
THE GLOBAL JOBS PACT

EMPLOYERS' GUIDE



INTERNATIONAL ORGANISATION OF EMPLOYERS

JUNE 2009

INTRODUCTION

The following guide prepared by the IOE on the Global Jobs Pact, which was agreed at the 98th Session (June 2009) of the International Labour Conference, contains an overview of the Pact's content, how it can be used by employers and what is now expected from the ILO. As such, it is largely a technical text.

However, equally important is how the Pact can be used politically, especially with regard to shaping the ILO's collaboration with other key multilateral agencies such as the World Bank, IMF, WTO and others.

The Pact represents a strong signal to outside actors of what the ILO is and should be. It is grounded in areas of ILO mandate and core competency and reinforces the primacy of the ILO in labour market issues.

The Pact is a consensus reached between representatives of government, workers and employers during the 98th Session (June 2009) of the International Labour Conference on the key labour and social policy measures that are needed in helping national states to recover from the crisis and narrow the employment gap (that tends to lag as recovery resumes).

It does this by recognising the role of the state in creating the right policy environment to encourage a return to growth. It recognises the government's role in helping to ease the credit crunch, implementing active labour market policies to help those made unemployed through targeted services and training. It notes the need for effective regulation of the financial system so as to strengthen its capacity to serve the needs of "real economy" going forward.

It emphasises the role the private sector will play in the recovery and underscores that private enterprise needs to be encouraged and given the policy confidence to resume activity. Inherent in this are the key principles that have always guided business, such as free markets, the rule of law, and respect for property rights.

The Pact clearly promotes efficient and well-regulated trade and markets, but it also sends a strong message on the need to avoid protectionist solutions.

The Pact is a roadmap for the period ahead for the multilateral system, governments, workers and employers, which will enable each country to formulate a policy package specific to its situation and priorities. In short, it avoids prescriptive "one-size-fits-all" approaches. The Pact particularly acknowledges the needs and circumstances of developing countries. It does this, both in terms of recognizing the impact of the crisis on already high levels of unemployment and poverty, and of advocating policies designed to address some of these underlying structural issues. Similarly, it promotes ongoing donor support for the realization of the Millennium Development Goals.

The International Organisation of Employers (IOE) is firmly committed to seeing the goals of the Pact realized. To this end it commits to:

- ▶ *Working closely with its members in helping them utilize this Pact at national level;*
- ▶ *Engaging and deepening collaboration with other regional and international organizations, in particular the OECD, World Bank and IMF, in promoting the Pact and seeking avenues for collaboration;*
- ▶ *Promoting, through IOE members, the Pact to the G8 and G20 process;*
- ▶ *Working closely with workers organisations and the international trade union movement in realising the central objectives of the pact;*
- ▶ *Working closely with the ILO in ensuring a focused and meaningful implementation of the Pact; and in developing collaboration with other actors namely the International Financial Institutions;*
- ▶ *The Pact is neither utopian nor ideological, but a practical and focused framework for action across the key areas of labour market activity. It does not call for a new economic order, nor the ending of globalization, but for a better more equitable, efficient and effective market system. It is a realistic framework for action.*

For these reasons we strongly commend this Pact to IOE members for use in their national situations.

