



Governing Body

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GB.309/4

FOR DEBATE AND GUIDANCE

FOURTH ITEM ON THE AGENDA

ILO response to the crisis

Overview

Issues covered

This paper takes stock of the ILO's response to the global economic and financial crisis and sets out proposals for the next stages of ILO support to an overall weak but highly differentiated economic recovery.

Policy implications

The Governing Body discussion will inform future work in this area.

Financial implications

None.

Action required

Submitted for debate and guidance.

References to other Governing Body documents and ILO instruments

GB.309/ESP/1/2, GB.309/WP/SDG/1, GB.306/WP/SDG/1.

Global Jobs Pact, 2009.

ILO Declaration on Social Justice for a Fair Globalization, 2008.

Introduction

1. This paper takes stock of the ILO's response to the global economic and financial crisis and sets out proposals for the next stages of ILO support to an overall weak but highly differentiated economic recovery.
2. The background to the paper is what the ILO has achieved since it first discussed the global crisis in November 2008 leading to the adoption in June 2009, by the International Labour Conference, of a Global Jobs Pact. It is also informed by the new phase of the crisis marked by a highly differentiated pace of recovery, contrasting the more rapid growth in emerging and developing countries with the weaker performance and higher risks faced by higher income countries. At the same time, the global economic recovery remains fragile in spite of a number of measures taken to address some of the root causes of the crisis.
3. The paper is also informed by the analysis submitted to the Committee on Employment and Social Policy,¹ by the review provided on global developments and ILO initiatives,² and by other recent ILO reports.³
4. In the light of these documents and findings and their respective discussions in the Committee on Employment and Social Policy and in the Working Party on the Social Dimension of Globalization, it is appropriate for the Governing Body to consider the options for the future work of the Organization in supporting the ongoing recovery.

ILO response to the global crisis: A brief overview

5. The central aims of the ILO response have been and continue to be to equip ILO constituents with information on and analysis of the consequences of the crisis for employment, enterprises and social and labour conditions; provide tripartite forums to discuss recent developments and policy responses; provide constituents with tools to assist their own efforts to respond to the situation set off by the global crisis.
6. The initiatives deployed by the Office have been duly reported to the Governing Body and several of its Committees, notably the Committee on Employment and Social Policy, and the Working Party on the Social Dimension of Globalization.
7. Following the adoption of the Global Jobs Pact, meetings were held in all five ILO regions to consider the application of the Pact in the regional context.⁴ In parallel, the Office set in motion a mechanism to assist countries wishing to apply the Pact; special arrangements were announced by the Director-General on 9 November 2009. Nine countries have so far

¹ GB.309/ESP/1/2.

² GB.309/WP/SDG/1.

³ See IMF/ILO: *The challenges of growth, employment and social cohesion* (Geneva, 2010); International Institute for Labour Studies: *World of Work Report 2010: From one crisis to the next?* (Geneva, ILO, 2010); ILO: *International Labour Review, Special Issue: The global crisis*, Vol. 149, No. 2 (Geneva, 2010).

⁴ See GB.306/WP/SDG/1.

requested the Office to assist constituents with an integrated application of the Pact. In addition, the Office has responded to a number of requests from countries for short-term assistance in crisis situations, ranging from skills upgrading programmes in specific industries affected by the downturn, to employment policies in Côte d'Ivoire, actuarial analysis in Greece, emergency employment options in Jamaica, employment-intensive community works in the Philippines, and skills and wage policies in Ukraine.

8. The Pact has received strong support through the United Nations Economic and Social Council, which adopted a resolution in July 2009; from the G20 Leaders' Summit in Pittsburgh; and from a number of regional meetings and institutions. The Office provided technical input and support to the meeting of G20 Ministers of Employment and Labour, hosted by the Department of Labor of the United States, on 20–21 April 2010 in Washington, DC.
9. The ILO is working closely with the United Nations Development Programme, whose Executive Board adopted a decision in January 2010 to support the Pact in country operations.⁵
10. Recently the ILO and the International Monetary Fund (IMF) joined forces, together with the Government of Norway, in organizing a major conference in Oslo on the challenges of growth, employment and social cohesion.⁶ The ILO is also collaborating with the World Bank in documenting country employment and social policies.

Initial lessons resulting from the ILO's experience in responding to the crisis

11. Two years after the storm in a major financial centre in September 2008 sent shock waves around the world, four initial lessons can be drawn from the ILO's response experience to date.
12. First, the Global Jobs Pact is grounded in the Decent Work Agenda and shares the same objectives. The Pact is the Decent Work Agenda applied in the context of crisis. The global financial crisis rapidly morphed into an economic, employment and social crisis, accentuating the weak social situation prevailing before the crisis, as identified for instance by the World Commission on the Social Dimension of Globalization. This illustrates the relevance of the ILO's agenda before the crisis, during it, and in the recovery phase.
13. Second, the roots of short-term crisis situations are often to be found in the structural conditions predating the crisis. A key underlying factor behind the present crisis was the development of dysfunctional financial systems in several advanced economies. Another was the insufficient link between economic growth and the goals of creating more and better jobs in sustainable enterprises, ensuring balanced income distribution and promoting workers' rights. Job losses have been significant during the crisis, but more acute in sectors, such as construction, that faced deep economic imbalances going into the crisis. Countries with fragile employment and social situations have been further weakened through the crisis. In sum, short-term problems tend to have deep-seated roots, the product of insufficient attention before the crisis to employment, social protection, rights at work and dialogue.

⁵ See GB.307/WP/SDG/1, para. 10.

⁶ See GB.309/WP/SDG/1, paras 7–9.

