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High-level event to discuss policy responses to the global economic and jobs crisis
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Summary reports of the panel discussions

At a special sitting of the 99th Session of the International Labour Conference held on 14 June 2010, two high-level panels were convened to discuss policy responses to the global economic and jobs crisis. The sitting was chaired by Mr Gilles de Robien (France), President of the International Labour Conference.

Opening statements

The President recalled that, exactly one year previously, the ILO Summit on the Global Jobs Crisis had brought together nine Heads of State and Government, from all the continents, and senior figures from business and the trade union movement, who had analysed with lucidity and honesty the situation that the world was facing. They had given their accounts of the impact that the crisis was having on the real economy and the world of work and had heard calls for a more controlled globalization and genuine concern for its social dimension.

When the Director-General, Juan Somavia, had presented his Report, *Recovery and growth with decent work*, to the Conference, he had rightly emphasized the fact that social dialogue and tripartism were under pressure, given the risk that there had been to jobs and wages following the debt crisis as well as the trend towards budgetary restrictions in all countries, slowing down an already weak recovery. The Director-General had called on the Conference to assume its responsibilities and to find “workable solutions based on balance and dialogue, which is our trademark”. The Organization had not failed to rise to that challenge; indeed, it had prominently reaffirmed itself, in the words of President Guebuza of Mozambique at the 2009 Summit, as “humanity’s social conscience”.

At the opening of the Conference, he had called on Members to be bold. He now called on them to look to the future, confident in the achievements made within the framework of the G20, whose work had greatly benefited from the inputs of the ILO. The leaders’ statement issued at the 2009 Pittsburgh Summit bore the hallmark of the ILO when it concluded: “We agree that the current challenges do not provide an excuse to disregard or weaken internationally recognized labour standards.”

By following that road map, the Organization would feed and inspire the debates and decisions of the international community. It was important to establish bold employment policies, based on the Global Jobs Pact and the social aspects of the recommendations issued by the G20 Labour and Employment Ministers at their April 2010 meeting in Washington, DC, while taking into consideration national specificities. He warned, however, that economic and financial crises were always followed by social crises. The ILO had to act and anticipate such crises, as it had done on other occasions.

Crises were a reminder that social protection was both a social buffer and an economic stabilizer, at least in countries where such protection existed. It was the ILO's job to call for social protection to be strengthened across the globe, so that social protection systems were not choked in times of crisis. Crises also showed the critical importance of coordinating the social and economic policies adopted by countries and those recommended by multilateral institutions. He recalled that, earlier in the session, President Leuthard of Switzerland had stressed the importance of having international organizations that were capable of acting swiftly to prevent expansion of crises and that, in partnership with them, the ILO could "confirm its status as one of the three fundamental pillars of the new economic order, those being finance and trade, social issues and the environment". His own country, France, would soon be assuming the presidency of the G20 and had a strong commitment to tackle the challenges it faced in a spirit of dialogue and tripartism.

The task before the ILO was a moral one. Since its foundation, the Organization had been called on to place itself at the service of humankind. The crisis could not be considered in isolation. Men and women were being affected and the social and human progress of entire continents was being delayed, if not jeopardized indefinitely; hence the importance of the Summit on the Millennium Development Goals (MDGs) to be held in New York in September 2010.

The discussions to be held by the panels were very timely. The Director-General of the ILO had invited the Conference to consider matters from the perspective of the real economy. The real economy should not be held hostage by a virtual economy that was indifferent to people. The real economy meant the tripartite constituents of the ILO and the participants in the two panel discussions. If the real economy was to be the judge of economic and social globalization, the words of French philosopher Pascal could be appropriate: "We must know where to doubt, where to feel certain, where to submit."

Mr Celso Amorim (Minister of Foreign Affairs, Brazil) said that the Decent Work Agenda and the MDGs had a lot in common: they were both initiatives that recognized the value of the individual and opened the way for social justice and were both frameworks for human development. Decent work was essential for the achievement of the MDGs; without an income, people were unable to break the cycle of social exclusion that was passed on from one generation to the next. In Brazil, the Government of President Lula had reaffirmed its strong commitment to achieve the eight MDGs by 2012 by strengthening the real economy and improving social justice, reflecting the aims of the Global Jobs Pact. Through those efforts, some 40 million people had been lifted out of poverty. Education was another priority for Brazil and that battle had also been won through a combination of measures. Universal schooling had been achieved by linking school attendance with benefits; by offering scholarships for private universities, making those institutions accessible to all income groups; by giving support to technical schools; and by promoting positive discrimination in public universities. Efforts to eradicate child labour had also had an impact, but as that problem extended beyond Brazil's borders, partnerships were being formed with other countries. The *Bolsa Familia* and other initiatives to increase incomes had strengthened the economy and improved the welfare of the population by ensuring, for the first time in the country's history, a fairer distribution of wealth. Social policies and investments in the real economy had mitigated the effects of the global crisis in Brazil, as had countercyclical policies and the promotion of development partnerships.

Well before the crisis, Brazil had built partnerships with various countries with which it shared cultural and emotional ties. The country had increased its trade relationships with developing countries and over the past seven years had reduced its trade with industrialized countries by 30 per cent, thereby reducing the vulnerability of its economy. That policy had been supported by the President of the World Bank, who had praised the development of the domestic market and South–South trade. Employment had also been strengthened. Even in 2008, the year that the crisis had struck, almost 1 million jobs had been created in the formal sector, reducing poverty levels and increasing social protection.

A neoliberal agenda of liberalization, privatization and deregulation, leading to a weak State, had prevailed for many years, but President Lula had fought against it. The ILO, too, had encouraged a more flexible approach to labour law, also to the detriment of a strong State. Social welfare could not be left entirely to market forces. A strong State was not an authoritarian State, but one that had democratic control of all of its institutions.

The Government had hoped that the ILO would take a role at the G20, and indeed it had done so. The ILO was at the centre of attempts to deal with global economic conditions; it was the voice of the real economy and needed to be present in any forums discussing macroeconomic policies.