Daniel FUNES DE RIOJA
Executive Vice-President

Antonio PEÑALOSA
Secretary-General

EXECUTIVE SUMMARY

- ▶ *Through an initiative of the IOE, this year's International Labour Conference held a substantive debate on the impact on jobs of the global economic crisis and how the employment lag traditionally associated with a recovery can be shortened.*
- ▶ *The debate culminated in the unanimous adoption of a text entitled "Recovering from the crisis: A Global Jobs Pact".*
- ▶ *With its focus on recovery policies, the Pact grounds the work of the ILO in its labour and social policy mandate and sets out its contribution to help governments and the multilateral system as they look to their own responses.*
- ▶ *The Pact underlines the key role that the private sector will play in any recovery and policies that support and promote sustainable enterprises, entrepreneurship, SME development, real infrastructure development and rural producers are seen as prerequisites for job creation in the recovery.*
- ▶ *It also stresses the need for fiscal responsibility, the free market and the key role of open trade and opposes protectionism in any form as a national policy response.*
- ▶ *As a policy tool, the Pact provides employers with an authoritative pro business policy pronouncement by the ILO and therefore is a powerful advocacy tool for employers in their lobbying of national governments.*
- ▶ *The Pact is not prescriptive nor does it promote a "one size fits all" response. Recovery, when it comes, will occur at the national level so the policy debate must now move quickly to that level so that the policy solutions proposed can be implemented.*
- ▶ *The ILO itself has the role to assist its members who seek its advice and guidance. It reinforces the 2008 ILO Declaration on Social Justice for a Fair Globalization and further exhorts the ILO to improve its data collection and fact-based research and analysis to better help the constituents explore their own policy responses.*

BACKGROUND AND CONTEXT

The full brunt of the financial crisis which materialized in the last quarter of 2008 is currently impacting on labour markets across all regions. What was a financial crisis quickly spiralled into a ‘*Global Job Crisis*’.ⁱ

In November 2008 the ILO began to consider the impact of the crisis on labour markets at its Governing Body, where its Officers issued a Statement to assist countries in developing immediate crisis response policies. The main IOE contribution to these initial international debates was a six-point plan entitled “*Economic Recovery and Employment*”ⁱⁱ which proposed additional measures to overcome the crisis in the immediate term. The statement was developed at an emergency forum to explore the crisis and possible responses in Lisbon in February.

Subsequently, in March of 2009, the IOE initiated and led efforts to refocus the 98th International Labour Conference (2009) of the ILO to respond to the global jobs crisis in a more comprehensive manner and to formulate exit strategies for its constituents. The IOE advocated this change for the following reasons.

First, because of the unprecedented severity of the crisis. Enterprises are struggling to remain competitive and are overwhelmed by the impact on production and job losses across sectors and in all regions.

Second, for reasons of relevance and credibility. This crisis is the biggest issue to confront the ILO and its constituents since 1930. For the ILO, as the internationally recognized agency mandated to deal with labour market issues, there was an opportunity to demonstrate its ability to tackle the crisis.

Third, because the 2008 Social Justice Declaration had made the ILO more demand driven and would enable it to become more responsive to issues.

Subsequently, the 98th International Labour Conference created a new committee to examine the jobs crisis. External expert analysis supported discussion and debate by constituents and enabled the committee to develop a policy framework for the forthcoming 4-5 year period to assist policy actors in formulating strategies to exit the crisis in labour markets. This framework is called “***Recovering from the crisis: A Global Jobs Pact***”.

*The Pact is not an international legal obligation, it is an agreement on common policy approaches.*ⁱⁱⁱ The Pact was achieved by consensus and has full support of employers, workers and governments.

“A global Pact is a commitment by the ILO tripartite constituency to make employment and social protection a central element of all economic and social policies; and promote a productive vision led by investment and enterprises, social protection and job creation.”

ILO Director General Juan Somavia, June 2009

1. WHAT THE PACT PROMOTES

A. A PRACTICAL FORWARD-LOOKING POLICY FRAMEWORK GROUNDED IN MARKET PRINCIPLES

The Pact avoids a retrospective analysis of the causes of the crisis and instead focuses on solutions. Nowhere does the document admonish the private sector, free enterprise or the market system. The Pact confines itself to making a sensible call for *a stronger, more globally consistent, supervisory and regulatory framework for the financial sector, so that it serves the real economy, promotes sustainable enterprises and decent work and better protects savings and pensions of people.*

The Pact is, above all, *a framework for the period ahead and a resource of practical policies for the multilateral system, governments, workers and employers that will enable each country to formulate a policy package specific to its situation and priorities.* In short, it avoids any prescriptive ‘one size fits all’ approaches.

