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Room paper on the likely impact of the financial and economic crisis and possible responses

Introduction

1. This paper provides a rapid preliminary assessment of the likely impact of the unfolding financial and economic crisis and suggests a number of policy responses for countries and measures for the Office. The paper is organized into six sections, providing: (1) a rapid preliminary overview of the impact of the crisis in the regions; (2) selected examples of measures taken by countries; (3) a summary of the action taken by the ILO by early November 2008; (4) an outline of policy response options that countries might consider; (5) a summary of the challenges to global governance arrangements; and (6) possible responses to the crisis by the ILO through the first half of 2009.
2. This paper is the result of the effort of a large number of ILO staff and draws on their knowledge and networks across ILO Members.

1. Preliminary assessments of immediate impacts in the regions

Africa

3. African ministers of finance and planning noted in a communiqué of 12 November 2008 that “this crisis could not have come at a worse time for the African continent; it constitutes a major setback at a time when African economies were turning the corner”. The predicted slowdown in world demand will cool off rocketing high food and fuel prices, which have been throttling many poor food- and fuel-importing African economies. But many fear that the developed world’s credit crunch may choke aid, trade and investment to Africa, straining vulnerable economies already hurting from high food and fuel prices.
4. The weakening of global economic growth is likely to lead to a reduction in:
 - *Investments and capital flows to the region.* Net foreign direct investment (FDI) inflows rose from a yearly average of US\$12 billion over the period 1998–2001 to \$18 billion in the period 2002–05, according to the United Nations Economic Commission for Africa.
 - *Export earnings.* Global demand for Africa’s principal commodities is likely to decline, and so will export prices. The decline in exports will reduce employment in the formal economy, as well as income in the informal economy and in rural areas. It

will decrease government revenue and, consequently, diminish the ability of States to provide social services to the public and carry out major investments.

- *Tourism earnings.* The latest statistics from the World Tourism Organization indicate that Africa attracted an estimated 44.5 million tourists amounting to US\$21.6 billion in receipts. The recession is likely to have a significant impact on tourism.
- *Volume of aid.* One question is whether the flow of donor resources to finance development expenditure will be maintained or become less predictable. The implications of the financial crisis are that funds may be redirected to meet the more pressing economic development and related social challenges arising from the global recession in the donor countries.
- *Remittances.* In 2007, African migrant workers employed in Europe and elsewhere sent home some \$20 billion in earnings to help their Africa-based relatives escape poverty at home. In sub-Saharan Africa, migrant remittances amounted to \$12 billion in 2007 and accounted for 2 per cent of GDP for the continent. Migrant workers are in greater jeopardy of losing their jobs because of the financial crisis, which could reduce their capacity to send income remittances home.

5. The social impact of such a scenario would be increasing levels of unemployment and an increase in the number of extreme poor. Worsening macroeconomic conditions will lead to major labour market disruptions: rising unemployment, a fall in real wages, the “informalization” of a certain number of jobs, increased job insecurity and rising poverty and inequality.

Latin America and the Caribbean

6. The global crisis is spreading to the economies of Latin America and the Caribbean through four channels: financial contagion, remittances, commodity prices, and external demand. Nevertheless, the region is better prepared to face the crisis than in the past and it is estimated that its GDP will continue to grow in 2008 and 2009, although at a slower rate than in 2007.
 - The economies of Latin America and the Caribbean, like those in other parts of the world, are facing a situation of economic slowdown, more difficult external conditions, and high levels of inflation.
 - Nevertheless, it is estimated that during 2008 the economies of the region will have grown by about 4.5 per cent, according to the International Monetary Fund (IMF). This rate represents a decrease with regard to the 5.7 per cent estimated for 2007.
 - In recent months, the countries of the region have experienced less favourable external conditions, with a marked fall in share prices, reduced availability of dollars, and an exchange rate under pressure, particularly in countries exporting raw materials that have experienced a fall in the prices of exports.
 - Two important phenomena characterize the macroeconomic trends in the region: a reduction in the current account surplus (1.3 per cent of GDP in 2007 and a projected 0.9 per cent in 2008, with a slight deficit predicted for 2009) and a significant surplus in the capital and financial accounts. These results are due to a slowdown in exports and a sustained increase in imports, as well as prudent fiscal management, less borrowing and the accrual of assets (international reserves and stabilization funds).