Progress was a collective effort, requiring both social and political stability and dynamism. Highlighting the importance of sharing positive experiences and of addressing economic asymmetries, he referred to the Common Market of the Southern Cone (MERCOSUR) and also provided some examples of South–South cooperation that had helped alleviate suffering, such as Brazil's partnerships with Haiti and Palestine and a trilateral developmental initiative between India, Brazil and South Africa to promote South–South cooperation and exchange (the IBSA project), which involved over 30 projects in Africa, including pharmaceutical firms in Mozambique and agribusinesses in South Africa. He also mentioned training projects throughout Portuguese-speaking Africa. South–South cooperation could be strengthened further, and it was in that light that Brazil was sponsoring technical cooperation in Latin America, East Timor and Africa. An agreement had been signed with the Director-General of the ILO, and four more agreements were due to be signed that week. However, it was not only a transfer of money to developing countries that was needed but transfer of knowledge: that was the multiplier effect. It was through policies of solidarity that Brazil was fighting against poverty, demonstrating that support did not only have to come from rich countries and confirming its commitment to contributing to a new paradigm. A horizontal approach to funding technical cooperation was possible, as the partnership between the United States, the ILO and Brazil had shown in its action to eradicate child labour in Haiti.

Policies to create equality required a change in mentality. The case of migrant workers was an example. In the context of the global crisis, Brazil had passed legislation to regularize the status of migrant workers in the country.

There had been many crises in recent years, one of the most severe being the food crisis that had left 1 billion people hungry. The MDGs would not be achieved unless a new strategy was put in place. Brazil would do its part to create a new order that was more democratic and in which developing countries would play a role. Citing Pope Paul VI, who had said that "development means peace", he affirmed that, without peace, there could be no sustainable development. The building and maintenance of peace was critical. Brazil embraced negotiation and diplomacy in conflict resolution. Peace, cooperation and fair trade would be the new name for development.

Ms Hilda Solis (United States Secretary of Labor), speaking in a recorded video message, congratulated the Conference on the work achieved so far and expressed her conviction that it would achieve more in the days to come. Summarizing the conclusions of the G20 Labour and Employment Ministers' meeting held in April 2010 in Washington, DC, she noted that the meeting had highlighted the role of the ILO Global Jobs Pact and Decent Work Agenda as valuable resources for governments as they designed further measures to address employment and social protection systems. Consensus had been reached on a broad range of policy recommendations to sustain recovery and promote job growth, which were relevant to all ILO member States. The conclusions could be summarized as follows:

- Stimulus measures should be continued and in some cases amplified.
- Income support, training and employment services were necessary while unemployment persisted.
- Targeted efforts to generate employment should be considered in countries with high unemployment rates or poverty levels.
- Efforts to promote employment growth should be prioritized, and social protection systems and active labour market policies should be strengthened.
- Employment and poverty alleviation should be at the centre of national and global economic strategies.
- Workers' fundamental rights should be respected.
- The ILO, with input from the Organisation for Economic Co-operation and Development (OECD), was asked to give an analysis of policies to be adopted to address the crisis and their impacts to date.

She invited the Conference to review the outcome documents of that meeting, as they contained concrete information about what worked and what did not. Together with the Global Jobs Pact and Decent Work Agenda, they reflected the diversity of economies and emphasized the necessity of working together to achieve further progress for the welfare of citizens. In conclusion, she expressed the hope that the work of the G20 meeting would be useful to the Members and for the work at the Conference.

Mr Mocanu (Secretary of State, Ministry of Labour, Family and Social Protection, Romania; Chairperson of the Committee for the Recurrent Discussion on Employment) considered the panel discussions to be timely. The crisis was taking a hard toll and had revealed cracks in the pre-crisis framework and its ability to play a role in the recovery.

Reporting on the results of the Committee for the Recurrent Discussion on Employment, he explained that the Committee's members had enjoyed a strong and lively debate on productive and decent employment. They were in agreement that growth was necessary, but the last ten years had demonstrated that it was not the quantity, but the quality of that growth that was important. Moreover, wages had lagged behind productivity, and the link between growth and formal employment creation had weakened. Recognizing that there had been jobless growth, the Committee had considered the spectre of a jobless recovery.

Macroeconomic policies were critical to correct the weak supervision of the financial sector. The crisis had reminded the world of the importance of the role of the State in market economies. Countercyclical fiscal spending was extremely valuable and had either created or preserved over 20 million jobs during the crisis. The Committee had noted a worrying shift towards austerity measures, and the speaker warned that abruptly stopping stimulus packages might tip the world into recession. The goal of employment should be at the heart of all recovery efforts, and at the heart of the search for a new development paradigm. The Committee had agreed on the need for macroeconomic policies to serve the real economy and to preserve jobs, and that such policies should complement labour market policies. It had also agreed that using macroeconomic policy to foster sustainable enterprises was at the core of strengthening the employment-growth nexus. The Committee's conclusions included the call for the "design and implementation of a pro-employment macroeconomic policy framework that promotes growth, investment, sustainable enterprise, decent work, employability and skills development and a fair distribution of income, in order to place full and productive employment and decent work at the centre of economic and social policies".

The social partners had a major role to play in advancing the objective of an employment-centred macroeconomic framework. The Committee had asked the Office to improve and coordinate its technical and analytical capacity to examine macroeconomic policies from the perspective of employment outcomes and to engage in dialogue with international financial institutions and other international organizations in an effort to support development.

The ILO, both the Office and the Organization, had to be a player in the development of macroeconomic policies because those policies were about people and their well-being. He looked forward to hearing ideas from the panellists in that regard.

