Pact.

A key task is to keep wages on track with average productivity increases in all countries in order to ensure sustainable domestic and global demand. It is indispensable to progressively catch up the ground lost in the extraordinary transfer of income away from wages in recent decades.

- Respect for fundamental principles and rights at work is non-negotiable; not even in times of crisis when questions of fairness abound. This is particularly important in countries having to adopt austerity measures. We cannot use the crisis as an excuse to disregard internationally agreed labour standards.
- A social protection floor for all in every society. The ILO is advocating a gradual establishment of a universal social protection floor that protects and empowers the most vulnerable and contributes to economic demand. Michelle Bachelet, former President of Chile, will shortly deliver a report to the United Nations and the G20 on this subject showing its feasibility. The International Labour Conference will develop a world standard in 2012.

All these policies are feasible within the European social market economy and reflect your founding values and key objectives of the EU 2020 vision. As I mentioned you are already moving on many of them.

Yours is a great vision; together with the ILO’s Decent Work Agenda it sustains our cooperation.

Let me address the EU and ILO cooperation.

European institutions, the European Parliament, the Council, and the Commission, are staunch supporters of the ILO and its Decent Work Agenda, and I thank you for this. And your support to our tripartite agreement on a Global Jobs Pact to confront the crisis and the ILO Commission on the Social Dimension of Globalization has been significant.

In recent months, you have adopted various positions supporting ILO initiatives and actions. I can refer to the report of your Crisis Committee, to your support for the ILO convention on

decent work for domestic workers, to your support for concrete initiatives on decent work, labour standards and social protection floors through EU development cooperation, the external dimension of EU social policy and trade policies.

You have also taken into account international labour conventions in your position on the single permit Directive such as on equal treatment for wages, working conditions and acquired pension rights for migrant workers.

Our cooperation has expanded and entered new areas. From the commitment to eradicate child labour, to the promotion of international labour standards and the ratification of ILO conventions, to trade and employment, labour migration, and many other areas, the EU is a partner with the ILO in building a strong social dimension of globalization.

Our working relations with Commissioner Andor and with other Commissioners are excellent. Currently, our cooperation with the Commission has reached some 13 million euros per year, at the lower end of your support to UN agencies. I think that with the backing of the European Parliament we can enhance that level of commitment.

The important mission this year by Madame Pervenche Beres, and member of the EU Commission on Employment and Social Affairs has opened the way to closer relationships with the European Parliament. As did the mission headed by Mr Klintz of the Crisis Committee in 2009.

Also, I believe we can further deepen our cooperation, also on issues within the European Union. We can be helpful with the implementation of trade agreements that include workers' rights, when requested by both parties, as we do with a number of countries.

You regularly use the decisions of our standards supervisory system when defining your own policies as in Belarus, Myanmar or Georgia for example.

I have noted with great interest that the European Parliament is of the opinion that the EU internal market rules have to take into account ILO fundamental principles and rights at work, such as freedom of association and collective bargaining as well as other up to date conventions.

I welcome that the European Commission will consider legislative proposals with a view to clarify the relationship between the proper functioning of the internal market and the respect of ILO conventions. And down the road, we have to look together at issues relevant to the European Court of Justice that relate to ILO conventions.

Your Renewed European Social Agenda states: "The EU calls on the EU Member States to ratify and apply up to date international labour standards in order to set an example to the rest of the world." You should persist in this conviction.

This is an area where strong cooperation between ILO and EU can significantly enhance respect for international labour standards globally.

Cooperation between the EU and the ILO can also be beneficial to your member countries struggling to overcome deep economic and financial crises leading to severe austerity measures and conditionalities.

For example, Greek trade unions have submitted information on the alleged violation of ILO conventions; the ILO's annual tripartite conference has mandated the Office I head to send a

High-Level Mission to Greece very soon for which we are currently in contact with the Commission and the IMF.

This is one illustration of the soundness of the European Parliament Crisis Committee recommendation on closer cooperation between the ILO, the EU and the IMF in financial assistance programmes. I value this stance which should aim to produce a better convergence of economic, social and employment policies in line with international labour standards.