- With data for 19 countries in the region, it is estimated that the rate of inflation in the 12 months to September 2008 was 8.7 per cent, higher than the estimated 5.6 per cent for the same period in 2007.
 - A slowdown in inflation is predicted in 2009, thanks to the reduction in international commodities prices, a more restrictive monetary policy and a decrease in the growth of demand.
 - It is forecast that the rise in food prices will result in an increase in poverty. In particular, it is estimated that a rise of 15 per cent in food prices would cause an increase in poverty equivalent to 2.8 percentage points, from 35.1 per cent of the population in 2007 to 37.9 per cent in 2008.
 - In 2009, it is forecast that economic growth will slow down even more rapidly in the region, dropping to 3.25 per cent according to the IMF.
7. Despite the external shocks, the historically high economic growth in the region favours a drop in unemployment in 2008. However, there are continuing gender and age gaps in the unemployment rate. The dynamic demand for labour can be seen in the generation of new jobs, and to a lesser extent in an increase in wages.
- In a year-on-year comparison of the first eight months of 2007 with the same period in 2008, it is estimated that the average weighted unemployment rate decreased from 8.6 per cent to 7.7 per cent. This regional unemployment rate is equivalent to approximately 16.4 million unemployed persons.
 - Despite the drop in unemployment at the regional level, young people continue to be most affected by unemployment.
 - In a context of rising inflation, the weighted average real minimum wage for 11 countries in the region increased by 3.3 per cent in the first eight months of 2008, less than the 4.8 per cent recorded for the same period in 2007. It should be noted that if the 14.9 per cent increase in Argentina were excluded, the increase of the weighted real minimum wage in the other countries would be 2.2 per cent.
 - Informal employment remains high, involving on average 50–60 per cent of the employed urban population in 2006.
 - In 2006, 39.2 per cent of the employed population in selected countries of Latin America lacked health coverage and/or pensions.
 - The slower rate of economic growth estimated for 2008 takes account of the labour market's reduced capacity to maintain the rate of expansion of demand for labour observed in 2007. The ever greater economic slowdown in 2009 and greater uncertainty would indicate a change in the downward trend in the regional unemployment rate, which could result in a slightly higher rate than that estimated for this year.

Arab States

8. While most of the region's financial markets have declined significantly as a result of the global financial crisis, the real economy is expected to remain relatively sheltered, in large part due to mass surplus liquidity from the oil boom witnessed in recent years (in countries of the Gulf Cooperation Council (GCC)), relative insulation (for example in the Syrian

Arab Republic and Yemen) and low market capitalization (for example in Jordan and Lebanon).

9. Consequently, indicators of GDP growth and unemployment are expected in 2009 to remain largely unchanged from their 2007 levels. However, the threats of high inflation, prolonged market volatility and soaring national debts may yet take their toll in some quarters, leaving countries more vulnerable to an economic slowdown. In broader terms, the regional economic growth has been coming more from oil revenue, real estate investment, housing, tourism and foreign assistance, than from productive activity. Because these wealth surpluses have not been channelled into building a widespread industrial, infrastructure and skills base, the region's relative incapacity to absorb income and investment on a diversified basis could lead to economic instability if the global financial downturn grows worse. Declining living standards and increasing inequality are already a concern. In the absence of well-developed social security policies and mechanisms, the livelihoods of growing numbers of vulnerable workers, including the region's large cohorts of migrant workers who account for more than 60 per cent of the national labour force in most of the GCC countries, may come under further threat. A prolonged slowdown in the international economy is likely to cause a decline in remittances, job creation, tourism and official development assistance (ODA) and an increase in unemployment, particularly among young people.
10. Looking ahead, the global financial slowdown can be seen as an opportunity for regional investment and socio-economic reform, encouraging national authorities to strengthen socio-economic policies and embark on a process to increase transboundary cooperation and security. Countries in the Arab States region could expand their collaboration in fields where job growth is expected to be strong, such as water, energy and the environment, through interregional agreements focused on building trust through cooperation. This could be supplemented with interregional cooperation in other sectors, including agriculture, industry, information and education.