Panel 1: The Global Jobs Pact and macroeconomic policy

Panel 1 of the high-level event on the theme of the Global Jobs Pact and macroeconomic policy, was moderated by Mr Simon Long, Editor of *The Economist*. Panellists included Ms Sandra Polaski, Deputy Secretary of Labor, United States; Ms Maria Helena André, Minister of Labour and Social Solidarity, Portugal; Ms Aisha Abdel Hady, Minister of Manpower and Migration, Egypt; Mr Carlos Tomada, Minister of Labour, Employment and Social Security, Argentina; Mr Richard Samans, Managing Director of the World Economic Forum; Mr Alberto Nadal, Director of the Confederation of Spanish Employers; and Mr Guy Ryder, Secretary-General of the International Trade Union Confederation (ITUC).

The moderator emphasized the importance attached to the discussion in view of the current shifting mood around the world, with central banks now stressing the need for exit strategies, fiscal constraint and efforts to address budget deficits. Despite the fact that economic growth remained slow in many countries, the intervention focus had turned to financial stability. He raised several questions: whether there was a risk of unemployment and of derailing the recovery if the economic stimulus measures were withdrawn too early; how debt could be held down without derailing the economic recovery; and how fiscal responsibility could be demonstrated without causing a new recession and "double dip". He then asked Ms Polaski how she saw countries making use of the recommendations issued by the G20 Labour and Employment Ministers at their meeting in Washington, DC, in the light of the evolving employment and labour market situation and slow growth in many countries.

Ms Polaski said that the recommendations had been agreed only seven weeks previously and were very relevant. They were notable for their diversity in addressing issues that pertained to high-income and low-income countries; countries that were severely affected by the crisis; and those only moderately affected. They covered a broad area, while also diagnosing the circumstances, and put employment and poverty alleviation at the centre of policy-making. While no one would claim that workers or the poor had caused the crisis, they were the ones who were most affected by it. There would rightly be a social and political backlash if exit strategies were put in place that caused more unemployment or increased poverty and suffering.

In some countries, there was an unprecedentedly high rate of unemployment and the duration of unemployment was longer than ever before. She stressed the need to support policies for the unemployed that provided income support and job training and highlighted the effectiveness of policies such as rural employment schemes. In the medium term, the emphasis should be on social protection schemes, cash transfer schemes and other mechanisms to address extreme poverty. There needed to be a sense of security so that the poor could invest in tools to increase their productivity.

With regard to the quality of jobs and income distribution, she highlighted the need to look at increases in the minimum wage and at improving social dialogue and collective bargaining.

In response to a question by the moderator on how the movement by governments (in particular, European governments) towards austerity measures would affect recovery, Ms Polaski emphasized the importance of better coordination within governments. Governments had learned lessons using stimulus measures to help mitigate the effects of the economic crisis and unemployment and then to deal with the debt. She recalled the situation of 1937, when the United States Government had cut its fiscal stimulus measures and the economy had been pushed into a second recession. Caution was needed to avoid a "double dip". She pointed out that a slowing economy would make the debt problem harder to deal with and that employment and the elimination of poverty should be the centre of policy.

The moderator asked Ms André to outline her views on the growth challenge in Europe that was at the centre of economic problems in the region, and how she saw growth and employment prospects in Portugal and in Europe more broadly.

Ms André responded by emphasizing the importance of keeping in mind that lack of labour market flexibility was not the cause of the crisis. However, the actions undertaken by governments to manage the crisis had caused an increase in public debt and forced governments to focus on budget balances. She noted that recent years of anaemic growth, high unemployment and structural unemployment were also key concerns that needed to be addressed. Noting that there were signs that unemployment was stabilizing, she expressed the hope that austerity measures would not undermine that progress.

It was important to keep in mind that, within the European Union, there were different economic situations which would require different responses. However, the region was tied together by a single currency which put important constraints on those responses.

She emphasized that the challenge for Portugal would be to stimulate the economy, create jobs and new enterprise, support young people and provide social protection at pre-crisis levels. The crisis had taken an immense toll in terms of job losses and the destruction of enterprises. The economic and social model for the post-crisis period would need to be carefully considered in consultation with the European Union Member States and other countries, taking into account the G20 framework, and would have to reflect national circumstances. She highlighted a number of elements of such a model. Social justice was a priority, since the great differences in income levels between the rich and poor had been aggravated by the crisis and poverty was increasing; it would therefore be important to focus on equality and redistribution of income. She stressed the value of working out solutions with social partners and enterprises, so that the same mistakes would not be repeated after the crisis. She emphasized the need to focus on training and skills and noted that environmental protection was also a key concern, which could create new economic and job opportunities.

With regard to ways to stimulate the economy despite pressure to balance the budget and make cuts of 2 per cent, she said that the answer lay in reducing expenditure through a fair distribution of sacrifices across all measures.

The moderator asked Ms Abdel Hady to explain what parts of the G20 framework were useful for Egypt as a country outside the G20 group, and how the ILO could make those policy recommendations more relevant and applicable.

In response, Ms Abdel Hady said that the G20 recommendations went beyond the immediate crisis. They emphasized policies to prevent future fiscal crises from having an impact on the real economy and on containing the spread of the financial crisis. She believed that global policies should be developed by global organizations such as the United Nations, the World Trade Organization (WTO) and the ILO. The WTO had developed global trade policies but they had not been implemented worldwide, as had been seen for the Caribbean and Pacific countries and the Doha round of trade negotiations. There were calls to exit the crisis, but global representation was needed before that could happen. Brazil, Canada and Japan had refused the financial reform packages offered as they were not as affected by the crisis. She acknowledged the valuable assistance that the ILO gave to poorer countries.

When asked by the moderator if he was concerned about the situation in Argentina, Mr Tomada expressed concern about the possible effects of G20 recommendations on his country. Argentina wanted something rather different from what the G20 had provided. He believed that the Central Bank should tell people what exactly it had done to create jobs. There had been recent discussions on a number of measures, including a move to greater labour market flexibility, but one measure after another would not solve the problem. It was the real economy that would provide a sustainable job market.

Argentina had already been through a national crisis in 2001 and had learned a lot from it, as one of the best pupils of the International Monetary Fund (IMF). He stressed the importance of applying new advice and lessons, rather than repeating the same policies and measures, and of economic policies that put employment at their core.

