



***Shortening the Global Recession, Accelerating Recovery and Setting Course
for Inclusive and Sustainable World Development***

Statement by Mr Juan Somavia,
Director-General of the International Labour Office,
to the International Monetary and Finance Committee
and Development Committee
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Summary

- 1. We are facing a social recession with potential security risks.*** In nearly all countries around the world, job losses are mounting, job creation is slowing, unemployment and working poverty is increasing often dramatically. As good jobs disappear, especially in developing countries, women and men struggle to survive in the informal economy or back in the villages where poverty is rife.
- 2.*** With the IMF's latest forecasts of the global economy suggesting that growth will only re-emerge in 2010 with a weak recovery thereafter, the global jobs crisis could become extremely grave with serious social and political consequences. Dry figures cannot capture the anger, frustration and despair of people. We must be aware that the global jobs and social protection crisis affecting working families and local communities, if left unchecked, can suddenly become a much larger political crisis.
- 3. People expect a much greater focus on social protection, decent work and sustainable enterprises.*** The financial, economic, social and employment dynamics of the global crisis call for equally strong interlinked policy responses. A concerted global effort to bring forward recovery, make it job-intensive and shape a pattern for sustainable growth based on stronger and better functioning labour markets and social protection systems needs to be a central component of crisis response measures.
- 4. Towards an ILO Global Jobs Pact.*** The International Labour Organization is developing a Decent Work response to the crisis – a global jobs pact. The idea of a global jobs pact is widely supported. It is envisaged as a policy contribution by the ILO's tripartite constituency – actors in the real economy – to mitigate the impact of the crisis and to shape a productive and sustainable recovery. Alongside a series of measures to strengthen social protection and employment policies, the pact would also aim to increase international cooperation mechanisms to ensure that vulnerable countries, in particular least-developed countries, as well as those with constrained policy space have sufficient resources to take counter cyclical measures. A prerequisite is the maintenance and enlargement of aid flows. The Organization is pledged to deepening its collaboration with all relevant partner agencies as called for by the G20 in their London Leaders' Statement.

I. We are facing a social recession with potential security risks

5. We know the facts. In nearly all countries around the world, job losses are mounting, job creation is slowing, unemployment and working poverty is increasing often dramatically. As good jobs disappear, especially in developing countries women and men struggle to survive in the informal economy or back in the villages where poverty is rife. The first signs of a resurgence of child labour and infant mortality are emerging. Migrant workers' remittances are falling contributing to a rise in poverty in home countries and job and/or income losses in host countries. For irregular migrants at the bottom of the jobs ladder the risk of falling into the hands of people traffickers and other forms of coercive labour is increasing.

6. Wages and working conditions are under pressure, social protection systems even in wealthier countries often fail to cover all those without work and in most developing countries a tiny fraction of the jobless have a state provided income support. Business failures are increasing and access to credit continues to be tight.

7. With approximately 45 million new job seekers entering the global labour market every year, this jobs crisis is set to worsen sharply as the recession deepens and lengthens. Furthermore, recovery in the labour market comes with a considerable lag after output growth picks up. We fear that the numbers of women and men working but unable to lift themselves and their families above the \$1 and 2 a day poverty lines will rise significantly as a result of the recession. And this comes on top of the food and fuel price rise which may have pushed the numbers of undernourished people over 1 billion.

8. In industrial countries, the OECD average unemployment rate reached 6.9 per cent in January 2009, 1.3 percentage points higher than a year earlier. There were over 6 million more unemployed persons in the OECD area in January compared with a year earlier. Labour market conditions are now deteriorating in a large majority of OECD countries. Young people, immigrants, low-skilled and older workers are bearing the brunt of rising unemployment. Workers on temporary contracts are also particularly vulnerable.

9. With the IMF's latest forecasts of the global economy suggesting that growth will only re-emerge in 2010 with a weak recovery thereafter, the global jobs crisis could become extremely grave with serious social and political consequences. The ILO's previous worst case scenario based on earlier more optimistic forecasts was for a rise in global unemployment during 2008 and 2009 of 50 million. We are certainly on track for that grim result. We continue to monitor the situation.

