

Transcript:

Dear Ministers and Friends,

Despite the impossibility to travel I did want to accompany you in this way.

Thank you, Secretary Solis for your introduction and for hosting this very important meeting.

And thank you very much for inviting me to present the report "Accelerating a job-rich recovery in G20 countries: Building on experience".

We have benefited greatly from the substantial contributions in data, knowledge and experience offered by our colleagues at the OECD – thank you so much for that and I want to thank Secretary-General Gurria for making your team available and working together.

I do not intend to deal with all the technical issues in the report and the supporting papers but rather select a few key data and conclusions that we might draw to intensify efforts to put quality work at the heart of the recovery as agreed by Leaders in Pittsburgh.

So three data sets to begin with:

First, we estimate that overall, G20 policy responses will have created or saved 21 million jobs in G20 countries by 2010, as a result of both discretionary policy measures and the working of automatic stabilizers.

The policy conclusion is that strong counter cyclical policies are working. They are mitigating the rise in unemployment and helping people through the crisis by expanding social protection measures.

As we know, the scale and extension of this policy approach is innovative. It is basically different in many respects from that applied to previous financial crises.

Second, unemployment increased almost everywhere, especially for youth, but the crisis impacted countries' economies and labour markets differently.

We now have the highest level of world unemployment ever recorded. This is just the tip of the iceberg.

If we include discouraged workers, informal employment and involuntary part-time work it is much higher.

As the slide shows (top line), in 2009 there were three broad country groupings in terms of increases in unemployment: moderate, strong and very strong.

For GDP -the vertical line down– you have some countries with slower but positive growth and others with moderate, strong and very strong shock or contraction.

So, in some countries output fell sharply but unemployment did not increase so markedly and in others output fall was relatively mild but the unemployment increase was high. And you have a number of cases in between, as you can see.

Several countries managed to avoid an actual fall in output although not an increase in unemployment and only one avoided a fall in both. So, why these differences?

Let me mention 3 areas:

a) Countries were differently placed going into the crisis. In some, the solidity of the banking system permitted national credit flows to continue. Others had fiscal policy space to launch large- scale stimulus measures, others less so.

b) The intensity of the external impact varied by country: sharp international credit squeeze, fall in exports, inward investment or remittances or a combination of all these factors, and

c) Policy options make a difference and this is the major focus of the report and other documents before you with many examples of successful policies in all countries.

This period has been one of activism and experimentation. Balancing the choice of policies on the basis of national realities, priorities, institutional capacities and resources has proven to be the key policy challenge for everyone. But one thing is clear. No one-size-fits-all solutions. And integrated policy packages work best.

Third, A job-rich recovery is not yet in sight. Although most G-20 countries have positive growth projections for 2010, unemployment is forecast to increase, or at best not fall.

The central policy issue facing all countries is to find the policy combination for 2010 and beyond that reduces the time lag between output growth and employment creation in socially acceptable ways.

For many countries, reinforcing social cohesion is central. This is what the ILO Global Jobs Pact is about.

Countries with a fast growing young labour force have the additional challenge of many new entrants to the labour market looking for jobs as well as reemploying those who lost jobs in the recession.

In that framework, let me mention some policy evolutions as a result of the crisis with longer-term impact that seem important from an ILO perspective.

The role and legitimacy of social protection has grown significantly. There is a growing consciousness of its triple benefit: it protects people from becoming trapped in debilitating poverty, empowers them to seize market opportunities and contributes to aggregate demand.

Some countries are already planning to progressively put in place and expand a comprehensive and fiscally sound basic floor of social protection as a regular component of overall economic and social policies.

In many countries, tripartite understandings, social dialogue, collective bargaining and diverse labour-management agreements to address the crisis -from the firm to the national level- took place.

I think that in the critical years ahead, social dialogue can prove to be a key crisis management tool to help implement the ambitious objectives of G20 leaders.

I very much welcome the consultations that have taken place with representatives of trade unions and business.

Another aspect, very important: In many countries, labour and employment ministers are today closer to macroeconomic policymaking.

The political importance of employment and labour issues for citizens and the need to conceive policies in more integrated ways has given greater space to targeted, inclusive and active labour market policies in overall decision making.

In this sense, the Leaders' Statement in Pittsburgh was a major breakthrough. Your meeting and your recommendations are –of course- an expression of this process.

Another aspect: In making policy choices, countries have wanted to draw on the experience of others and share their own experiences and this is a permanent feature in ILO's field activities, particularly in South-South cooperation.

So, what is ahead for 2010 and 2011? 2009 was the year governments had to act to bailout financial institutions that posed systemic risk, halt the slide from recession to depression and ensure that working families and the most vulnerable were protected as much as possible.

Addressing these risks must continue, but overall 2010 and 2011 are much more about public and private policies converging to strengthen credit flows, investment, sustainable enterprises and decent work creation, and reinforce what in many countries is still a fragile recovery. It means that fiscal stimulus packages cannot continue to carry the main weight and last forever.

But before they can be progressively reduced, it is vital that household consumption and business investment start pushing employment and the economy up.

The faster the pick-up in employment the more buoyancy will there be in tax revenues and unemployment-related expenditure will fall.

Timing and sequencing of efforts to reduce fiscal deficits is going to be a delicate exercise, we all know that. The contribution of employment and labour ministers can be very important to highlight those dimensions of fiscal policy that seem to favour most job creation in the real economy.

But longer term, it's about putting in place a strong framework for balanced and stable growth and this calls for many converging objectives in different policy fields.

Beyond the exclusive labour market issues of the report, there are some closely-related emerging issues to look at in which international reflection, coordination and cooperation will be essential.

Establishing a much closer relation between labour market developments and macroeconomic policy than we've had in the past.

For example, considering employment creation a priority macroeconomic goal in the same way as low inflation and sustainable public finances.

As Dominique Strauss-Kahn has said, and I quote him: "Macroeconomic policy can pursue different objectives at the same time."

Another aspect: Increasing the employment intensity of growth. In labour markets, this means hitting the right balance between productivity, employment and wages growth. This can lead to an income-led growth pattern that leaves behind debt-driven consumption and investment models.

Also, ensuring that financial markets service the real economy. The finance sector should meet the need for investment, innovation, trade and consumption in the mainstream economy. So, adopting financial policies and regulations which encourage resource flows and allocations – including development cooperation - towards longer-term productive investment by sustainable enterprises is key.

In all of these, promoting integrated policy packages covering diverse policy fields can have greater impact. Moving towards a more convergent and comprehensive approach is a major challenge we are facing.

And encompassing all of this, moving towards a fairer, greener, more sustainable globalization is also a thought for a future reflection.

So to finish, let me quote the Leaders in Pittsburgh. They certainly showed great policy decisiveness. I quote them: "We cannot rest until the global economy is restored to full health and hard-working families the world over can find decent jobs."

This is our common engagement.

Thank you, Thank you very much.