The G20 meeting had highlighted many employment policies, and he agreed with Ms Polaski that sustaining income was the key issue, which should be considered at the forthcoming G20 meeting in Toronto. However, he reiterated that his Government was looking for new and timely recommendations.

The moderator asked Mr Samans to outline his views on the macroeconomic reform measures that would be most effective in stimulating the real economy, and therefore jobs and growth, while also recognizing the need to address the issue of debt.

Mr Samans explained that, whether they belonged to the G20 or not, countries, especially those that had been hardest hit by the crisis, were focused on stabilizing the macroeconomic environment. Looking beyond the rolling crisis, he believed that the conversation around the world should be on deeper structural issues and fundamental rebalancing rather than on crisis response. The most important task was to maintain stability, and moving towards the creation of labour policies and fiscal consolidations that took into account those societies most at risk would help in that respect.

He pointed out that finding a way out of the crisis meant abandoning any thoughts of it as a "zero-sum game" and considering instead how to build recovery, what could be the best outcomes of both growth and stability, and how to cut deficits while maintaining growth and employment. He made reference to a range of policies that determined how many jobs could be created. He stressed that the private sector was the sector that provided the most jobs and that if risks and burdens were reassessed in a balanced manner, then a new domain that boosted jobs and improved living standards could be opened.

He stressed that the ILO's Decent Work approach captured the essence of the "positive-sum game" of development. There was widespread international support for the Decent Work Agenda, but countries had not yet given it priority in macroeconomic policy discussions and had not given the necessary mandate to international bodies to implement it. He concluded by advocating higher priority for countries that were endeavouring to expand their pension funds and health insurance systems, and the extension of additional resources to those that wished to be helped. That in turn would help the ILO and other bodies to move from participating in principle-setting exercises to developing more concrete strategies.

In response to a question by the moderator on how he saw future growth prospects in Spain, Mr Nadal said that Spain had lost more jobs during the crisis than any other European Union country and he stressed the importance of bringing down Spain's unemployment level quickly. He pointed out, however, that it was also true that Spain had created more jobs over the past years than any other economy in the European Union.

Addressing the current crisis and future growth prospects in Spain, Mr Nadal said that the crisis had shown the importance of interdependence and macroeconomic cooperation. Although the crisis had hit each country differently, there were commonalities in the responses, with governments giving loans, improving financial systems, and trying to deal with international sovereign debt problems. There was no dichotomy between fiscal and labour policies: both sides should be seen at the same time. He urged governments to realize that jobs were created by businesses and that macroeconomic policies should hence create an enabling environment for them. He made a plea for more transparency and for the restructuring of the financial systems in many countries. Problems such as the liquidity crisis, pay moderation and devaluation pressures could be solved later, while issues such as wages and pay were far more pressing. Labour market reforms were needed, but much deeper reforms that took into account education, the judicial system and many other aspects should also be considered. In Spain's case, the labour market needed to change in order to increase the output of labour and the flexibility of employment. He was optimistic, as the worst was over for Spain.

Asked to elaborate on the issue of rigidity in employment, Mr Nadal supported greater flexibility that was tailored to the needs of businesses. Businesses in Spain could not organize their human resources in the way that they wished and that lack of flexibility hindered employment. He believed that bringing down wages could bring down unemployment.

Mr Ryder, in response to a question by the moderator concerning the global trade union movement's evaluation of the austerity measures being launched in many countries, said that in the last two years 14 million jobs had been lost. Although the stimulus packages had saved some jobs, the losses were huge. To summarize the situation in dramatic terms, it could be said that it was 1937 again. He acknowledged the accomplishments of the Pittsburgh and the Washington, DC summits and applauded the efforts of the international community, but he believed that the current G20 response was a financial response, while labour and employment issues should be a central focus. He pointed out that many international institutions, including the OECD and the World Bank, had suffered a collective loss of nerve in the face of the fiscal crisis and that there had been a 180-degree turn in their attitudes, leading them to attempt to resolve the financial crisis by turning off the tap of resources. He considered the timing of that change in policy to be wrong. He warned that, while public finances needed to be rebalanced, an early rush into austerity would make matters worse, keeping countries in a prolonged and intensified crisis by choking growth and reducing government revenues. Governments had spent a lot of taxpayers' money to save big financial institutes while the agenda of financial regulations had led to nothing. Using taxpayers' money to clear up the mess of irresponsible financial institutes was fundamentally, politically and morally unjust. Referring to the Pascal quote cited by Mr de Robien at the opening of the event, he said that he did not think that working people would be ready to submit to austerity measures; he doubted that such measures were necessary and he did not believe that they would work.

With regard to how financial markets could be made more responsible for what had happened, Mr Samans said that, generally, central banks were keeping interest rates low as a means to restore faith: it had been an implicit policy of the economic stimulus package. But that also meant that monetary policy was being set so that banks could continue to generate large profits. He agreed with Mr Ryder that many aspects of the financial sector needed to be examined and new measures considered, such as the financial transaction tax, and that the current reforms were too narrow. Fundamental changes should be implemented, such as those regarding financial law, and many elements such as transparency in trading activities should be examined. Countries had put in place various policies and responses to the crisis, with financial stability as their common objective. He reasserted his argument that it was important not just to look into the mirror of the crisis, but to see beyond it and consider where to go next. He concluded that it was critical to make structural changes in international corporate arrangements and to help countries to build social protection systems which would eventually help balance the economy in such a way as to boost aggregate demand.

Mr Nadal concurred with the previous speakers, stressing that a focus on the financial markets was insufficient. The growth potential of many economies would be affected by the crisis for an extended period. There were governments that would simply not be able to pay off their debts, so there needed to be reforms to allow increased public spending over the long term.

Mr Tomada added his views on the financial markets, emphasizing the tension which arose when trying to match fiscal requirements with job growth. Sometimes the solution was to think outside the box. He stressed the need to consider how aggregate demand could be stimulated to increase production and employment, as everything that contributed to sustaining employment led to an improved fiscal situation. He underlined the importance of maintaining employment and income levels through active policies. When jobs were protected, people felt more secure, which in turn helped to boost demand and contribute to a better fiscal balance.