Asia and the Pacific

11. As this crisis originated in financial markets, its first effects within the Asian region have been economies with well-developed and globally integrated financial markets, such as Australia, Hong Kong (China), Japan, New Zealand, Republic of Korea and Singapore. Each of these economies is experiencing a sharp deceleration in economic growth.
12. Emerging economies whose growth depends heavily on manufacturing exports to the United States and the European Union (EU) (such as Cambodia, China, Philippines and Viet Nam) are slowing down markedly. Other countries, whose exports are driven by a single industry, are also affected. South Asian countries are expected to be affected less through the "export channel" because they have a much lower export share in their GDP, compared to many East and South-East Asian countries.
13. Pacific island economies are, to some extent, shielded from the most immediate effects of the crisis but they are not immune. However, slowdowns in tourism, real estate and commodity-based lending can be expected to slow regional economies.
14. Japan's economy is expected to contract by 0.2 per cent in 2009 and newly industrialized economies are projected to experience a mere 2.1 per cent growth in 2009, down from a robust 5.6 per cent in 2007. The GDP growth rate in developing Asia is expected to slow down from 10 per cent in 2007 to 7.1 per cent in 2009.
15. Economic growth in India is expected to decline from 9.3 per cent in 2007 to 6.3 per cent in 2009, which threatens to slow development and poverty reduction in the country. The

Chinese economy is slowing significantly, prompting policy-makers to take unprecedented measures to loosen monetary policy and stimulate domestic demand through fiscal spending.

16. The financial crisis is having a number of adverse impacts on Asian labour markets.
17. *Employment growth is slowing.* Recent business surveys indicate that employers in the region are reducing hiring but do not expect employment to be cut during the rest of the year. Some companies have also reduced overtime in order to save jobs.
18. *The sectors most affected* include financial services (white-collar workers), export industries (garment, electronics and other sectors – many dominated by women workers), construction, real estate, commerce, transportation and tourism.
19. *Young women and men “feel the heat”.* As the number of new vacancies shrinks, labour turnover is declining and school leavers and graduates are experiencing increasing difficulties in finding jobs. Youth unemployment is already high in some countries (25.1 per cent in Indonesia, an estimated 25 per cent in Sri Lanka and 14.9 per cent in the Philippines in 2007) and the numbers are expected to swell.
20. *Wage growth is slowing down.* Wage growth is slowing down everywhere, eroding living standards. In some countries, the social partners have negotiated a lower increase in wages to save jobs (Singapore); in others (Indonesia) the Government has set a limit on the minimum wage increase.
21. *Some job losses, but not large scale so far.* In Thailand, 125 factories retrenched a total of 15,000 workers between 1 January and 31 October, and about 17,000 more jobs are likely to go during the rest of the year. The Social Security Board is considering extending the period of unemployment benefits from 180 to 240 days. In China, there are unconfirmed reports that factory output shrank sharply in the face of waning orders and that hundreds of companies are closing down and laying off their workers.
22. *Unemployment is expected to rise in developed countries.* In more developed Asian economies, employment growth will falter and unemployment rates will rise.
23. *The informal economy/vulnerable employment is expected to expand in developing Asia.* While workers in more formal manufacturing activities – particularly those in export-oriented industries – may lose their jobs or face reductions in hours worked or in their pay, many workers in the affected industries will be forced to seek alternative employment in informal activities. Many countries therefore face a possible expansion of their urban informal economy.
24. *Labour supply pressure will exacerbate the challenges.* The greatest challenge will be in countries that experience a sharp deceleration in economic growth amidst fast labour force growth (such as Cambodia, Pakistan and Philippines). China faces the challenge of declining growth in a context where the population has high expectations of a continued rise in living standards.
25. *Growing concern about migrant workers and their remittances.* Labour migration outflows in the Asia–Gulf region are bound to stabilize or experience a modest decline. Total outflows will thus be reduced, but net flows may still remain positive for some time to come. In countries like Nepal, lower foreign earnings will make it harder to service external debt and could lead to increased social tension.

