
Book 2

**Final report of the Global Dialogue Forum
on the Impact of the Financial Crisis
on Finance Sector Workers,
Geneva, 24–25 February 2009**

Report of the discussion

Introduction

1. The Global Dialogue Forum on the Impact of the Financial Crisis on Finance Sector Workers was held at the International Labour Office in Geneva from 24 to 25 February 2009. The Governing Body of the ILO had decided at its 303rd Session (November 2008) that a two-day tripartite global dialogue forum would be held in the week of 23–27 February 2009 to assess the impact of the crisis on workers in the financial sector and to propose ways of alleviating and mitigating that impact. The Governing Body also decided that the Forum could adopt conclusions to guide subsequent action by the ILO and its constituents.
2. The Office had prepared an Issues paper¹ to serve as a basis for the Forum's deliberations. The paper defined the financial sector; examined the background, origins and causes of the crisis; highlighted the sector's major job occupations, their educational and skills requirements; and provided a preliminary assessment of the sector's job losses resulting from the crisis. It also proposed possible policy responses to the crisis, including improved access to social protection; more effective active labour market policies and public employment services; social dialogue as a means of managing the effects of the crisis; and longer-term policies for a finance sector better able to serve the real economy.
3. The Forum was chaired by Ambassador Elmiger from Switzerland's Federal Department for the Economy, State Secretariat for Economic Affairs. The Spokesperson for the Employers' group was Mr Ferrara and the spokesperson for the Workers' group was Mr Bang. The Secretary-General of the Forum was Ms Tinoco, the Executive Secretary was Mr Sendanyoye and the Clerk was Mr Myers, all from the Social Dialogue, Labour Law and Labour Administration and Sectoral Activities Department.
4. The Forum was attended by Government representatives from Austria, Brazil, Ecuador, France, Gabon, Ghana, Haiti, Jordan, Luxembourg, Malaysia, Morocco, Mozambique, Myanmar, Palestine, Panama, Philippines, Qatar, South Africa, Switzerland, Thailand, Tunisia, Turkey, and the Bolivarian Republic of Venezuela. Sixteen Employers and 43 Workers participated. Representatives of the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC), Union Network International (UNI), and the World Federation of Trade Unions (WFTU) participated.

Opening statements

5. Mr Dragnich, Executive Director of the Social Dialogue Sector, welcomed the participants on behalf of the Director-General of the ILO and introduced Ambassador Elmiger as the Chairperson of the meeting. The Forum was part of a wider ILO package of initiatives to support constituents in their efforts to respond to the social impacts of the crisis. The issue before them was very challenging and the timeframe was short, but he trusted their extensive collective knowledge of the industry and their close familiarity with the subject would help them to reach a consensus on how to mitigate the effects of the crisis on workers in this critical sector.

¹ *Impact of the Financial Crisis on Finance Sector Workers: Issues paper*, Geneva, ILO, 2009 (vi + 19).

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6. Ambassador Elmiger urged participants to work by consensus and to take part in the discussions in an open and active manner. Any job loss was a tragedy and major restructuring to improve the functioning of the finance sector was inevitable. The response to the social crisis should therefore aim at safeguarding employment, taking into account the special needs of such vulnerable groups as women workers and atypical workers. It should also ensure adequate worker information and consultations. Solutions should contribute to stabilizing and resuscitating the financial system. He expressed pleasure at the presence of the Director-General of the ILO, Mr Juan Somavia, at the opening session and invited him to address the Forum.
 7. Mr Somavia extended a warm welcome to the participants. He noted that the ILO, with its tripartite membership, was the logical place to examine the economic impacts of the crisis and the range of measures required to cushion the effects on working people and to prepare the recovery. The financial crisis had evolved into an economic crisis leading to a social recession, both global in nature. In each instance where enterprises closed or reduced their activities and made workers redundant, there were personal and family tragedies as well as a social crisis of major proportions. The financial industry was at the origin of the present crisis, although the deeper cause was a model of globalization in which the market was overvalued; regulation and government were undervalued, and the dignity of work and the protection of the environment were devalued. A large number of women and men who were already seeking decent work as the road to economic and social betterment prior to the crisis had seen their aspirations frustrated by growing inequality and insufficient opportunities. There was a need for a better balance between a productive market, the regulatory role of the State, and the social function of the organized representatives of society, in particular employers and workers, among other aspects.
 8. Mr Somavia expressed the view that the current agenda should be to define a new vision of sustainable development, integrating economic, social and environmental dimensions into productive growth and social progress, whose benefits extended to all regions and countries. The G8, the G20 and the G192, through the UN General Assembly, needed to consider a new model for a fair and inclusive globalization to support sustainable development. The ILO had much to contribute towards a resolution of the crisis by helping, together with other international organizations, to carve a new global deal. Reform and regulation of the financial sector would be central to that effort. Through social dialogue and meetings such as the present one, experiences and viewpoints could be exchanged, compared and confronted so that practical solutions could be shaped. He counted on the participants' inputs for genuine proposals that the ILO could, through its tripartite network, advance according to the needs of individual countries and also globally. The Forum would be making a great policy and political contribution if it could help to clarify the causes of the crisis and identify where the principal responsibilities lay; whether it was possible to return the financial sector to its boring business of lending to the real economy to invest, trade and consume; and how to rebuild trust among financial institutions, not to speak of trust in financial institutions. In reviewing these problems, one sometimes had the feeling the financial system needed a blood or a transparency test comparable to that carried out on human beings when they were sick in order to help guide doctors' diagnoses. Citizens were entitled to know about the health of their banks – or in contemporary jargon, the levels of their “toxic products” – but, as yet, lacking the right financial doctors or adequate financial transparency, mistrust and lack of confidence persisted. He wished the participants a very successful meeting and looked forward to the Forum's conclusions and recommendations.
 9. The Employer spokesperson welcomed the opportunity the Forum provided for the ILO's tripartite sectoral constituents to contribute to the quest for solutions to the financial crisis. It was difficult to properly evaluate the causes and effects of the crisis whose impacts extended to the economy as a whole. Discussions should focus on the employment aspects, especially in developing countries. Social dialogue, in its multi-faceted nature – ranging

