

Research Conference on “Key lessons from the crisis and way forward “

Wrap-up of some of the main points emerging from the discussion

1. The Conference provided evidence on how policy space was found to address the crisis and support jobs:

- Counter-cyclical policies played a crucial role in attenuating the crisis and supporting jobs: i) the system worked best in countries that had fiscal space and where automatic stabilisers were present already before the crisis. However there are examples of discretionary measures implemented over and above automatic stabilisers; ii) tailoring the policies to the transmission mechanisms of the crisis was critical: in emerging and developing countries, this meant boosting internal sources and growth and regional integration (see cases of Asia, Latin America and, to a lesser extent, Africa); in advanced economies facing financial distress, job retention policies in sustainable enterprises lacking access to credit proved especially useful.
- Role of well-designed labour market and social protection policies: i) examples of innovative policies (minimum wages, cash transfers, employment guarantees, etc.); ii) critical importance of complementarity between these measures and existing institutions (e.g. job retention policies worked best in countries with a tradition of social dialogue and internal flexibility); iii) examples of social dialogue which facilitated the adoption of balanced recovery packages.

2. The Conference highlighted the significant challenges that characterise the two-speed recovery:

- A two-pronged strategy for addressing a two-speed recovery is needed, including i) consolidating the shift to domestic sources of growth (and/or regional integration) in surplus countries and regions and ii) supporting employment while meeting medium-term fiscal goals in deficit countries or regions.
- Pending labour market problems: i) youth unemployment, including among graduates in some countries; ii) high and/or rising incidence non-regular employment in advanced economies, informal employment in emerging & developing countries; iii) risk of long-term unemployment/inactivity in some advanced economies, and subdued investment in real economy; iv) wages lagging behind productivity: impact of continued major disconnect between the two on

aggregate demand, including business investment, and the sustainability of global recovery.

- Policy coherence: i) reasonable measures do not work in the absence of a strong response from enterprises and product markets (this was a major problem in Arab countries; by contrast, the example of Brazil shows how well-designed social protection and industrial/investment policies can complement each other); ii) the design of financial reform crucial to the future pattern of labour markets.

3. Key upcoming questions for research:

- Macro issues: i) interactions between labour markets, social protection and macro performance; ii) income-led economy; iii) globalisation and labour standards: need to understand more why labour standards are changed –is it because of international competition pressures or other pressures?
- Employment with quality jobs and social protection: i) evaluation of programmes and approaches to support decent work; ii) social protection: interactions with employment; iii) funding arrangements and their impact on employment and distribution; iv) programmes and legal instruments for informal workers.
- Growth and income inequalities: i) How to support both growth and equity goals and what is the role of labour market institutions, regulations and social protection in this respect? ii) Can social transfers and taxation on their own reduce inequalities coming from markets (e.g. growing duality in labour markets or wage inequalities)? iii) What can be done to create jobs and attenuate the trend decline in wage shares?
- Political economy: i) why are certain policy strategies adopted –crisis as an excuse to unduly downgrade labour standards? ii) good examples of social dialogue in supporting the formulation and adoption of balanced solutions; iii) alliances between ILO and IMF to do the same at the international level, especially in crisis-hit countries.
- Methodological issues: i) we have mainly identified empirical regularities, but what about micro evidence and other methodologies (SAMs, econometric, etc.)? ii) use of legal information collected through ILO supervisory mechanism; iii) more interactions between economic and legal research approaches.