26. *Vulnerability to child labour could increase.* The impact of a global economic downturn, increased unemployment and underemployment could also have a significant impact on child labour.

Europe and Central Asia

27. The European Commission is predicting, in its economic forecast for autumn 2008, that growth (GDP) in the euro zone will drop sharply to 1.2 per cent in 2008 and 0.1 per cent in 2009 before recovering to 0.9 per cent in 2010.
28. Employment is expected to increase by about 0.5 million jobs in the euro area in 2009–10, a figure that is markedly lower than the 4 million jobs created in 2007–08. The unemployment rate is expected to increase to 8.4 per cent in the euro area in 2009, with a further increase to 8.7 per cent projected for 2010. Unemployment stood at 7.6 per cent for the euro area in September 2008.
29. Consumer price inflation is set to fall rapidly to about 2.25 per cent in 2009 in both the EU and the euro area.
30. The financial crisis will substantially worsen government finances. The average government deficit for the euro area for 2007 was 0.6 per cent, rising to 1.3 per cent in 2008 and is predicted to rise to 1.8 per cent in 2009 and 2 per cent in 2010.

Central and Eastern Europe

31. GDP forecasts for 2009 suggest a limited slowdown in the four Central European countries of around one percentage point, recession in the Baltic States and a more significant slowdown of over two percentage points in the Balkans, concerning in particular Bulgaria, Romania and Serbia, the countries with the highest current account deficits.
32. The employment level is likely to be affected by an increase in layoffs and stunted job creation. The job losses will affect certain groups of workers more than others. For instance, the already low rates of youth employment in the region are expected to decrease further, given that youth employment is highly sensitive to the business cycle. The contraction of employment will not improve the labour market position of many disadvantaged workers, such as low-skilled workers, older workers, disadvantaged women and national minorities. Unfavourable credit environments will negatively affect self-employment. The impact of the crisis on employment could be complemented by that on labour force participation, which is likely to decrease with lower returns on labour. The increase in the number of unemployed people will also need to take into account the discouraged workers who have lost hope in the job search.

Commonwealth of Independent States (CIS)

33. Growth prospects in CIS countries are deteriorating as the region is facing increasing difficulties in gaining access to capital. This is felt especially in countries with rapidly widening current account deficits such as Armenia, Belarus, Georgia, Republic of Moldova, Tajikistan and Ukraine, in the form of massive capital flows from countries like Kazakhstan and the Russian Federation, and declining external demand. For low-income countries with high numbers of migrant workers outside the country (such as Armenia, Georgia, Kyrgyzstan, Republic of Moldova, Tajikistan, Ukraine and Uzbekistan) who may now have to return home as a result of deteriorating labour demand in the host countries (mostly Kazakhstan and the Russian Federation, and in the case of the Republic of Moldova and Ukraine also the EU) the loss of remittances could be an additional cause of economic slowdown.

34. The labour market situation may not worsen dramatically in the subregion, since these countries have recently experienced labour shortages due to high labour demand and large-scale out-migration for work.
35. In Ukraine, the Labour Ministry has recently estimated an increase in the unemployment rate by 0.9 percentage points from 6.8 per cent in 2008 to 7.7 per cent in 2009. In the Russian Federation, owing to significant labour shortages, only foreign-owned enterprises may downsize their staff while Russian enterprises are not expected to cut their workforce but may use more informal labour. Enterprises may start dismissing migrant workers from Ukraine, Republic of Moldova, Central Asia and the Caucasus who would then return home and contribute to the deterioration of the labour market situation in their country of origin. A significant decline in the flow of remittances, given their high share in GDP (36 per cent in Tajikistan) would have important negative effects on the well-being of the population.