During the ensuing debate, a Government delegate from Greece asked how a country which had no room for fiscal stimulus measures could maintain employment and income levels.

Ms Polaski shared an example of how the United States had approached the issue of fiscal balance and stimulus measures, explaining that different ways of spending had different levels of effectiveness. She drew attention to studies by the ILO that evaluated the effectiveness of different stimulus packages and which could be a useful reference when designing fiscal measures. Studies carried out in the United States found unemployment insurance benefits to be an extremely cost-effective use of stimulus money, as they led to sustainable domestic aggregate demand. She concluded that the answer lay in evaluating the particular measures that were the part of national stimulus packages.

Ms Abdel Hady suggested that the best stimulus packages included comprehensive measures that provided job protection while stimulating the economy, and that that was the formula for economic growth. Her proposed measures included a better relationship between labour market and macroeconomic policies, investment in skills upgrading and measures that would help increase youth employment levels.

Responding to a question from an Employer delegate from India, Mr Ryder confirmed that the unregulated financial markets had indeed played a significant role in the global financial crisis and that the regulation of those markets had to be central to the crisis response. He stressed the importance of influencing that process, as institutions such as the IMF and the Financial Stability Board could not take on that responsibility alone: the job of fixing the problem should not be left to those who created it. The G20 had to reaffirm its serious intent to regulate the financial markets and to put that issue on the agenda.

When asked by the moderator about the measures that could be taken to enhance the engagement of financial ministers, Ms Abdel Hady noted that all governments included many ministries, which should work as a team. They all had to aim at the same target and find policy measures that would lift them out of the crisis.

Asked who would lead that process at the international level and local levels, Mr Samans concurred that there was nobody steering the ship on different aspects on international policy. Social policy, employment policy, living standards and job creation were much broader economic issues, which needed action at the international level. The same problem applied to the financial markets, whose activities had broad effects on economic policy. He noted that, in the international system, there was no analogue that could be applied from national systems – the IMF was mainly run by financial ministers, for example, while the ILO was run by labour and development ministers – and a framework that could integrate those had never been constructed. The G20 leaders, having assumed their responsibility for international economic policy cooperation, now needed to step up and take on the role of stewards of the international economic system. They should not only be responsible for stimulus packages and financial sector reforms but for integrating the spectrum of policies into a long-term international framework.

Mr Tomada added that those were political decisions. Governments needed to have an objective to move towards, with ministries aiming at the same target and working in close cooperation. He also stressed the need to create a feeling of responsibility among everyone involved.

Ms André noted that crisis had highlighted the importance of greater interaction between ministries and their crisis-response measures. Recently, Portugal had implemented two reforms: a labour market reform and a reform in the area of social protection. The results were a more flexible labour market, which meant that workers' and employers' organizations could influence the process and respond to the needs of their members, and a more stable welfare system. She concluded by stressing that governments needed to coordinate their domestic measures and to work with countries that found themselves in similar situations, noting that the European Union should coordinate responses across different sectors.

The panel was asked what mechanism could bring the recommendations of the G20 to those countries beyond its membership. Ms Polaski said that the G20 wanted the recommendations to be applicable to all countries and suggested that the ILO could be a good vehicle for that. She mentioned some ILO activities held in Asia, during which the G20 recommendations had been distributed and discussed. She expressed her hope that similar activities could be organized in Africa and elsewhere. The G20 could be a body for global coordination in order to achieve better outcomes and filling a gap. The move from the G7 and G8 to the G20 was recognition that it was the premier organization to help coordinate international economic policy and provide guidance to all countries.

Mr Tomada voiced his Government's support for the promotion and implementation of the G20 recommendations. Prior to the meeting of Labour and Employment Ministers in Washington, DC, his Government had met with employers' and workers' representatives to discuss the main concerns, and he confirmed that the recommendations of the G20 would be on the agenda when Argentina headed the Inter-American Conference of Ministers of Labour later in the year.

Panel 2: The role of productive employment and social protection in realizing internationally agreed development goals and the MDGs

Panel 2, on the role of productive employment and social protection in realizing internationally agreed development goals and the MDGs, was moderated by Mr Americo Martins dos Santos, Executive Editor for the Americas, BBC World Service. Panellists included Mr Robert Nkili, Minister of Labour and Social Security of Cameroon, Chairperson of the African Union Labour and Social Affairs Committee and Government Vice-President of the International Labour Conference; Mr Kamal Elkheshen, Vice-President (Sector Operations II) of the African Development Bank (AfDB); Mr Yogendra K. Modi, Chair and CEO of the Great Eastern Energy Corporation Ltd.; Mr Quintino Marques Severo, General Secretary of the Single Federation of Workers of Brazil (CUT); and Mr Anders Wijkman, Vice-Chairperson of the Tällberg Foundation and member of the Club of Rome.

The panel opened with a video statement by the United Nations Secretary-General Ban Ki-moon. He commended the timeliness of the discussion, prior to the forthcoming G20 meeting in Toronto and the Summit on the MDGs, to be held in New York in September 2010. It was part of a vital dialogue drawing from the richness of tripartite experience around the globe. He affirmed that there was a call for decent work in rich and poor countries all over the world, from both Heads of State and directly from people on the street. Echoing the words of the Director-General, he recalled that the global jobs challenge was a political issue, not just an economic or social issue. A real recovery from the crisis had to reach the real economy if it was to be meaningful; working women and men needed to see it in their own lives and livelihoods. The ILO had helped lead the way with the Global Jobs Pact, moving job creation up the priority list in the recovery process. Now was the time to go even further. Social justice and fair globalization should be the compass, with productive employment and social protection the drivers, leading to dignity for families, recovery for economies and success for the MDGs. He concluded by saying that he looked forward to the outcomes of the discussion, which would be considered at the Summit on the MDGs in September 2010.

