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Summary reports of panel discussions
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Panel 2. “Employment and social justice in a globalizing economy”

1. Panel 2, held on 13 June, was moderated by Mr Andrew Walker, Senior Economics Correspondent, BBC. The panellists were: Mr Samir Radwan, Minister of Finance, Egypt; Ms Louka Katseli, Minister for Labour and Social Security, Greece; Ms Sharan Burrow, General Secretary, International Trade Union Confederation (ITUC); Mr Peter Clever, Director-General, Confederation of German Employers; Mr Min Zhu, Special Adviser to the Managing Director, International Monetary Fund (IMF); and Ms Jayati Ghosh, Professor, Jawaharlal Nehru University, India. The panel addressed policy measures needed to ensure that economic growth was translating into decent work. In particular, was reconciliation possible between a patchy recovery, economic growth and robust growth in quality jobs? Would global governance and coordination arrangements give equal priority to economic growth and to expansion of decent work?

2. In his special address, Mr Radwan stressed the importance of social justice in tackling current challenges in Egypt, but also globally, where the question was how to build up a society based on equality and solidarity, a society that valued human rights and the right to make a choice. Referring to the transformation in his country, he argued for a people-focused democracy, translated into government policies. He further elaborated on how the Egyptian Government had tackled the tension between stimulating growth and preserving fiscal stability and how fiscal space could be used to improve social justice. He reiterated that the main factors which had led to the revolution – poverty, disparity in growth distribution, poor governance, youth unemployment, political exclusion and corruption – would need to be addressed by the political management of the transition. Egypt currently had a 2 per cent growth rate, compared to an estimated 5.8 per cent at the beginning of the year. People’s expectations were high, but so was unemployment, especially among youth. However, Mr Radwan acknowledged that, unlike in some other Arab countries, the economic infrastructure in Egypt remained intact. The recently concluded budget contained a response to people’s demands and, at the same time, proved that fiscal policy could be used to achieve social justice. A rise in the minimum wage from 700 to 1,200 Egyptian pounds per month was foreseen, together with several other policies aimed at increased spending on improving capabilities and investment in public health, education and low-cost housing for youth. He added that his Government was looking into long-term programmes to assist small and medium-sized enterprises (SMEs) and encourage investment, both domestic and foreign. Mr Radwan concluded by stressing that Egypt was currently testing a new paradigm that put social justice at the core of economic and social policies and acknowledged the support his country was receiving from the international community, in particular from the IMF and the G8.

3. In response to the fundamental issue raised by the moderator, whether the current economic recovery was translating into good-quality jobs, there was broad agreement among the panellists that the current model of growth had failed and that a new development paradigm was needed.

4. Mr Zhu highlighted three main points. Economic recovery was continuing, but at a very moderate speed (4.25 per cent globally) and was not automatically leading to job creation. Active labour market policies, combined with fiscal policies and a new thinking on job creation, were needed to meet long-term employment objectives. The IMF had already started to combine growth and employment targets in various pilot countries, where it had intervened post crisis together with the ILO and ITUC.

5. With regard to the impact of fiscal consolidation in Greece, Ms Katseli referred to different measures the Government had taken in order to reduce the deficit, renew economic growth and maintain jobs and social benefits. She stressed that Greece, as part of the Eurozone, had very limited policy options and tools to tackle those challenges and that it was very important to maintain political legitimacy. She asserted that the burdens imposed by the austerity measures had to be shared equitably, by expanding the tax base and avoiding tax evasion. Greece had received structural funds from the European Commission (EC) for on-the-job training, job retention and job creation, and a special fund had been created to stimulate social entrepreneurship development. Unemployment had been maintained at 16 per cent, 4 percentage points lower than what it would have been without those interventions. Social transfer mechanisms had been revised to ensure that social benefits would go to those who most needed them. Those measures followed an unprecedented fiscal retrenchment which was necessary to curb the public deficit and redress the financial and economic situation in Greece. She elaborated on further policy coherence and credible long-term solutions which would have to be developed with the partners in the Eurozone.

6. Ms Burrow agreed with Mr Zhu that global growth, without including measures for youth employment, had been sluggish. She asserted that ITUC, while not opposed to fiscal consolidation, had not foreseen the shift from stimulus to austerity measures. Had they known that taxpayer money was to be used exclusively to drive stimulus and bail out the financial sector without retaining jobs and investing in the future, their support might have been different. She called for an employment pact for young people involving skills training and internships, a social protection floor for the least developed countries, more collective bargaining and social dialogue back on the table. She stated that ITUC wanted dialogue, they wanted fiscal consolidation and they wanted jobs. Ms Burrow added that because of bond markets, speculation had increased by 30 per cent since the financial crisis and governments had essentially failed, as they did not allow banks to take the fiscal heat that taxpayers were taking. In her view, governments should stand up to bond markets and look at ways in which they could support the real economy.

7. Commenting on the situation in Egypt and how the Government hoped to manage young people's expectations, Mr Radwan called for a real paradigm shift and clarity in policy-making – not just semantics. He asserted that the policy pyramid needed to be turned upside down so that priority would be given to job creation and growth. He argued that more emphasis should be placed on SMEs, which, in his opinion, could potentially absorb much of the labour force by 2020.

8. With regard to the prospects for job growth in the developing world, Ms Ghosh said that, in the case of India, formal sector employment had actually been falling during the so-called "boom", and argued that decent employment must be the main goal. She remarked that the power of finance must be curbed to ensure that other strategies could be followed. Ms Ghosh recalled that half of the world's people were still dependent on agriculture, with livelihoods critically at stake. In that respect, smallholder cultivations needed to be made viable. She added that a shift in focus to domestic demand-led growth and away from a single-minded focus on gross domestic product (GDP) was needed in developing countries.