2. Selected examples of policy responses adopted by countries to counter the financial crisis

1. Cut in interest rates: most developed and many emerging economies cut their interest rates, sometimes together. For example, central banks have cut interest rates, sometimes in a concerted fashion.
2. Some countries have raised interest rates.
3. Measures to prevent banks from collapsing.
4. State guarantees on personal bank deposits, either complete guarantees or increases to the upper limit.
5. Measures to boost demand and protect employment including:
 - (a) a comprehensive fiscal stimulus package;
 - (b) labour-intensive programmes in construction and infrastructure and accelerated spending on infrastructure;
 - (c) active and passive labour market policies. Possible extension of period of unemployment benefits. Support to youth employment, including through subsidized jobs for the unemployed;
 - (d) support to enterprises: reductions in taxes on FDI, measures to support enterprises, specific support to SMEs, export industries and sectoral enterprises (automobiles, non-petroleum exports), upgrading the capacity of enterprises to increase competitiveness;
 - (e) measures to encourage enterprises to avoid redundancies;
 - (f) support to entire sectors such as airline companies, construction, machinery, agriculture and tourism;
 - (g) alternative measures to layoffs such as lower wage increases through social dialogue, lower increases in minimum wages fixed by the government, reduced hours and limits to overtime;

- (h) local economic development; local stimulus packages; measures to support enterprises and workers.
- 6. There are examples of coordinated efforts between governments in each of these areas. Social partners were consulted by governments on fiscal packages in a number of cases.

3. ILO action in relation to the financial crisis up to early November 2008

- 36. The ILO Director-General addressed the International Monetary and Finance Committee and the Development Committee at the annual meeting of the World Bank and the IMF on 11 October 2008. He noted that: "The crisis of the international financial system has grave consequences for enterprises, workers and families around the world. Coming on top of still high food and fuel prices, its effects are provoking a slide into a recession that unless averted by prompt and coordinated government actions could be severe, long lasting and global."
- 37. On 16 October 2008, the International Institute for Labour Studies released its *World of Work Report 2008*, which emphasized the role of imbalanced income developments as a factor in the financial crisis.
- 38. On 20 October, the ILO Director-General held a press conference announcing that, based on preliminary ILO estimates, world unemployment could increase by 20 million in 2009 and the number of working poor could rise by 40 million.
- 39. On 24 October, the Director-General, in response to a request from the United Nations Secretary-General, addressed the Chief Executives Board on the theme of the social consequences of and response to the financial and economic crisis.
- 40. The Director-General signed an editorial article published in the last week of October 2008 in 27 newspapers around the world, spanning all regions and nine languages.
- 41. The Director-General established an internal task force on the ILO response to the crisis, which convened on 21 October. Its first task has been to prepare this document.
- 42. On 10 November, the Committee on Sectoral and Technical Meetings and Related Issues of the Governing Body proposed two tripartite technical meetings in the first quarter of 2009, on the impact of the food crisis on decent work, and the impact of the financial crisis on financial services workers, respectively.
- 43. On 14 November, the Board of the International Institute for Labour Studies examined a policy brief on the socio-economic causes of the financial crisis.

4. Options for policy responses

- 44. To mitigate the employment, labour and social impact of the financial and economic crisis, the following list of ten short-term and medium-term policy measures should be considered (no particular order is followed). The list is preliminary, not exhaustive, and would need further elaboration. The 2008 ILO Declaration on Social Justice for a Fair Globalization provides an appropriate framework to design such responses, in particular through the emphasis on coordinated action and social dialogue.

Policy measure 1

Assessing the likely employment and social situation and impact of the proposed policy packages. Fine-tuning the macro policy mix to enhance employment and social protection.