The moderator asked Mr Nkili for an assessment of the progress towards the MDGs so far and invited him to elaborate on why progress had been so uneven, what the major obstacles were and what could be done to overcome them.

Mr Nkili explained that the MDGs could be resumed in six points: women's empowerment; reducing illiteracy; good quality education; overcoming famine; controlling major epidemics such as HIV/AIDS; and the political stability of countries. Advances in women's empowerment were clearly visible, with women being slightly better off and men having to accept that women were on an equal footing; forthcoming legislation on equality in Senegal was an example of such a change. With regard to illiteracy and education, again headway was being made and he cited the examples of improved basic education in Cameroon and the United Republic of Tanzania. Progress could be noted in the goal to overcome famine, though much remained to be done. He underlined the progress made in the overall area of health. The fight against HIV/AIDS was still a central concern but some advances could be reported, as in the case of Benin. With regard to health more generally, he said that the decrease in the infant mortality rate was commendable, but further action was required. As for the goal of political stability, he stated that 2007–08 had been a high point in violence in Africa and severe problems concerning political infrastructure had still to be faced. All that would stand in the way of achieving the reduction of poverty.

Mr Nkili then gave his insights into possible ways forward, focusing on two options: agriculture and capacity building. In Africa, 65 per cent of human activities were in the agricultural sector. But there was also stagnation in the area of infrastructure, in particular with regard to the power grid, which worked against the flow of markets and international trade. With regard to capacity building and training in general, he called upon countries to improve education systems. Africans needed to be innovative and should not only depend on the innovations made elsewhere. Schooling should be free. More universities would bring about change in African societies and make use of existing African resources. Such measures would need to be complemented by job creation and training. Employment policies should be built on self-employment. The formalization of the informal economy needed to be supported, as 60 per cent of activities in Africa were in the informal rather than the formal economy. Resources needed to be better distributed and better governance was needed. Health needed to be improved generally, through the training of health workers and through hygiene education.

He cautioned that all such measures would need to be linked to a new system of social security, specifically tailored to African needs. In Cameroon, 10 per cent of the population was now covered by social security, but the goal was for that figure to reach 75 per cent. Social dialogue was a key component in that regard. Delegations of governments, workers and employers from 26 African countries were expected to attend a forthcoming regional summit in Yaoundé on the Global Jobs Pact and social security. However, not all the participants had to come from within Africa: support needed to be given by international partners too. He warned that aid flows should not slow because of the crisis, which was external to Africa. In conclusion, he underlined that, if the MDGs could not be reached by 2015, their attainment should not be deferred for too long.

The moderator asked Mr Elkheshen to outline the prospects and challenges to generating broader-based growth that translated into progress towards the MDGs, given that Africa’s growth was linked to its natural resources.

Mr Elkheshen said that a large number of countries in Africa were dependent on one export product, with 19 countries dependent on extractive industries alone. Those countries would have to diversify, notably to agriculture but to other sectors too, if they were to withstand a new downturn in commodity prices. There was an abundance of rural land but productivity rates were very low, due to the fragmentation of land holdings, low investments, low capacities and a weak infrastructure. The AfDB was working to encourage investments in the agricultural sector and in work on infrastructure for irrigation and roads. An enabling policy and legal environment was also an important aspect. In terms of other growth sectors, manufacturing would need more attention and faster development, and creating an enabling environment in that sector would also be crucial. The banking sector was also crucial; it needed to focus more on small and medium-sized enterprises (SMEs) and the informal economy, and to improve microfinance. Growth was also possible in the information and communication technologies sector.

Mr Elkheshen confirmed that countries were already working together in their diversification efforts, explaining that there were cooperative activities in the area of value chain development and cross-border trade. He added that climate change was becoming important in that cross-national context, for example in the management of water systems.

The moderator asked Mr Modi whether the sustained high growth in India had produced the quantity and quality of jobs needed to realize the MDGs, and how the private sector could help achieve those goals.

Mr Modi explained that the growth rate was indeed high but could be higher still. In the first quarter of 2010, growth had been 8.6 per cent but it could have reached higher levels if the right policies had been in place. India had a young population and needed approximately 10 million new jobs every year. Productive employment, including self-employment, was the key. India had grown because of competitive policies, but also because of its reliance on internal markets: not many knew that India had a trade deficit of US$80 billion per year. The key to future success lay in two fields: SMEs and micro-enterprises. The latter would provide the most employment opportunities, in particular in rural areas where more than 60 per cent of the Indian population lived. For SMEs, the main challenge was finance, but they were also affected by the inflexibility of employment policies, which hindered job creation. The Indian banking sector had proved to be rather resilient to the international financial crisis, as it was not as speculative as in other countries. Banks should not speculate with savers' money but give it to productive sectors. Policies should be put in place to foster the creation of jobs in labour-intensive industries. Over the previous ten years, taxpayers' money had gone into infrastructure; with its employment-guarantee scheme, infrastructure building projects were also a source of jobs. There were difficulties in finding adequately trained and skilled personnel in many industries. Jobs needed to be created by cooperation between the Government and the private sector, as was the case with industrial training centres. Discussions and debates between the private sector and the Government were often lengthy in India. Reaching a consensus was a slow process but there was no other alternative, and rightly so, in a country such as India.

Noting that, in recent years, Brazil had seen substantial gains in poverty reduction, including through a range of social protection programmes, the moderator asked Mr Marques Severo to describe the wider lessons from Brazil in terms of making faster progress towards the achievement of the MDGs.