10. Dry figures cannot capture the anger, frustration and despair of people. Working women and men have absolutely no responsibility for the financial collapse. Yet they are being thrown out of work or being asked to take major cuts in wages and working conditions. This is giving rise to legitimate, organized and constructive protest. In addition the social effects of the recession cumulate insidiously in drug and alcohol abuse, domestic and workplace violence, rising suicides, increased crime, inter-community conflict as well as spontaneous riots and different forms of violence.

11. Under these conditions some societies can inadvertently stumble into wider security risks that put in danger national political stability and even peace in already tense situations. We must be aware that the global jobs and social protection crisis affecting working families and local communities, if left unchecked, can suddenly become a much larger political crisis. The simmering ferment of a social recession is there.

12. Current forecasts therefore cannot be allowed to become a reality. We need a stronger and better concerted global effort to bring forward recovery and make it job-intensive and poverty-reducing. Furthermore a central component of crisis response measures must be stronger and better functioning labour markets and social protection systems to deal with the emergency but also to shape a pattern for inclusive and sustainable growth in the future.

II. People expect a much greater focus on social protection, decent work and sustainable enterprises

13. The ILO's tripartite global constituency hopes that the measures taken will establish a fully working financial system that can get credit flowing for productive investments, sustainable consumption, trade and innovation. The Managing Director of the IMF has rightly emphasized the importance of establishing functioning credit markets as a foundation for a durable recovery. This is particularly important for the financing of the sustainable productive enterprises that are the leaders in generating decent work. The previous regulatory regime did not favour such firms. The first and most important tests for a new international regulatory regime for finance markets must be whether it creates incentives for productive investment in sustainable enterprises, large and small, that generate decent jobs and disincentives to speculative behaviour.

14. But people need support too. I welcome the important progress made on many fronts by the London G20 Summit on growth, jobs and stability in fighting the crisis. The commitment that a "global plan for recovery must have at its heart the needs and jobs of hard-working families, not just in developed countries but in emerging markets and the poorest countries of the world too", is a significant step forward in shaping a balanced recovery.

15. More than 80 per cent of the world's workers have no access to social protection. For them no job means no income and when savings run out that means a slide into poverty. The ILO has calculated that a basic social protection package of a modest cash benefit for children and a modest pension for the elderly and persons with disabilities, together with access to basic health care, can be constructed progressively without overstraining public budgets. Such schemes have been shown to have a huge and rapid impact on extreme poverty. In the longer run the experience of today's wealthier but once poor countries shows that social protection is an investment in the empowerment of people and the development of human capital – both key to the future prosperity of enterprises and the economy.

16. It is extremely welcome that some of the major increase in funds allocated to the IMF and World Bank will be available to expand and establish basic social protection schemes. Any international support put in place for social safety nets to address the crisis should be conceived as a contribution to the establishment of a more permanent social floor in each country according to its means and possibilities. I have no doubt that both countries providing resources and those eventually requesting them will want to see these funds set up in a manner that ensures access to the specialized technical expertise available on these issues in the United Nations system.

17. A lengthy period of increasing unemployment and working poverty will certainly increase social tensions. The burden is not falling evenly and those hardest hit will feel justifiably unfairly treated. In these circumstances, business and governments must reinforce their commitment to the core labour standards to which all workers in all countries should have

recourse.¹ Trade unions and employers organizations are vital allies for governments in ensuring that resolution of tensions is sought through dialogue and negotiation. Three-way tripartite discussions on how to mitigate the crisis and accelerate recovery are both a means of developing effective policy responses and also an economic and social stabilizer. This is not always possible but should be attempted.

III. Towards an ILO Global Jobs Pact

18. On 23 March 2009, a High-level Tripartite Meeting on the crisis held during the ILO Governing Body session discussed with the Managing Director of the IMF Dominique Strauss-Kahn the adequacy of crisis response measures. The Meeting followed on from a similarly extensive exchange of views with President Zoellick of the World Bank in March 2008.

19. Building on a major ILO report on “The Financial and Economic Crisis: A Decent Work Response”² and several regional meetings of ILO constituents, the Meeting identified a number of points of convergence which ILO constituents and the Office were invited to use in their further efforts to develop crisis response measures. The idea of a global jobs pact is widely supported. It is envisaged as a policy contribution by the ILO’s tripartite constituency – actors in the real economy – to mitigate the impact of the crisis and to shape a productive and sustainable recovery. Such a pact would be agreed to by the ILO’s tripartite constituency based on the main policy tools of the Organization. It would constitute the ILO’s contribution to national decision-making and to international cooperation and policy convergence on the crisis.