Rationale

A number of governments from all regions in the world have adopted measures to prevent the collapse of banks while adapting their monetary and fiscal policies to the new challenges. It is important to ensure that demand stimulus packages are adopted and that these explicitly target employment and social protection.

Policy measure 2

Implementing active and passive labour market policies, including broadening the coverage of unemployment insurance, ensuring adequate severance payments, as well as targeted measures to help displaced workers.

Rationale

The financial crisis and subsequent credit squeeze and fall in demand will be reflected in job losses, especially in the formal sector. Labour market policies not only help to mitigate the social impacts of the crisis, but also boost demand and the economy in general, thus also acting as a counter-cyclical measure.

Policy measure 3

Providing support to enterprises including SMEs, such as new credit lines, tax relief, retraining and employment subsidies, public investment in infrastructure, and start-up credit for unemployed and displaced workers. Social dialogue should be strengthened to ensure socially responsible enterprise restructuring. Implementing policies based on the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) aimed at minimizing the social costs of MNE restructuring or reduced FDI flows.

Rationale

The crisis reduces demand for firms' output and their access to credit and provokes bankruptcies. SMEs represent the bulk of employment in the world. The sharp decrease in exports (for example, 20 per cent in the clothing industry between July 2007 and July 2008) strongly affects MNEs.

Policy measure 4

Introducing targeted programmes to support vulnerable groups such as informal and rural workers, women, youth and older people. This includes safeguarding and improving access to social security benefits and social assistance benefits, income support to unemployed people not covered by social security schemes, as well as conditional cash transfer programmes. An emergency package of state-financed social transfers would help to mitigate the rise in poverty resulting from the crisis. Other measures include labour-intensive public works programmes and employment entitlement programmes, credit programmes and other measures to support rural employment, as well as local community-level interventions.

Rationale

Safeguarding existing benefits and introducing basic social transfers help to stabilize domestic demand at a time when exports are weakening. They protect the productivity of the workforce and the long-term employability of the younger generation and prevent child labour. The experience of past recessions shows that many displaced workers tend to join the ranks of informal workers or the self-employed. Some leave the labour market altogether, with significant long-term consequences. Women, who are often concentrated in precarious situations, are most vulnerable to layoffs during periods of crisis, while school leavers find it more difficult to find a first job.

Policy measure 5

Making full use of the relevant standards, including promoting the effective recognition of the right to collective bargaining, relying on the information provided by the ILO supervisory mechanisms on the adoption of policies.

Rationale

The eight fundamental Conventions are fully relevant in responding to the crisis. Freedom of association, collective bargaining and equality and non-discrimination protect and empower working women and men. The prohibition of forced labour and child labour provide essential safeguards against people falling victim to inhumane conditions of labour. Collective bargaining can foster cooperative labour-management solutions to deal with the consequences of the crisis. The capacity of the State to enforce fundamental principles and rights at work needs to be strengthened.

Policy measure 6

Preventing recourse to child labour as a coping strategy of vulnerable families through alert mechanisms, advocacy, dialogue and ongoing support from donors for the elimination of child labour. Targeting actions to prevent the development of bonded labour.

Rationale

Poor families in the developing world facing reduced income are more likely to withdraw children from schools and send them to work.

Policy measure 7

Providing training to social partners to increase their capacity to use social dialogue as a means of addressing issues arising from the crisis, including enterprise restructuring, productivity, contract and work time flexibility, collective layoffs and ways of mitigating their consequences.

Rationale

Enterprises faced with reduced demand are shedding costs, hours and workers. Productivity gains are sought through restructuring, flexible work organization, restrictive wage policy, and sometimes reduced occupational safety and health standards. As a result, labour-management relations at the enterprise level deteriorate, as does the ability to find acceptable solutions.

Policy measure 8

Strengthening sectoral social dialogue at the national, regional and global levels. Monitor the sectoral impact of the crisis and address the labour and social impact in sectors such as agriculture, automobiles, manufacturing, commerce, construction, transport, tourism, financial services, health and other public services.