Mr Marques Severo explained that the current situation in Brazil was the result of over 30 years of efforts by the social movement and the Government to work on poverty eradication. Four main elements were needed to make the MDGs a reality: the role of the State; job creation; the distribution or transfer of wealth; and access to credit. With regard to the first point, the State would need to be the driving force of development through stimulation and public policies. Referring to job creation, he pointed out that 12 million jobs with social security had been created in Brazil within seven years. That level of employment creation was crucial because it would strengthen the social security system, which would in turn support the health system. Concerning the distribution or transfer of wealth, he highlighted that the minimum wage was crucially important for the income of workers and as a means to boost wage levels more generally and noted that it was achieved through collaboration between unions and the Government. The *Bolsa Familia* programme was also crucial, as it reached out to 40 million people with income transfers. Lastly, he explained that, over the last 40 years, the State had played a strong role with regard to access to credit. In small-scale agriculture in particular, the credit offer had grown in 2010. Another way of promoting access to credit was by facilitating the access of workers to credit at a low rate *(credito consignado)*. He added that, with the crucial help of unions and social movements, the poverty rate in Brazil had dropped from 11.4 per cent to 4.75 per cent. Full inclusion was still a long way off however. He believed that the world needed a new model based on production and not on speculation, with investment in the real economy. The world had to eradicate illiteracy as Brazil had started to do: its 11 new universities and 135 new technical schools would show the way but there was still a long way to go.

The moderator, noting that the Tällberg Foundation and the Youth Entrepreneurship and Sustainability (YES) Campaign had recently held a summit on the challenges of providing sustainable jobs for young people, asked Mr Wijkman what the findings of the summit implied for the achievement of the MDGs.

Mr Wijkman replied that the summit had brought together almost 200 people from over 122 countries, half of them under the age of 30 years. During the summit, they had identified promising practices all over the world, including areas where jobs had been created using new technologies in order to manage resources, merging the traditional employment agenda with social and ecological sustainability. He warned that the world was suffering not only a jobs crisis but a crisis in the way resource bases – both human and environmental – were managed and that, unless those agendas were merged, there might be more jobs but they would certainly not be sustainable.

The summit had reached a number of conclusions, two of which were particularly relevant. The first was that job creation should be at the core of the development agenda and at the heart of the achievement of the MDGs. Access to electricity or energy was the second conclusion to be emphasized. While there was no question of adding new MDGs, those two factors were considered absolutely pivotal. The summit also found that the conventional agenda of growth at all costs was not going to work. The quality – and not just the quantity – of growth was important, and that applied to both social and economic growth.

The private sector had a crucial role to play in job creation, most of which would take place locally. Banks and financial institutions would have to reach out better, in particular to SMEs; he noted that such measures had been taken in Bangladesh, where the Central Bank had made money available to private banks on the condition that they lent to small entrepreneurs. In most countries, he explained, the banking system did not work as it should, while microcredit and minicredit was important for starting small businesses. He also stressed the necessity of training and education for young people, calling upon the countries to rethink institutions; at the national and international levels, training was too often structured along sector lines which had proven not to work well. He also advocated a fresh look at aid, suggesting there should be a focus on health, education, construction of roads and small-scale entrepreneurship.

While training and education were important, Mr Wijkman believed that energy was the number one priority. In the future, there would be a scarcity in the oil market, prices would rise and jobs would suffer. The world therefore had to rely more on renewable resources before that "oil peak". Access to energy was a problem in most parts of the world and at the summit there had been a discussion on ways to encourage countries of the Organization for Security and Co-operation in Europe (OSCE) to boost electricity in rural areas and to support ecological restoration. The revitalization of deserts in China had shown that such an approach might provide many jobs and revive a whole region. The economy had to be stimulated through recycling, reuse and reconditioning and jobs could be created through repair and maintenance. Efficient use of resources was critical in both the North and the South.

The moderator invited the panellists to define the role of the State in the achievement of the MDGs.

Mr Modi suggested that a functioning State was needed rather than a strong State. The State had to do its job, which was to ensure primary health, education, drinking water, and law and order, using taxpayers' money. He believed that effective governance was the issue at stake.

Mr Elkheshen agreed that effective States were needed, adding that there were lots of examples of strong States but weak development. The creation of employment and development were key goals. As such, States needed to develop nationwide qualifications and technical training standards, and to institute apprenticeship programmes for young graduates, in order to facilitate their entry into the labour market.

Mr Wijkman elaborated on the concept of good governance. He had learned the hard way that markets only functioned well when the right policy frameworks were in place. From a social and environmental point of view, incentives needed to be provided for the right investments to happen. Governments had to complement the market in a clever way and a careful balance between private and public had to be drawn. There were areas where the private sector could not be expected to step in, but there were more than enough examples of a strong government doing little for its citizens.

Mr Marques Severo looked back at the roles of the Government and the social movement in Brazil in the 1990s. At that time, the Government had thought that privatization was necessary to make the State more efficient, but that had not encouraged development and many people had ended up in unemployment. Today, with the State taking a more active role in development, the unemployment rate was far lower. The debate was about people’s involvement in the public decision-making process. A tripartite approach to participation and dialogue with different institutions was needed.

Mr Elkheshen highlighted the disconnect between financial institutions and government and recommended that it should be corrected. He added that the financial sector was not fulfilling its function with regard to SMEs.

Mr Wijkman suggested that governments needed to take a more horizontal approach in the future and that issues needed to be better connected. Sectoral policies no longer worked well and a different kind of thinking was needed. Mr Modi added that banks should be using savers’ money to invest in productive sectors rather than in speculating.

In the ensuing debate, an Employer delegate from Mexico said that Mexican companies were very concerned about the labour dimension of investment. He wondered what could be done to balance good labour relations with the need for support from international organizations in the financial sector.

Mr Modi replied that, in principle, there should never be a situation in which people who wanted to work could not find a job and people who had a job did not actually work. That had to be settled by the government and the enterprise itself, as if enterprises failed there would be no jobs.

Mr Marques Severo made two points about finance and investment. First, the financial system needed to be reoriented towards production and not exploitation. Second, public enterprises and public banks should be able to finance national infrastructure plans to ensure that private enterprises that wanted to produce could do so. A relevant initiative in Brazil was the Plan for the Acceleration of Growth, in which 80 per cent of resources were public, from both public enterprises and banks.

On the question of how to create jobs when there was little investment and infrastructure, Mr Elkheshen recommended that there should be a focus on SMEs and banking services for the poor, in particular with regard to helping SMEs develop viable business plans. Furthermore, labour-intensive activities should be encouraged, incentives should be given to the private sector to hire the underprivileged, and support should be given to craft and traditional sectors, with the overall aim of moving people from living on income support to being actively engaged in the labour market.