from simple information, consultation and negotiation – was an effective tool to resolve this issue, whether at the national or enterprise levels and would be of great help in developing a comprehensive strategy. Employers were willing to discuss and exchange views and ideas on the crisis with the aim of contributing towards a fast recovery.

10. The Worker spokesperson congratulated the ILO on the initiative to organize the Forum, and appreciated this opportunity to discuss the issue with representatives of governments and employers. The crisis was real and growing, and its social costs were significant. It did not arise from an accident, but was rather the result of the failure of a business model and the absence of regulation and supervision. The Forum should propose a road map to respond to the crisis, which took account of the social dimensions. The ILO should, among other things, submit that road map to the upcoming G20 meeting for consideration in the development of the new international financial architecture. The road map needed to be broad and be founded on basic values, and a new business model for the finance sector supported by comprehensive regulation. Governments needed to respect collective bargaining agreements and processes and recognize the workers' role in developing measures to respond to the crisis. Similarly, trade unions had a role to play in how government bailouts were designed in order to protect workers and relieve redundancy-related suffering. Workers should have a voice in governance processes; banks should consider concluding global framework agreements with trade unions to foster more sustainable and ethical business models and collectively envisage a social contract for the finance sector.
11. Introducing the Office's issues paper, the Executive Secretary stressed that its findings were preliminary and understated the extent of job losses. There were indications that lay-offs were accelerating and redundancies were evident across all functions and positions, with women and part-time workers bearing the brunt. The paper suggested a set of policy responses the Forum might wish to discuss, including improved access to social protection, social dialogue and avoidance of simplistic solutions.
12. The Forum endorsed the three suggested points for discussion, which were as follows:
 - (1) How has the financial crisis impacted employment in diverse branches of financial services globally, regionally, nationally, and in enterprises? What is the scale and likely duration of these impacts?
 - (2) How can governments, employers' and workers' organizations help finance sector workers cope with the crisis? How can the local impact of changes in global enterprises be fully considered? How can social dialogue and active labour market policies help mitigate the impact of the crisis and ensure gender equity?
 - (3) What lessons can be learned from the crisis, which policy options could respond effectively, and what role should governments, employers, workers' organizations and the ILO have? How can international coordination and policy coherence be improved to reduce risk of recurrence of such crises and promote more sustainable finance services?

Point 1. Employment impact of the crisis on financial services

13. On point 1, Worker, Employer and Government representatives reported on the impact of the crisis in their respective countries. Almost all expressed deep concern with its actual or latent negative consequences on the employment situation in their countries' banking, insurance industry or other financial services, although the magnitude of such effects varied across regions, countries, subsectors and institutions. The employment fallout was

already extensive and worsening in some countries while still negligible in others. However, some participants considered that, in their own countries, the problem remained mostly one of stagnating employment rather than outright job cuts, although second wave impacts might result in significant job losses. Some workers also noted that job losses were concentrated in financial institutions' operations outside their home countries and that lay-offs had been a result of unilateral management decisions. In a number of other countries, small banks and retail banking in general remained relatively unscathed or were even growing, while investment banks were severely distressed. As financial institutions' faced rising bad loans and heavy losses from sharply declining profits and plunging stock prices, more and more workers in the sector could expect to lose their jobs.