There is importantly neither confusion nor comparison in the Pact between public and private enterprises. Nor are there calls for an enlarged state role in the enterprise sector.

The Pact not only clearly promotes *efficient and well-regulated trade and markets* but also sends a strong message on the need to avoid protectionist solutions without qualification.

The importance of sustainable enterprises – a concept agreed in ILO terms in 2007 – is firmly embedded, which underlines the need for *coordinated global policy options in order to strengthen national and international efforts centred around jobs and sustainable enterprises.* Very explicitly it *recognizes the contribution of small and medium-sized enterprises (SMEs) and micro-enterprises to job creation, and promoting measures, including access to affordable credit, that would ensure a favourable environment for their development.*

Finally, as labour markets deteriorate, many workers, including highly-skilled workers, will continue to become unemployed and starting a new business could be an attractive solution. The Pact calls for assistance to job seekers to access *entrepreneurial skills programmes.*

B. HELPING ENTERPRISES THROUGH THE CRISIS

The reality is that enterprises are struggling to survive, some are going out of business, others are laying off staff. The Pact recognises this. It notes the dangers of *deflationary wages* but nowhere calls for wages to increase (the counter argument being that this would increase demand). This is sensible, as are the calls for vigilance on deflation as the risks of sustained deflation are high, particularly in several G7 economies. The IMF warned (April 2009) that policymakers should err on the side of acting too soon, rather than too late, in countering deflationary shocks.

One area that could have potentially been problematic, minimum wages, is treated even-handedly. The Pact notes that while *they can reduce poverty and inequity, increase demand and contribute to economic stability* (they equally cannot).

The Pact calls for schemes to help firms get through the crisis such as *work-sharing and partial unemployment benefits*. This echoes the calls from the London Jobs Conference which preceded (and fed into) the April G20 summit.

“A number of countries are deferring Employer Social Security Contributions (National Insurance contributions) or other employer non-wage labour costs. This both encourages companies to maintain employment levels and provides firms in difficulties with assistance with cash flow at a time when credit may be difficult to obtain, even for viable firms. Some countries are subsidising work-sharing schemes when combined with training, in some cases making training a requirement. Such proposals, which combine an element of fiscal stimulus with support to employment, are worth consideration.”

G20 “Jobs Conference” Chairperson’s Summary (technical contribution to the G20 summit 1-2 April 2009)

For those who are out of a job, it suggests, *inter alia*, focusing on measures to maintain employment and facilitate transitions from one job to another as well as support access to the labour market for those without a job and implementing vocational and entrepreneurial skills programmes.

C. SUSTAINABILITY OF PUBLIC FINANCES

The Pact notes that, while countries are increasing aggregate demand in the short term through various stimulus efforts, ultimately countries need to return to fiscal sustainability. This is an approach firmly in line with the G20 view, that policy needs to be anchored in a sustainable medium-term fiscal framework.

“We are resolved to ensure long-term fiscal sustainability and price stability and will put in place credible exit strategies from the measures that need to be taken now to support the financial sector and restore global demand. We are convinced that by implementing our agreed policies we will limit the longer-term costs to our economies, hereby reducing the scale of the fiscal consolidation necessary over the longer term.”

G20 Communiqué, April 2009

This is a useful principle as fiscal stimulus can do more harm than good if it jeopardizes the medium to long-term sustainability of public finances. Governments need a credible plan to set aside resources in the future to repay the additional public debt their stimulus has created.

This is particularly true for countries facing demographic pressures that need clear strategies for health and pension reforms.

D. REGULATION THAT FACILITATES ENTERPRISE GROWTH AND DEVELOPMENT

Governments in too many countries still make it difficult to start a business by maintaining onerous regulatory environments and compliance costs that actually obstruct wealth and job creation. The growth and development of SMEs is hindered most in such environments.