An Employer delegate from India remarked on the role of industrialized countries in achieving the MDGs. Despite their responsibilities in that respect, relatively little money had been transferred from industrialized to developing countries. He also recalled the contrast between the waste of electricity in developed countries and the fact that 1.6 billion people lived with no access to electricity in developing countries.

Mr Wijkman agreed with the speaker and explained that donor pledges in the past had not been honoured. There were some countries with a very positive record and he cited the examples of Denmark, the Netherlands, Norway and Sweden, which had already surpassed an initially established target of 0.7 per cent of GDP to be contributed to overseas aid. Others were lagging behind, for example the United States gave the equivalent of only 0.15 per cent of its GDP in overseas aid. He agreed that there was an embarrassing mismatch. He suggested that some donor funds were not well used, and went into the pockets of the elite, or were inefficiently spent. Proposals for reorganizing aid included delivering funds only once the service was provided and encouraging private–public partnerships. Focus on social objectives was laudable, but without support for productive activities, people would still be dependent on aid in the long term.

Responding to the comment on the waste of electricity in the North, Mr Wijkman was in full agreement. Labour productivity had gone up in recent years. He suggested that 15 per cent of that increase was due to cheap oil being substituted for labour. Accordingly, there was a lot of waste in the system. Electricity needed to be used more efficiently. There was a lot of space for improvement, particularly in countries such as Japan and the United States.

A Worker delegate from Brazil observed that the world economy had crashed because of the lack of control of institutions. He said that, in the discussion of a strong State, mention should be made of the authoritative State.

Mr Modi explained that the State had a regulatory role, allowing the market to work freely but not be misused. He added that the money of individual savers had to be strictly controlled.

Mr Elkheshen said that social issues, social cohesion, social protection and job creation were key issues for the State to look into, and that all States needed to fight hunger and provide basic education for all areas of society.

A Worker delegate from India pointed out that, so far, there had been little notion of the role of the informal economy in the discussions. In her country, that problem was particularly pertinent with regard to the mining sector, where indigenous people who lived on lands used for mining were unorganized and often helpless when confronted with the enlargement plans of mining companies. In India, there were over 2 million such “development refugees” who needed rehabilitation.

Mr Modi said that, in India, the State had an autocratic law and that such people should fully enjoy the fruits of their land: due compensation should be provided.

Mr Wijkman observed that the issue raised was a major problem for the future and that the minimum response was due compensation. The Self-Employed Women’s Association had highlighted the problems of organizing among affected groups, while a study by the Centre for Science and Environment focused on potential conflicts over resources.

Mr Marques Severo commented that labour regulation gave more options for consolidating social security. There was a recurring tendency to respond to crises with deregulation, which he warned would be detrimental to social security systems. In Brazil, the Government had implemented policies to encourage the formalization of employment, allowing informal workers to have their situation regularized and so participate in the social security system.

A Government delegate from Gambia asked how, in the light of the world economic crisis, best to overcome bottlenecks in the agricultural sector, such as with regard to access to credit and high interest rates. He asked Mr Marques Severo to share his experience of good practice in the light of the recent developments in the sugar-cane industry in Brazil.

Mr Marques Severo explained that his earlier references to agriculture did not include sugar-cane farming; he had been referring instead to family farming where the family produced on its own land. The Brazilian Government encouraged that type of farming. There was still a need to overcome hunger where it continued to exist in Brazil.

Mr Wijkman added that there were positive experiences with cultivating sugar cane for ethanol which were suitable for Africa. With carefully designed frameworks, that could also provide access to credit.

Closing statements

Mr Daniel Funes de Rioja, Employer Vice-Chairperson of the ILO Governing Body, agreed that the challenges ahead were huge. However, trade was picking up and the economy was recovering in many countries. The challenge would now be to achieve fiscal sustainability in the longer term. Policies to promote investment were needed in order to reduce unemployment. One of the key problems during the crisis had been how to protect those in the informal economy who had suffered most. The crisis had shown that employers had been less inclined to fire people. Wages had been kept lower to enable employers to keep more personnel. Managers had become better at explaining their business model and employees had a better understanding of business, in a good example of social dialogue.

The crisis was bringing about necessary changes in the labour market and was reinforcing the need for training. The State needed to be efficient and effective, but implementing policies to promote employment was another crucial function of the State, and that included offering support to entrepreneurship and innovation. While he agreed that regulation of the capital markets was essential, structural changes to the labour market also had to be part of the reforms. Harmonizing fiscal consolidation, employment policies and financial restructuring would be a challenge, as would jump-starting job creation.

In conclusion, he said that the lessons from the crisis could help harmonize employment and he emphasized the need for sustainable enterprises and development and for greater coherence of the international system and international development aid.

Sir Roy Trotman, Worker Vice-Chairperson of the ILO Governing Body, made reference to a comment made during the first panel discussion by Mr Ryder, who had drawn a parallel between the current situation and 1937. He wondered whether a social crisis would follow the financial crisis and whether warning signs were being heeded.

He called for deeper reflection on what had happened in the crisis and on the interdependence among and within countries. There seemed to be insufficient concern that workers' conditions were worsening at the time when the banks were already doing better; it seemed, on the contrary, that governments and employers were agreeing that workers were too well off. The progress to date was due to social dialogue. Rather than putting the burden of sacrifice onto the poorest and allowing the wealthiest to get wealthier, he called for fairer distribution and rebalancing of the world economy. The workers would reject the call by many States in Europe for more labour flexibility, as such flexibility seemed to lead to the reduction of workers' rights.

The discussions of the second panel had been rather sobering and disturbing, although there were some avenues of hope. The speakers had highlighted the problems of labour shortages and high unemployment, and there had been calls for more training and for environmental upgrading. He agreed with the comments on development aid, which would be beneficial to developing countries. He would welcome the opportunity to discuss the role of the State further.

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