**Point 2. How to help finance sector workers cope
with the crisis**

14. As regards point 2, various tools and instruments were identified to improve the conditions of finance sector workers. The need to expand and deepen social dialogue on both the underlying causes as well as the consequences of the crisis was emphasized, as were measures to preserve jobs such as training, lifelong learning and skills development. Experience from earlier crises – for instance the 1997 Asian financial crisis – provided valuable lessons on what worked and should inform responses to the current crisis. Assistance for workers to cope with the consequences had to be based on the recognition of their basic rights and dignity and reflect the principles of decent work. The true test of respect for decent work was not so much how employers and governments treated workers in good times, but rather how they responded in difficult times. Priority should always be on avoidance of redundancies, enabling workers to update skills and helping people to find new jobs. Special efforts should be made to provide counselling to workers in danger of losing their positions, especially with regard to the kind of training they might require to ease their transitions to new jobs. In addition, where redundancies became unavoidable, employers and trade unions should work together on criteria that safeguard contractual obligations and workers' fundamental rights. Measures should be put in place to mitigate the impact for both those made redundant as well as the survivors, whose morale is invariably affected by colleagues' redundancies, continuing job insecurity and increased workloads. It was important to inform workers of the likelihood of significant lay-offs or downsizing plans well in advance. Active labour market policies and programmes should include assistance for workers to upgrade their skills in line with changes in labour market demand and take into account the special needs of female workers. They should include resource allocations for training, education and lifelong learning. Governments and the social partners should also work together to facilitate the placements of workers affected by the crisis. Social dialogue, including collective bargaining at appropriate levels, was a critical tool in all these processes. It should be transparent and encompass any consideration of new business models and future competences and skills and be a conduit for the provision of information on developments that affect workers' interests. To ensure the effectiveness of such social dialogue, it was important that countries' labour market institutions and processes were strengthened. In view of the global nature of the crisis, the 1998 ILO Declaration on Fundamental Principles and Rights at Work, the 2008 ILO Declaration on Social Justice for a Fair Globalization and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) should all guide the dialogue and inform the measures adopted to respond to the crisis.

**Point 3. Lessons from the crisis, policy options,
and role of constituents and the ILO**

15. On point 3, a number of lessons could already be drawn from experience in responding to the crisis in different countries. Firstly, accurate and reliable labour market information

and a well-informed national debate were essential in crafting an effective response to the crisis. Secondly, particularly where job losses were anticipated, governments and the social partners should clarify the means envisaged to ensure adequate social protection for affected workers. The tripartite partners needed to meet regularly to take stock and share information. Establishing a range of tools which provided assistance to workers who had to move from one job to another was essential. It was clear that the nature of the regulatory frameworks in place in different countries and the degree of their financial industries' integration in the international financial system had a bearing on the extent of the impact of the crisis. Although the manner in which the crisis had manifested itself varied in different regions and countries, the integrated nature of the sector and the need to learn from each other regarding the most effective responses suggested that, in addition to country-specific measures, a global coordinated response was equally needed. Social dialogue, bringing together governments, workers and employers and covering a broad range of issues, could help create a better international financial system which minimized the possibility of, or even eliminated, recurrent crises. Such changes should recognize the massive regulatory failures that contributed to the crisis; consider how the crisis could have been avoided; and introduce a more proactive approach towards avoiding or resolving similar problems in the future. This required political will and overcoming inertia among the authorities. It would also depend on more effective monitoring and supervision of banks, insurers and other financial enterprises. Such monitoring and supervision needed to take into account the increasingly global nature of the largest financial institutions. It was imperative that the ILO and its tripartite constituents be heard in the debate to reform the international financial system in order that decent work considerations are taken into full account. The ILO, along with its constituents, has a legitimate role in monitoring and advising in the social dimensions of reforms of the international financial system. Over the next 12 months, the ILO should focus on this sector; collecting data on how workers and their families around the world were affected; and also assist constituents at the national and regional levels to develop action plans to address the employment effects of the crisis. Furthermore, the issue needed to be tabled at the forthcoming ILO Governing Body session and the International Labour Conference. National bailout programmes were necessary and should be supported, but countries should avoid turning them into protectionist tools.

Consideration and adoption of the conclusions

16. Following these discussions on points 1 to 3 and drawing together the various elements that had been developed, at the end of the second day, the Forum unanimously adopted a set of conclusions.