Rationale

Dialogue helps to identify the policy priorities needed to deal with the social impact of the crisis in different economic sectors. The involvement of the social partners in policy-making would not only make these reforms more feasible, but would give them increased legitimacy.

Policy measure 9

Protection for migrant workers and measures to avoid their return which would only add to the crisis. Policy elements include guidelines to employers and destination countries, dialogue between countries of origin and destination, advisory services on labour market policies for migrant workers and on return policies, and data monitoring of trends.

Rationale

Recessions usually put migrant workers in greater danger of losing their jobs than national workers. Countries that are highly dependent on remittances are heavily exposed to the ongoing crisis, as the decrease in remittances can have a recessionary impact. Remittances in the developing world exceed US\$250 billion and account for more than 10 per cent of GDP in over 20 countries.

Policy measure 10

Addressing the financing of social security funds and implementing solidarity-based basic social security schemes.

Rationale

Unemployment benefit and social assistance schemes that are funded largely on a “pay-as-you-go” basis face immediate financing problems in a context of rising demand. Pension schemes are particularly exposed to the crisis in the financial markets. In both cases, the levels of benefits might decrease or contributions increase. In addition, public and private pension funds have contributed to the instability of financial markets. The crisis has clearly shown that the dependency of benefit levels on the performance of financial markets is problematic.

5. Challenges to global governance arrangements

45. The crisis has brought to the fore a number of issues concerning the governance of globalization. The principal focus so far is on a range of issues related to international finance and the coordination of fiscal measures to stimulate recovery. The Annual Meetings of the IMF and the World Bank in early October 2008 started the process of rethinking policy frameworks and governance mechanisms.
46. Resolving representation in international policy-making institutions, particularly regarding monetary and financial policy, has become a matter of urgency. Improved policy

coherence between a number of related questions could also form part of discussions on reforms to the multilateral system and on ways of containing the downturn and accelerating the recovery. Those questions include:

- trade liberalization;
- the scale and effectiveness of official development assistance (ODA);
- environmental protection, especially climate change; and
- decent work.

47. The UN framework provided by the economic, social and environmental pillars of sustainable development offers a comprehensive approach to addressing such issues, including progress towards the Millennium Development Goals (MDGs). The importance to the ILO and its constituents of a conducive global, regional and national environment for the generation of decent work opportunities is a major theme of the 2008 Declaration on Social Justice for a Fair Globalization.¹

48. On 8 and 9 November 2008, G20 finance ministers met in Sao Paulo, Brazil. Their communiqué highlights the importance of “ensuring financial stability, supporting global growth and maintaining recent achievements in poverty reduction and social inclusion”, and states that measures “must be designed not only to restore growth and financial stability, but also to minimize the negative social impact particularly in emerging and low-income countries.”

49. A number of potentially important commitments to reform of financial institutions which could have a bearing on the ILO’s responsibilities were mentioned, including:

- comprehensive reforms of the Bretton Woods institutions “so that they can more adequately reflect changing economic weights in the world economy and be more responsive to future challenges”;
- review of “the adequacy of the resources of the IMF, the World Bank Group and other multilateral development banks”;
- enhancement of the IMF’s capabilities “with due regard to systemically important economies, in order to anticipate stresses and identify at an early stage vulnerabilities, systemic weaknesses and spillover risks across financial markets”.

¹ “Other international and regional organizations with mandates in closely related fields can have an important contribution to make to the implementation of the integrated approach. The ILO should invite them to promote decent work, bearing in mind that each agency will have full control of its mandate. As trade and financial market policy both affect employment, it is the ILO’s role to evaluate those employment effects to achieve its aim of placing employment at the heart of economic policies.”