The Pact recognises this and promotes the need to ensure a *regulatory environment which enables enterprise creation, sustainable enterprises and promotes employment generation across sectors*.

The downturn provides a unique opportunity for governments to assess whether their regulatory environments are facilitating enterprise creation and development, employment generation and economic growth.

The issue of informality is also clearly highlighted and the need for strategies *to achieve the transition to formal employment*.

E. ECONOMIC DIVERSITY TO FACILITATE RECOVERY AND DEMAND

The Pact is cognisant of economic realities. An export-led recovery strategy is not an option in the current circumstances. The Pact recognises the importance of enhancing *economic diversity by building capacity for value-added production and services to stimulate both domestic and external demand*. In countries with an over-reliance on key exports this is going to be especially important.

However, not all countries have sufficient fiscal space to implement packages of this kind and expansionary actions may threaten the sustainability of public finances.

These countries should focus on measures that will have the largest effect on aggregate demand—targeted transfers and government investment (e.g. on public works and targeted micro-credit schemes).

Increasing spending on the maintenance of existing infrastructure, particularly when it is in disrepair, may also provide a rapid channel for generating employment consistent with enhancing longer-run growth and development. Investments in large-scale infrastructure could be accelerated to increase competitiveness of developing countries and create cross-border and cross-regional interconnectivity. The Pact says *that increased investment in infrastructure, public services and “green” production and services (are) important tools for creating jobs and stimulating sustained economic activity*.

F. SOCIAL PROTECTION AS A KEY RESPONSE

Strengthening social protection measures, such as wider coverage of unemployment benefits and insurance schemes and protecting pensions, is being considered as a means to bolster demand and protect the most vulnerable.

This has its limits. The crisis will not be simply resolved on the basis of extending benefits to stimulate consumption and demand. To the extent possible, social spending should be aimed at supporting employability and re-entry into the workforce as soon as possible. The Pact recognizes and notes that any extension of *the duration and coverage of unemployment benefits* (should go) *hand in hand with relevant measures to create adequate work incentives recognizing the current realities of national labour markets.*

All of this is not without its challenges. In developing countries the fiscal space to expand social spending will be limited and in developed countries social spending has already increased considerably in recent years.

The Pact resists the call for a utopian ‘universal global social protection floor’. Instead it calls on countries to build towards *adequate social protection for all drawing on a basic social protection floor which includes: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor; to build up a basic social protection floor on a national basis.*

It additionally underscores the importance of improving the efficiency and effectiveness of social protection systems.

As layoffs mount and recruitment plans come to a halt, some groups – notably women, migrants, older workers and youth – face particularly acute labour market challenges. Early evidence from the current downturn confirms this.

The Pact speaks of the importance of *enhancing support to vulnerable women and men hit hard by the crisis including youth at risk, low-wage, low-skilled, informal economy and migrant workers.*

Conditional cash transfer (CCT) programmes aimed at poor families on the condition that, for instance, their children regularly attend school, receive prescribed standards for preventive health care, and participate in nutrition programmes are also a policy recommendation of the Pact as an instrument to cushion the blow to the poorest.

G. YOUTH EMPLOYMENT

Even in good times, the youth unemployment rate is two to three times that of adults in many countries. Reduced labour demand will imply fewer job openings in new or expanding firms. As new entrants into the labour market are less skilled due to their shorter labour market experience, they are likely to be more severely hit by a contraction in labour demand (especially in the formal sector).

The key priority in the short term should be to minimise the increase in the number of this hard hit group of youth who are at risk of losing effective contact with the labour market and permanently compromising their employment prospects and earnings capacity.

For youth in particular the Pact stresses the need to *provide vocational and technical training and entrepreneurial skills development especially for unemployed youth.*

H. MAINTAINING EDUCATION AND TRAINING BUDGETS

Education and training remain the most important means to improve employment prospects and are key to future growth and productivity.