I understand your discussions of the draft legislation on EU Economic Governance confront similar issues with regard to reconciling the predominantly financial, fiscal and economic policies with employment and social policies.

Global governance for a fair globalization

The policy orientations I mentioned must be underpinned by a coherent rules-based international system. Today within the United Nations system, there are three policy-making organizations in the economy and employment fields, – WTO on trade, IMF on finance and the ILO on labour markets, and why not in the future a world environment organization. The rules and standards developed by each one need to be applied in a coherent manner. This is not the case today. Your Crisis Committee recommended this coherence as part of new economic and financial global governance structures.

The prevailing policy segmentation explains key failures of the present model of globalization, exclusively driven by global trade negotiations, at a standstill for 10 years now, and the excessive deregulation of finance which has led to recurrent instability and to this on-going crisis.

Had ILO policies been present from the beginning, we certainly would have had better market outcomes for people, families, and communities. So, let's make sure we don't repeat the mistake for the future and reinforce the social dimension of globalization.

The weight of the European Union makes it a key player in managing globalization. The EU must fully use its capacity to defend, sustain and advance the European economic and social model to make globalization fairer.

This is the way to overcome the repeated challenges thrown up by the turmoil in financial markets.

Europe must continue to sustain the prosperity and security of its people, and through that, social justice and peace in the world.

The EU is capable of meeting these challenges. With confidence in your established values, you can help create the conditions for a globalization that is in harmony with the European project. You have shown in the second half of the 20th century that democracy, productivity and social justice can go hand in hand.

EU and the G20

Rebalancing the world economy, a central objective of the G20, requires more attention to employment, social protection and social dialogue.

Placing employment and social policies on a par with financial, fiscal and economic policies in the Mutual Assessment Process (MAP) of the G20 is proving to be challenging.

I would like to seek the support of the Commission and the European Council in redirecting the G20 on this track.

The up-coming G20 Leaders meeting in Cannes is a unique opportunity at a time of persistent employment crisis for them to reconnect with the real economy and their decisions two years back in Pittsburgh, when they set the objective of “putting quality work at the heart of the recovery.”

People expect G20 Leaders to make ambitious decisions to promote productive investment and job creation, youth employment, social protection, fundamental principles and rights at work. This within a medium-term perspective of socially responsible fiscal consolidation, with fairness as a guiding principle in the distribution of risks and pain.

Better multilateral policy coherence between the IMF, WTO and ILO will help Leaders to make this happen. This is why we have strengthened our cooperation with the IMF and the WTO. A stronger ILO can better contribute with its standards and policies to more efficient patterns of growth and a fair globalization. The European Parliament can be an effective actor here.

Let me conclude with two comments.

- In order to pursue these policy orientations, we need to agree on the significance of work, the dignity of work in our societies.

Today, work is seen as a cost of production, which it is.

The worker is seen as a consumer, which it is.

Yet the social meaning of work goes beyond.

Quality work is a source of personal dignity; we prove ourselves in life through work.

Quality work is a source of stability for families; an unemployed family is an unhappy family.

Quality work is a source of peace in the community; a community at work is a community at peace.

Ultimately, the quality of work defines in so many ways the quality of a society.

In making policy, ILO's role is to project and protect this wider social significance of work in the life of our societies.

- I have talked about what often can be difficult policy choices needing compromise and the will to build consensus.

Taking on that responsibility is the task of political systems today, and of political leaders like you.

You – all of you together – have an extraordinarily historical task. You are the political system of the European Union. Together you represent the thinking of representative political parties sent

to this Parliament by your countries' citizens to find solutions, to exercise leadership in today's crisis. Basically on what is the shared European interest today.

Ultimately you hold the hope and you can gain the trust of millions of citizens who are anxious and insecure, who look to you with the aspiration, the expectation that you will come together to find path-breaking agreements, that in defining policy you will thinking about them ,their families, their communities.

Certainly a difficult challenge, but my Friends, let me tell you that I can't imagine a more beautiful, rewarding and responsible mission for a political leader today.

I thank you for your attention.