50. The G20 Heads of State and Government meet in Washington, DC, on 15 November. The Group represents 84 per cent of world GDP and 66 per cent of the world's population.² It is thus much more representative than the "Group of Seven" industrialized countries that has met annually for more than 30 years. The G20 could take on a much stronger role, including around the biannual meetings of the IMF and World Bank.
51. The UN with its 192 Members has the legitimacy of universality, as does the ILO with its almost coincident 182 Members. An important challenge is how to ensure that a reinforced G20 process contributes to the ongoing reform efforts within the UN to strengthen its effectiveness.
52. As the only international body in which representatives of the real economy, workers and employers, participate alongside governments, the ILO has a particularly important role in ensuring that reforms and policy packages for recovery take fully into account the need to create a strong foundation for productive enterprises and decent work in the future.
53. Professor Joseph Stiglitz, in his 30 October address to the United Nations General Assembly as Chairperson of a Panel of Experts on the Financial Crisis, specifically mentioned the UN and the ILO in the context of monitoring the consequences for growth, unemployment and poverty of multilateral financial institutions.
54. The ILO will be represented at two forthcoming international meetings at which aspects of the multilateral response to the crisis are likely to be discussed. These meetings are:
 - Financing for Development (Doha, 29 November–2 December); and
 - Climate Change (Poznan, 1–12 December).
55. Further meetings of the UN system and the Bretton Woods institutions in the first half of 2009 will also provide opportunities to highlight the relevance of the Decent Work Agenda in coordinated international action to combat the crisis. The March 2009 session of the Working Party on the Social Dimension of Globalization could also be devoted to an in-depth discussion of possible reforms to the international financial system and their impacts on the Decent Work Agenda.

6. Possible ILO responses to the crisis at the end of 2008 and in early 2009

56. Again, this is a preliminary list that would need further elaboration.

² The Members of the G20 are the finance ministers and central bank governors of 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russian Federation, Saudi Arabia, South Africa, Republic of Korea, Turkey, United Kingdom and United States. The European Union is also a Member, represented by the rotating Council presidency and the European Central Bank. To ensure that global economic forums and institutions work together, the Managing Director of the International Monetary Fund (IMF) and the President of the World Bank, plus the chairpersons of the International Monetary and Financial Committee and Development Committee of the IMF and World Bank, also participate in G20 meetings on an ex-officio basis. For the 15 November meeting, President Bush has also invited the UN Secretary General. In 2009, the United Kingdom will take over the rotating chairmanship of the G20 from Brazil.

1. Continuous monitoring of employment, labour and social impacts of the crisis in all regions; information collated could be made available to ILO Members through the Internet or email on a continuous basis.
2. Rapid ILO expert analysis and advice in response to requests on:
 - (i) the fiscal cost and design of emergency measures to expand social security, unemployment insurance, employment guarantee schemes, and safeguarding pension entitlements; providing basic assistance systems for the informal sector;
 - (ii) the employment impact of fiscal stimulation packages adopted or contemplated by governments;
 - (iii) assessment of alternative employment support measures;
 - (iv) management of social security funds in volatile financial market situations;
 - (v) emergency measures to stimulate youth employment and employment in small enterprises;
 - (vi) the cost and design of emergency training and retraining programmes;
 - (vii) technical support, possibly jointly or in parallel with the IMF, to countries worst hit by the crisis;
 - (viii) analysis and advice on the overall coherence of proposed measures and interaction with the stimulus packages adopted or contemplated.
3. Support to national tripartite dialogues on overall assessment of the impact of the crisis and consideration of support measures to offset anticipated employment, labour and social impacts.
4. Support on request to ministries of labour, planning, finance or economics, and to employers' and workers' organizations, on specific policy issues in areas of ILO expertise. Exchange of experience, methods and practices among policy-makers and experts to mitigate the economic and social implications of the crisis (possibly through the Turin Centre).
5. Identification within Decent Work Country Programmes of programmes, projects and measures specially tuned to addressing the actual or potential impact of the crisis.
6. Review of planned ILO meetings, seminars and workshops whose agendas could be reviewed to focus on the crisis. For instance, the agenda of the European Regional Meeting to be held in Lisbon from 9 to 13 February 2009 has been adjusted to reflect the new context of the crisis.

Geneva, 14 November 2008.