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*Original French:* The SECRETARY-GENERAL OF THE CONFERENCE

First of all, allow me to thank Ms Doris Leuthard, President of the Swiss Confederation, for her stimulating address to this Conference. Ms Leuthard has raised a number of substantive and governance issues which we will certainly have to take up.

*(The speaker continues in English.)*

The 2010 session of the International Labour Conference, our 99th, brings us together at a time when tripartism and social dialogue are under pressure as a result of the continued jobs crisis and the uneven and often weak recovery.

Now this is compounded by the sudden reaction of the financial markets pressing highly indebted countries in Europe to cut expenditures, mainly social spending, and the potential spill over effects of this on other countries.

We know that social tensions continue to rise. There was much anger and frustration over a “job-weak” recovery. So today our cultural and social dialogue founded on respect for workers’ rights is needed more than ever.

But let me address, first, our Conference agenda.

The heartbeat of the Conference is, as always, the Committee on the Application of Standards. It is vital and sometimes contentious work, but year after year we reach solid conclusions that help our constituents find ways to sustain progress on their commitments.

This year, we have the opportunity to add to those commitments with a new standard on HIV/AIDS in the world of work. This would strengthen our contribution to universal access to HIV prevention, treatment, care and support – keeping people at work, countering discrimination and protecting the welfare and well-being of all workers, women and men.

We are also starting a discussion on a new standard on domestic workers that addresses the situation of a large and important, though “invisible” and very vulnerable, category of workers, mainly women, throughout the world. I strongly believe that society as a whole will benefit from this historic initiative, which has attracted worldwide interest.

Accelerating action against child labour, against the headwinds of the global economic crisis, is the theme of our Global Report under the 1998 Declaration. Recently, at the international conference convened by the Netherlands, for which I thank the Government most sincerely, a commitment emerged in the form of a road map charting the elimination of child labour by 2016. Now, we must redouble our efforts to complete the last part of our journey.

I know this is difficult. We have achieved a reduction in child labour, but our last report shows that this trend is not continuing at the same pace so I call on all of you to make a renewed effort. No family in any country wants to see their children working; they want them at school, and their parents want the opportunity to work. That is the way to solve the problem.

The Conference will review the way in which we can best align the follow-up to the 1998 Declaration on Fundamental Principles and Rights at Work with that of the 2008 Declaration. This heralds a new challenge for ILO reports.

You also have before you the report, *ILO programme implementation 2008–09*, which provides detailed information on the results we achieved during 2008–09. As we

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begin preparation of the next programme and budget, you can help us to ground our proposals for the difficult years ahead in your experience and priorities.

My Report, *The situation of workers of the occupied Arab territories*, depicts the harsh day-to-day reality of occupation, with deep tensions and continued widespread suffering. I salute the immense dignity, persistence and political conviction of the Palestinian people as they move, hopefully as a unified nation, towards a Palestinian State. The strengthening of Palestinian Authority institutions in the West Bank is a welcome development.

I join the Secretary-General of the United Nations in deploring the unacceptable events this week off the coast of Gaza, which have once again demonstrated how the unresolved conflict in the region can so easily explode into tragic loss of life. Our Report highlights the fact that, with the tight closure and blockade of Gaza, the livelihoods of Palestinian women and men, families and enterprises remain confined to very harsh coping strategies.

The follow-up to the 2008 Declaration called for a recurrent item on the Conference agenda to enable us, and I quote, to “understand better the diverse realities and needs of its Members with respect to each of the strategic objectives *and* respond more effectively to them”.

This year, we will start with employment policies, aiming to better define their contribution to social justice for a fair globalization, as part of an integrated decent work approach. The Committee dealing with this issue is a very important one, because the objective is to identify priorities for future attention by the Organization, including adjustments in programmes and capacity-building activities, as well as possible themes for future sessions of the Conference. This will be facilitated by this year’s General Survey on employment instruments. The discussion on employment will take place in the context of the continuing global jobs crisis and the need to secure and sustain a job-rich recovery, and this is the theme of my Report, *Recovery and growth with decent work*, to which I now turn.

I did want to make the point that, however critical the situation we are going through, the ILO has its responsibility at every session of the Conference to deal with key issues which have to do with the real life of people every day. I have therefore gone through the different subjects that we are going to discuss in some detail, as it is essentially because we deal with them well, and are able to produce the results of our tripartite efforts, that the ILO is where it is today.

I will now look at the context in which we are working today, beginning with our crisis response activities.

Increasing instability in financial markets during 2007, culminating in the crash of September 2008, sent the global economy into a severe recession which lasted well into 2009.

As you all know, the political response was unprecedented and extraordinary.

Huge bail outs were made to save the financial sector. The stimulus measures added up to around 2 per cent of world output called for by the Managing Director of the International Monetary Fund. Both governments and financial markets agreed to this approach because it would save the financial system while averting a depression.

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We at the ILO saw the signs of the coming storm: already in 2007 and 2008, the Governing Body was developing policies to address the serious consequences for working families and sustainable enterprises of a looming global downturn.