20. Alongside financial rescue and reform measures, fiscal stimulus packages, and reform of the institutions for the governance of globalization, key policy instruments in such a Pact to be developed in national policy packages through consultation and social dialogue include:

- (i) Strengthened income maintenance measures for the unemployed such as boosting unemployment benefits (duration, coverage), incentives to employers for work sharing and temporary worker retention, and complementary cash transfer programmes.
- (ii) Expanding social protection measures and protecting pensions from the devastating decline of financial markets.
- (iii) Targeted support to vulnerable groups and sectors, such as introducing temporary youth employment programmes.
- (iv) Stronger active labour market policies to support employment and earnings, such as introducing temporary payroll tax holidays or wage subsidies and expanding training programmes to the unemployed.
- (v) Investment in the development of worker skills to prepare for recovery during the periods of slack labour demand.

¹ Adopted in 1998, the ILO Declaration on Fundamental Principles and Rights at Work is an expression of commitment by governments, employers' and workers' organizations to uphold basic human values - values that are vital to our social and economic lives. These principles and rights are freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

² Available at <http://www.ilo.org/public/english/bureau/inst/download/tackling.pdf>

(vi) Strengthening of employment services, to facilitate the adjustment of firms and individuals to changing labour market conditions. Employment services are more important than ever in times of crisis as workforce mobility increases.

(vii) Special emergency support to enterprises, particularly small and medium-sized enterprises, to access credit and overcome cash-flow problems.

(viii) Public investment in infrastructure, through emergency public works with employment-intensive techniques, including measures that contribute to adapting to and mitigating the effects of climate change. Incentives and investments in energy efficient technologies and “green jobs” can be an important contribution to job creation and recovery.

(ix) Socially responsible restructuring of enterprises and sectors.

(x) Strengthened collective bargaining arrangements to facilitate negotiated wage settlements, especially regarding low-paid workers, aimed at sustaining real incomes and thus consumer demand; and

(xi) Improved labour market information together with the analysis of policy impacts.

21. A global jobs pact would also aim to increase international cooperation mechanisms to ensure that vulnerable countries, in particular least-developed countries, as well as those with constrained policy space have sufficient resources to take counter cyclical measures. A prerequisite is the maintenance and enlargement of aid flows.

22. An important boost to the ILO’s efforts to reinforce the social protection and jobs dimension of global recovery was provided by the G20 which included the following in its communiqué of 2 April 2009:

“We recognise the human dimension to the crisis. We commit to support those affected by the crisis by creating employment opportunities and through income support measures. We will build a fair and family-friendly labour market for both women and men. We therefore welcome the reports of the London Jobs Conference and the Rome Social Summit and the key principles they proposed. We will support employment by stimulating growth, investing in education and training, and through active labour market policies, focusing on the most vulnerable. We call upon the ILO, working with other relevant organisations, to assess the actions taken and those required for the future.”

23. To be economically and socially effective, politically sustainable and avoid the risk of protectionist reactions, policies to reduce the severity of the recession, accelerate recovery and shape a more inclusive, stable and sustainable globalization must be truly global. Practice has shown that this is not easy and the primacy of national interests and the institutional interests of international organizations continues to be present. The ILO will work with other partner international agencies to assist countries in focusing recovery measures on jobs and social protection. This will help to reinforce some of the key national institutions needed for a more sustainable pattern of global development in the future.

24. We were glad to participate in the London Jobs Conference of the G20 and the Rome Social Summit of the G8 plus 6 developing countries which made important contributions in addressing people’s issues. The ILO was also active in the High-level Committee on Programmes of the United Nations which decided to work together on nine initiatives including a social floor, a global jobs pact, strengthening ongoing initiatives on food security and the green economy, and establishing a joint World Bank and UN system mechanism for the common

articulation and implementation of additional financing including through the World Bank proposed Vulnerability Financing Framework. These initiatives were endorsed by the UN Chief Executives Board chaired by the Secretary-General.

25. The ILO's 2009 Conference in June will further examine the crisis responses including the development of the envisioned ILO Global Jobs Pact and increased collaboration with other relevant international agencies.