14. As early as 2004 the ILO-convened World Commission on the Social Dimension of Globalization warned of an unsustainable pattern of globalization which paid insufficient attention to employment, social and labour policies. In most situations, short-term remedies can only do so much to address deep-seated problems.
15. Third, the various initiatives taken by the ILO in responding to the crisis, including in providing inputs to the G20 Leaders' Summit, have clearly pointed to the need to strengthen the capacity of the Office to document and make available, in real time, detailed information on the policies countries are implementing. "What policies work best, with what results, where?" was a frequent question to the ILO before the crisis. This is also the sense of the ILO Declaration on Social Justice for a Fair Globalization, and the experience of the first recurrent discussion on employment at the International Labour Conference in June 2010. During the crisis this question became insistent: it was in essence the request to the ILO by G20 leaders and their employment and labour ministers in 2009 and 2010.
16. A number of recent ILO publications including the Director-General's reports to the Conference, technical reports issued by ILO units, the recent joint IMF/ILO report, and the annual *World of Work Report* of the International Institute for Labour Studies, suggest that the strengthening of the ILO's analytical capacity is well under way.
17. Fourth, the crisis has spurred a trend towards greater cooperation among multilateral institutions. Again, this trend was well established before September 2008, but it has grown significantly since. There are two reasons for this. First, the "One UN" approach has already built up a track record (even at the present initial stage) that displays the strength of a more collaborative approach. Second, and more fundamentally, this crisis sparked by financial turmoil has cost the world dearly in job and income losses. An adequate response to the crisis cannot be simply about fixing financial malfunctioning or rekindling growth; it calls for a comprehensive approach straddling the financial, economic, trade, employment and social protection imbalances revealed by the crisis. This realization has encouraged greater collaboration across UN and international financial organizations, including renewed political interest in effective cooperation.

Possible future directions

18. A number of proposals are sketched out below to elicit the Governing Body's comments and observations enabling it to give guidance to the Director-General on this matter.
19. First, in spite of a highly differentiated recovery, a number of countries are still mired in crisis and have called or may call on the ILO for support. Hence the ILO should retain its capacity to react swiftly to emergency requests.
20. Second, as borne out by the initial experience in the nine countries that have requested ILO support to apply the Global Jobs Pact, what is really at stake are policies and measures to strengthen decent work paths to rapid recovery and sustainable and balanced economic growth and development. It seems logical to progressively transform the special approach being implemented in the Global Jobs Pact into an integrated approach to support decent work. Decent Work Country Programmes are the best conduit for this. Future formulations or revisions of country programmes could therefore benefit from the methodology applied for the Global Jobs Pact. Specifically, the country scans now applied for the Pact could evolve into decent work country scans integrated into the methodology for preparing, revising and updating Decent Work Country Programmes. They could also be used as inputs to One UN country programmes under the UN Development Assistance Frameworks.

21. Third, the collection, compilation and dissemination of real-time information on the policies and measures being applied by countries should become a standard feature of all areas of the ILO mandate, in particular the outcomes of the programme and budget. This lesson has already been drawn by the Director-General in his Guidance Letter setting out the preparations of the Programme and Budget proposals for 2012–13.
22. Fourth, the crisis has starkly illustrated the need to approach and think “differently” about employment, social protection, rights at work and dialogue. This matter was central to the joint IMF/ILO Conference organized, together with the Norwegian Government, in Oslo in September 2010, as well as to the recurrent discussion on employment at the International Labour Conference in June 2010. It is also discussed extensively in a document submitted to the Committee on Employment and Social Policy.⁷ The extent to which economic growth leads to broad-based improvements in the employment, labour and social situations of the bulk of the labour force varies tremendously across countries and over time, in both high- and low-growth periods.
23. A noticeable trend across countries has been the significant divergence between growth in value added, investments to expand the production base, and improvements in the material conditions of working women and men. Rising inequality, persistent informal employment, and structural changes affecting the nature of jobs available underpin these concerns. Such divergence weakens and eventually undermines economic and social stability.
24. Macroeconomic policy frameworks focused on monetary policy and inflation targeting have by and large been unable to deliver on the broader objectives of economic and social development. This suggests a need to broaden the horizon of macroeconomic objectives to encompass social objectives, notably the growth of productive investment and employment through sustainable enterprises, the expansion and consolidation of social protection, and the strengthening of labour institutions. This is also recognized by the 64th Session of the UN General Assembly in its resolution on the follow-up to the outcome of the Millennium Summit.
25. The ILO needs to pursue and deepen, together with other institutions and a wide array of experts from all regions, its analysis of broader macroeconomic and social policy frameworks that would attend to low inflation and balanced public finances, as well as to productive employment growth, sustainable enterprises, the application of basic rights at work, and access for all citizens to basic social protection. This should also include a more systematic effort to assess the effectiveness of different policy initiatives.
26. Fifth, it follows from the above that the ILO needs to pursue and deepen its work on policy coherence across multilateral organizations in close partnership and cooperation with such organizations. Building on recent encouraging developments, there is scope to further strengthen cooperation with the United Nations and its family of programmes and agencies, including regional economic commissions, and with the International Monetary Fund, the Organisation for Economic Co-operation and Development, the World Bank and the World Trade Organization, and with regional development banks. The trend towards revitalized cooperation observed in recent months can only be beneficial for greater policy coherence and more balanced growth and development globally.

⁷ GB.309/ESP/1/2.

- 27.** The Governing Body may wish to request the Director-General to take account of its discussions in preparing the next steps of the ILO's response to the crisis and to the recovery in the making.

Geneva, 1 November 2010

Submitted for debate and guidance