Last year, our annual Conference held a Global Jobs Summit of Heads of State and Government that led to the adoption of a Global Jobs Pact. The Pact is a productive and investment-led approach aimed at turning our economies around, shortening the lag in employment recovery, and ensuring social protection for the most vulnerable.

As you know, our studies show that many countries are following this policy framework, with some explicitly taking inspiration from the Pact.

The Pact was quickly endorsed by the United Nations, through the Economic and Social Council, then the Pittsburgh G20 Leaders' Summit, and subsequently by many regional and international bodies.

At the beginning of this year, a fragile recovery in output, stronger in Asia and Latin America, seemed to be taking place, but without significant employment creation. The recovery hinged largely on public stimulus measures, and the private sector remained weak in most developed countries.

In April of this year, the G20 Employment and Labour Ministers agreed in Washington on a recommendation for accelerating a job-rich recovery that draws on ILO analyses and the Pact framework.

In the same week, G20 Finance Ministers said that most countries should continue with stimulus measures in 2010, but begin planning for credible exit strategies beginning in 2011, linked to pickup in the private economy. The timing and context would reflect individual country situations.

So, as of six weeks ago we had an internationally coordinated approach which had used strong countercyclical policies to save the financial system and avoid the danger of a depression caused by a financial crash, with the complete agreement of governments, employers and the financial markets, and with some concern on the part of workers because employment was not picking up.

The approach of the ILO Global Jobs Pact was well embedded in the overall strategy.

We insisted that there was no sustainable recovery without jobs recovery. We still had serious worries about the adequacy of the measures to generate enough employment, but felt that the overall policy direction was right.

And then, suddenly a new crisis emerged around sovereign debt. Pressure from finance markets caused a growing number of European countries to announce deficit reductions more quickly than deemed wise only some weeks before. These measures, as you well know, directly affect jobs and salaries.

The immediate danger of a simultaneous fiscal retrenchment in a significant number of countries is to slow down Europe's already weak recovery, which could be weakened further.

In turn, this would damage growth prospects around the world in different ways. A contagion effect cannot be ruled out, and you can see simply by reading the press that there is concern in different countries about the impact on other countries of what is now happening in Europe.

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Looking forward, we must assume our ILO responsibility to identify the risks ahead for all reasons from the perspective of the real economy that you together represent. And we must contribute to finding workable solutions based on balance and dialogue, which is our trademark. I believe that every time we have seen a global crisis emerge, precisely because of our capacity for dialogue and because our tripartite composition helps us to move towards balanced solutions, we have been able to come up with proposals that are useful.

Today, there is no doubt that the public debt and public deficit of many countries are real and need to be dealt with, as both a national and a global stability issue. The perfectly legitimate question is why these levels of public debt and deficits occurred. We must not forget that part of them went to save the financial system and to avert depression. The question is how and in what time frame?

We should address this new situation, I think, within the orderly process of deficit reductions linked to a sustained pickup in private investment and consumption, to which the G20 and most countries have already agreed, and which some countries are already applying. Australia and other countries are already in the process of withdrawing stimulus packages because the growth process is already under way, and of course some countries, such as China, India, Brazil and others, are growing. The issue of withdrawing is made easier when it is necessary and you do not have a credit flow problem. The situation is very different in different countries. I am focusing on the European situation because of the spill over effects that this may have on other regions.

ILO and other institutions' research shows that a premature deficit reduction could slow or stop recovery. This would increase unemployment and in the future would likely produce a widening of the deficits as tax revenues sink further still.

Earlier this year, we estimated global unemployment to be around 212 million. That was the highest ever recorded after a big jump in 2009. We hoped that it would peak and begin to come down, given the signs of recovery, but in the first part of this year we see no sign of a reduction in the global rate of unemployment.

Improving employment trends in Asia and Latin America are offset by the continuing rise in the total numbers of jobless in most advanced countries.

We know that this is just the tip of the iceberg of discouraged workers, involuntary part-time and temporary work and increased informality. We, as a tripartite Organization, have to acknowledge that there is still a lot of suffering in working families and communities, and for many small and medium-sized enterprises.

To address these issues, I think that we need a balanced policy convergence strategy.

First, we need to secure a job-rich recovery by getting investment and consumption in the private sector moving. This will reduce the need for public stimulus measures, leading to a productive road to deficit and debt reduction.

Second, recovery has to lead to strong, sustainable and balanced growth. We must prepare to move onto a path of inclusive global development and a fair globalization, creating opportunities for all.

Third, we need to remedy the structural imbalances in the global economy before the crisis, including investment, consumption, trade and countries' private and public debt.

What is the key to this? I think that we need to act on all three objectives together, in a harmonious way, within a short-, medium- and longer term perspective. That is why I

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call this a balanced policy convergence strategy, because all the elements are interconnected and affect each other. So we do not have “either-or” options. Concentrating on one part of the problem is not going to solve it. We need to have the capacity to integrate the different dimensions that will give us this medium-term stability.

The recommendations of the G20 Employment and Labour Ministers and the Finance Ministers at their Washington meetings are important contributions to this approach. I think that the major challenge of the G20 Toronto Summit is to consolidate and carry forward the historic commitments of the Pittsburgh Summit in this new scenario.