Maintaining the right skills for the labour market will ensure that, when growth returns, the skills the economy needs will be in place. To do this the Pact notes the need to *increase equal access and opportunities for skills development, quality training and education to prepare for recovery*.

Boosting spending on active labour market policies, including well-designed education and training programmes, will give workers skills that will be needed as labour markets recover. These investments in human capital will also help increase productivity and employment in the longer term.

Effective, properly targeted active labour market policies (such as job-search assistance and monitoring, personalised action plans for job seekers, training, and targeted programs for disadvantaged groups) are all clearly signposted in the Pact as key tools to be utilized in recovery plans.

Additionally, the Pact recognizes that with many countries undertaking new public investment driven by fiscal stimulus packages, new skills will be needed (e.g. in construction, infrastructure and alternative energy).

As it might be difficult to setup new training facilities quickly in a recession, existing programmes should be scaled up. Greater involvement of private-sector training providers is a possible way around these capacity constraints. The Pact speaks to this issue and calls for the improvement of *the competence and increasing resources available to public employment services so that jobseekers receive adequate support and, where they are working with private employment agencies, ensure that quality services are provided and rights respected*.

I. ADDRESSING LONG-TERM UNEMPLOYMENT

There is a significant risk that extended periods out of work can reduce the skills that individuals have already built up, which further impacts on their attachment to the labour market.

But the Pact recognises that in the current environment longer-term unemployment may be an unavoidable reality and the importance of *ensuring that the long-term unemployed stay connected to the labour market through, for example, skills development for employability*.

J. THE IMPORTANCE OF DIALOGUE

At a time when confidence is at low ebb, enhanced dialogue is needed to overcome mistrust and find agreed ways forward. Not surprisingly the Pact emphasizes the important role dialogue can play, *especially in times of heightened social tension*, in helping to find solutions.

K. IMPROVING LABOUR MARKET INFORMATION

In many countries, labour market information systems, including regular monitoring of trends in the labour market through labour force surveys, need further improvement. Skills mismatches continue to be a strong feature across labour markets.

The Pact calls on the ILO to assist in *improving countries' capacity to produce and use labour market information, including on wage trends, as a basis for informed policy decisions, and collect and analyse consistent data to help countries benchmark their progress.*

L. INVESTING IN RURAL EMPLOYMENT

In many developing countries increased investment to boost the productivity of agriculture across the value chain – property rights, provision of seeds and fertilizers, irrigation, roads and storage, marketing – will have important multiplier effects and help longer-term growth. The Pact *recognizes the value of agriculture in developing economies and the need for rural infrastructure, industry and employment.*

2. THE CHALLENGE FOR THE ILO

The Pact is grounded in areas of ILO mandate and competency. It reinforces the primacy of the ILO in labour market issues. It commits the Organization to focusing its immediate and future work in helping constituents to formulate strategies and measures to exit the crisis in labour markets.

The Pact is above all a call to action and clearly lays down the areas and focus for such action. It specifically calls on the Office to:

- ▶ Focus on specific proposals to get labour markets moving again, working with key stakeholders (employers, governments and workers);
- ▶ Clearly focus on areas where it truly has a comparative advantage;
- ▶ Provide practical assistance to constituents;
- ▶ Support social partners;
- ▶ Listen, collect, disseminate and facilitate information flows on crisis responses;
- ▶ Review and reorient Decent Work Country Programmes (DWCPs), the organization's main vehicle for technical assistance, towards crisis response;
- ▶ Work more closely in achieving collective goals with other regional and international organisations.

The ILO commits to allocating the necessary human and financial resources and working with other agencies to assist constituents who request such support to utilize the Pact and in doing so, the ILO will be guided by the 2008 Declaration on Social Justice for a Fair Globalization and accompanying resolution. This is important in that the focus of the 2008 Declaration is on making the ILO more constituent and demand-driven while at the same time improving the efficiency of the Office.