9. Mr Clever said that jobs created should not be more expensive than the value added. Maximizing profits at any price should not be the ultimate goal of employers; rather, it should be training, educating and matching their objectives with those of the State. He remarked that employers had to take the common good into account and seek to create trust – trust between people and governments and trust between employers and workers.

10. Addressing fiscal consolidation and the role of finance, Mr Zhu stated that the IMF often encouraged countries to liberalize their financial markets. Acknowledging the changes that were occurring in the world, with emerging markets taking a large place on the financial stage, he asserted the need to study capital contribution and how to manage capital flow, while understanding the risks involved. He urged that there should be a new framework and a shift in thinking about the growth paradigm.

11. Ms Katseli added that there was a need for common rules in global financial markets, as no single country could resolve the current issues. She affirmed that a collective effort was required and called upon international organizations to look at financial regulations, rating agencies and tax evasion. Commenting on the G20 and global governance, Ms Katseli deplored the opportunity lost at the beginning of the crisis for an international financial organization to be created. She said that a Basel III would not be enough to change or aid the current situation and that a political initiative was required. She highlighted the need for tripartite dialogue to be revisited and the importance of the social partners redefining their roles. Ms Burrow agreed with Ms Katseli and stated her support for social dialogue.

12. Following up on whether the recovery would produce the much expected jobs, Ms Ghosh said that, despite the fact that India was seen as a booming economy – with a two-thirds GDP increase in services, half of which were financial – the rise in GDP had not translated into job creation, mainly because of the informal labour market. Mr Radwan added to that idea and elaborated on patterns of growth and employment which had not worked in Egypt, despite a booming economy.

13. Panellists further addressed the issue of growth at any cost versus quality jobs. Ms Katseli thought that rapid growth, regardless of the source and the outcomes, would simply be a self-fulfilling prophecy and would not work without creating proper incentives and disincentives for investment and job creation. Mr Clever added that Germany had been successful in maintaining jobs and high wages. However, he warned against the risk of a "race to the bottom" and urged firms to move in an upward direction to allow an improved offer of services and goods.

14. Ms Burrow challenged Mr Zhu on the messages given at the national level regarding inequality and employment. She pointed to the need for intensive training on the new economic models of jobs and social justice which Mr Radwan had mentioned. She said that, in changing the view about GDP, employment and social protection must become the risk indicators at the heart of macroeconomic policy, and expressed the hope that dialogue with the ILO would drive the solution towards promoting social justice and social stability. There was general agreement among panellists for a macroeconomic policy shift on employment and social protection, as described by Ms Ghosh. Mr Zhu called for building institutional capacity and highlighted the need to be careful in putting micro- and macroeconomic policies together. He referred to the pilot programme implemented jointly with the ILO and ITUC in a number of countries (Bulgaria, Dominican Republic, Romania and Zambia) and called for its expansion. Ms Ghosh, referring to Ms Burrow's suggestion, stated that the minimum requirements for the new framework included the collection of employment data. She requested the IMF to collect monthly and quarterly data.

15. Several questions were raised from the floor.

16. An Employers' delegate from Pakistan reiterated the importance of employment and social justice in the globalized economy and noted the implementation of the Global Employment Agenda as a vital element in meeting various challenges, including that of youth employment. He suggested that youth employment and skills be taken into consideration in future Governing Body and International Labour Conference agendas.

17. A Workers' delegate from India asked Ms Katseli whether being part of the Eurozone was an obstacle in facing the recent crisis.

18. A Workers' delegate from Spain pointed out that the IMF had reduced unemployment benefits by half, while benefits to dismissed workers, as well as health and education benefits, were also being cut. He asked whether the IMF would continue with its suggestions despite such failures.

19. A Workers' delegate from Bulgaria mentioned that his country was part of the IMF–ILO–ITUC pilot programme in managing the crisis. He stated that social justice meant rights and added that the Government and employers had recently agreed to increase wages. He requested the IMF to become part of the global debate in promoting fair distribution.

20. An Employers' delegate from Gabon asked Mr Clever about the consequences of the repeated changes in Germany's budget.

21. A Workers' delegate from Mexico asked how a new economic model and a set of integrated tools could be developed and applied to the world, and raised the question of their applicability to tackling issues related to youth employment and to the informal economy.

22. A Government delegate from the Dominican Republic asked Mr Zhu to comment on the value of policies focused on human beings.

23. In response, Mr Clever said Germany had set a bad example which had led to numerous difficulties concerning the state debt in the European Union. He added that reliable data would be obtained after reducing the informal sector, which served both employers and workers equally. Ms Katseli affirmed that the Eurozone had worked favourably for Greece, as the country had benefited from enhanced credibility, a reduction of inflation and low interest rates, which had ultimately led to improved standards of living. In times of crisis, it had also allowed Greece to access major loans of €110 billion, despite its own blunders which had made the country vulnerable to financial speculation. Ms Ghosh condemned the timing for fiscal consolidation, as the public sector would need more spending in order to create demand. Mr Zhu thanked the Bulgarian delegate and commented on how the joint IMF–ILO–ITUC programme understood the local job market and tried to adjust job and income disparity issues to the growth and macro-stability models. Ms Burrow called for greater policy coherence to drive jobs, sustainability and social justice forward. She was joined by Mr Radwan, who made some concluding remarks on the pillars enshrining employment in macroeconomic, economic and social policies.

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