Expressing a strong will to deepen their cooperation and coordination, reflecting both their common interest their contribution to global stability, would be a powerful message in times of uncertainty.

As part of that, a coordinated, orderly, balanced and credible long-term process to deal with public debt and deficits should be set in motion *now*, according to each country’s situation and within a convergent international pattern. The right timing and sequencing are essential. We know from experience – there are many Latin Americans and many Asians here who remember the recurrent crises in Latin America and the Asian crisis in the 1990s – that too much, too fast, will damage job prospects in the real economy and make it much harder to stabilize public finances, risking a double-dip recession.

More people at work with rising earnings means more tax revenue, less unemployment-related spending and thus a lowering of deficits.

As stimulus measures are reduced, those with the biggest impact on vulnerable families’ welfare and on employment creation should be kept on to the last.

In many countries, I have to say, public service workers are in the front line of cuts, shouldering the burden of fiscal adjustment. We know well that innovative and efficient public services are essential to quality growth, and when crises require tough decisions – and they may become necessary – they must be applied with a sense of fairness and through dialogue. We need the finance sector, which caused the original crisis, to pay its fair share in restoring government balances.

Despite massive support of the financial system, lending to enterprises and households, particularly in the advanced economies, is still weak. Smaller businesses are being squeezed out. The money is not getting out to the real economy, so we need the policies to get credit flowing and ensure that the financial system serves the real economy.

In the medium term, as I set out in my Report, we need to deepen policy dialogue and agree on policy action on an employment-oriented framework for strong, sustainable and balanced growth.

This will also require tackling a number of deep structural imbalances within countries which will impede sustainable global development in the *longer term*.

Redressing the income and opportunity imbalances in the world is key to more sustainable global growth.

I think that it is time to make high employment creation the priority macroeconomic goal alongside low inflation and sound fiscal management. All three have to carry equal weight as macroeconomic policy goals. We must focus on increasing the job intensity of growth, as well as promoting an income-led growth pattern – not the debt growth pattern that we have up to now – with a fairer relation between productivity and wages.

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A conducive environment for innovation and investment in sustainable enterprises is essential. In particular, we need to significantly upgrade the financial, managerial and technical support to what I would call the “small” economy in all its forms, as the one that produces the most jobs, as is well known.

In a world of work that is constantly changing, both employers and workers need a policy framework to support employment mobility and thus raise the performance of the whole economy.

Training and capacity building are absolutely vital to growing productivity. We should promote inclusive active labour market policies to help workers and employers manage change, maintain income levels and stimulate a quick return to the labour market for the unemployed. There is much good practice for social dialogue to draw on through the ILO.

The global jobs crisis has undoubtedly set back progress on poverty, which risks creating long-lasting social scars unless a major effort is launched to accelerate poverty reduction and development, particularly in Africa and in low-income countries.

It is time to progressively expand a basic social protection floor in every country.

With its focus on improving basic social protection and decent work opportunities, the Global Jobs Pact is a highly relevant policy framework for accelerating achievement of the MDGs by 2015. It is a “working out of poverty” approach, in which people say – if you give me a fair chance of a good job, that is how I am going to get out of poverty.

The challenges facing the ILO are thus large and complex. We urgently need to spearhead a job-rich recovery. But in pursuing that immediate goal, we also need to improve the quality of growth, making it greener, more sustainable and balanced for the longer term.

Pre-crisis growth did not yield enough decent work, we already knew that: social divides widened and the productive economy of sustainable enterprises was overshadowed by the growth of an excessively large and volatile financial sector.

Something that I think is very important for us – the ethic of good hard work, with fair treatment and remuneration, as the way you get ahead in life and the foundation of market institutions and contracts, has been badly undermined by wealth creation increasingly unrelated to the real economy. Political, social and financial stability are interrelated, and because of the things that I have been saying, many people believe that some actors in the financial sector have broken the social contract with society.

In this critical period ahead, many public and private policy options will involve choosing between human values and market values; between the interests of the financial sector and those of the productive economy; between what sections of society bear the brunt of the costs of the crisis and how the most vulnerable can be better protected and empowered.

Choices are ahead, and choices are political, but they are also an opportunity for social dialogue. So this is the time for political leadership to come together around the needs of people, families and communities. But it is also a moment for the ILO. The ILO has faced these issues before, and we know that choices must respect the dignity of work and the way in which it underpins stable families and cohesive communities.

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The next few years are going to be difficult for all of us – working women and men, productive enterprises and political leaders and the multilateral system, and social dialogue will be more crucial than ever.

The tripartite ILO has, I believe, a responsibility to play its full part in finding a common way forward. We bring two essential ingredients to the process: balance and dialogue.

I am confident that those qualities will be demonstrated in our discussions at this Conference, and in our joint efforts in the period ahead, because I have seen you before, I have seen you react to crisis, I have seen you deal with complex problems. In the end, although you may all have some differences, you know that the balanced solutions, the product of dialogue, that come out of the ILO have an influence beyond this room. So I invite you all again to exercise the enormous capacity that you have for coming together at a difficult time.