

Restoring Trust—Time to rescue the real economy

By Juan Somavia – Director General of the ILO

GENEVA – The current crisis has hit the financial sector hard. But what about people and the real economy?

Though we don't know how long and how serious the financial crisis will be, we do know that if we fail to act decisively, the impact on the lives, working conditions and hopes of millions of people will be strong, global and systemic.

The current search for better financial regulation and a global surveillance mechanism of checks and balances is a welcome step. But we must reach beyond the financial system. This is not simply a crisis on Wall Street; it is a crisis on all streets.

We need an economic rescue plan for working people and the real economy, with rules and policies that deliver decent work and productive enterprises. We must better link productivity to salaries and growth to employment. People must have trust that the economy is working for them.

This message is urgent. The International Labour Organization has completed a first estimate of how this crisis is going to impact the day-to-day lives of people at all levels of society.

We project that world unemployment could increase by 20 million by the end of 2009—surpassing the 200 million mark of global unemployed for the first time. People working in such sectors as construction, automotive, tourism, finance, services and real estate will be hit hardest first.

What's more, the number of working poor living on less than a dollar a day could rise by some 40 million—and those living on two dollars a day could rise by more than 100 million.

And grim as these numbers are, they could prove to be underestimates if the effect of the current economic contraction and looming recession are not quickly confronted.

Above all, we must focus on people, on enterprise, on the real economy. What does that mean? Four things:

First, get credit flowing. Emergency measures have been and are being taken.

Second, support those who are most vulnerable. That means a variety of measures including pension protection, unemployment insurance and credit for small and medium enterprises, which are a primary source of jobs today.

Third, decisive public policies and smart regulation that rewards hard work and enterprise once again. We are battered by the whirlwind of a financial system that lost its moral compass. We have to come back to the basic legitimate function of finance, which is to promote the real economy—to lend so that entrepreneurs can invest, innovate, produce jobs and products. Let's get back to what finance is meant to do – to finance the real economy.

Fourth, and critically, we must address the underlying challenges. Long before the current financial crisis, we were already in a crisis of massive global poverty and growing social inequality, rising informality and precarious work—a process of globalization that had brought considerable benefits but for many had become unbalanced, unfair and unsustainable.

We need to get the balance right and concentrate on rescuing people and production. It's about saving the real economy.

Let's remember that people judge their lives and their futures mainly through their life at work. Now more than ever, we must focus on making sure the policies and support are in place to meet people's core demand for a fair chance at a decent job.

In order to keep economies and societies open, relevant international organizations must come together to develop a new multilateral framework for a fair and sustainable globalization.

Trade talks are stalled, financial markets are on the brink, climate change continues, any reconstruction will have to find ways to integrate financial, economic, social, labour and environmental policies within a sustainable development approach.

We cannot respond to the sub-prime crisis with sub-prime policies. This is the time to think and act in bold and innovative ways to confront the huge challenges before us.