The Pact reinforces the role of the ILO, called for by the G20 governments in their April 2009 Communiqué, “to assess the actions taken and those required for the future (i.e. support for employment and income support measures)” which should be done in collaboration with other organisations, such as the OECD and World Bank (as requested).

The Pact is a product of consensus and is now the ILO’s framework for the next four to five-year period in assisting constituents.

EMPLOYERS CALL ON THE ILO TO:

- 1. Provide practical assistance to constituents to support the promotion of sustainable enterprises.** The need is clearly underlined for strategies centred around jobs and sustainable enterprises, and in particular SMEs. The ILO needs to clearly commit to devoting further resources to programmes aimed at enabling an environment for sustainable enterprises and not promoting policies that increase enterprise costs. This will require a focus on developing (or re-shaping) tools, analysis and information. ACT/EMP will require further resources to facilitate this work.
- 2. Support the social partners.** Employers’ and workers’ organisations can play a key role in developing strategies to exit the crisis. In many cases they will need deeper assistance for more effective policy engagement. We suggest the development through an Office-wide effort of ‘Crisis response toolkits’ specifically designed for EO/WOs (resources need to be made available to ACT/EMP and ACTRAV to play a full role in this endeavour).
- 3. Listen, collect, disseminate and facilitate.** Employers would like to see an increase in the provision of data on labour market activity as policy responses need to be predicated on accurate labour market information (LMI). This entails providing constituents with continuous information, case studies and data on employment, labour and social impacts of the crisis in all regions. Additionally, of value would be the cataloguing of the various policies, measures and initiatives that are currently being put into place. This work should be done in collaboration with the OECD and the World Bank.
- 4. Provide Rapid technical guidance.** This could be achieved by the establishment of a “Helpdesk/Policy Contact Points” (supported by technical teams from across the Office) whereby governments, workers and employers could access information and guidance on what is happening in given policy areas across regions and sectors.

Change and reorientation needs to be reflected in budget lines. This will entail that some issues are downgraded in importance along with cuts from existing programmes, while others are strengthened. This information needs to be presented in clear operational terms to the Governing Body.

3. HOW CAN EMPLOYERS UTILIZE THE PACT

From a policy perspective the Pact is a clear endorsement of market principles. As such, the Pact provides employers with an authoritative statement from the ILO in support of key business fundamentals. It gives employers a strong set of policy recommendations with which to engage with governments at national level.

It clearly denotes the need for private sector development as a means to achieving economic and social progress. It advocates open markets and eschews protectionism.

The key role of the ILO in areas important to employers such as *enterprise creation and development; employment generation; active labour market policies, labour market institutions and data collection* are all underscored.

From a technical point of view, the Pact is therefore a useful starting point for employers' organizations who would like ILO assistance in achieving their objectives relative to the crisis. The importance of creating sustainable enterprises, and the need for a facilitative environment conducive to their development as a basis for productive employment and decent work, are the central planks of the Pact.

In technical terms, the Pact firmly calls on the ILO to strengthening partnerships with regional development banks and other international bodies to *strengthen country-level diagnostic and policy advisory capacity* and to *prioritize crisis response in Decent Work Country Programmes*. There should be *multidimensional programmes* to address the crisis. Employers' Organizations should therefore be very clear in the kind of practical assistance they require.

* * *

ⁱ All texts in italics are direct quotations from the Pact

ⁱⁱ http://www.ioe-emp.org/fileadmin/user_upload/documents_pdf/papers/statements_resolutions/english/state_200902_lisbon.pdf

ⁱⁱⁱ ILO Director-General, Juan Somavia, June 2009

INTERNATIONAL ORGANISATION OF EMPLOYERS (IOE)

26, chemin de Joinville

1216 Cointrin / Geneva

Switzerland

Phone: +41 22 929 00 00

Fax: +41 22 929 00 01

E-mail: ioe@ioe-emp.org

Internet: www.ioe-emp.org