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FIRST ITEM ON THE AGENDA

Staving off renewed crisis: The role of the ILO

Purpose of the document

In the present document, the Governing Body is invited to review the outlook for decent work and the scope for continuing the promotion of the Global Jobs Pact and offer guidance on priorities for national and international action to stave off the threat of renewed recession and build towards sustainable development and a fair globalization (see the possible points for discussion in paragraph 38).

Relevant strategic objective: Strategic outcome on policy coherence (Outcome 19: Mainstreaming decent work: Member States place an integrated approach to decent work at the heart of their economic and social policies, supported by key United Nations (UN) and other multilateral agencies) in the Strategic Policy Framework 2010–15.

Policy implications: See Part V, paras 36–37.

Legal implications: None.

Financial implications: None.

Follow-up action required: See para. 38.

Author unit: Policy Integration Department (INTEGRATION).

Related documents: *The Global Jobs Pact and the ILO report Global Employment Trends 2012: Preventing a deeper jobs crisis.*

Executive summary

The present document reviews the global economic and employment outlook and the risks of renewed recession largely related to financial instability in Europe. It highlights the continued importance of the Global Jobs Pact, [1] examines the international policy response mechanisms and concludes by suggesting a number of priorities for the ILO's efforts to promote recovery from crisis and the transition to inclusive, sustainable and equitable economic growth and development.

I. The global economic outlook

1. The recovery of output and employment slowed significantly in 2011, particularly in developed economies. Many of the risks that were highlighted in earlier forecasts for the second half of 2011 materialized and growth projections for 2012 and 2013 have been significantly revised downward. World growth is expected to hover between 3 and 4 per cent in the next two years, down by around 1 percentage point on the average of 2010 and 2011.

2. Differences in gross domestic product (GDP), growth, and employment recovery between developed and developing economies persist. Developed economies are expected to grow by only 1.2 per cent in 2012 and by 1.9 per cent in 2013, with the euro area facing a contraction of 0.5 per cent in 2012 (see table 1). Growth in emerging and developing economies will be lower than previously expected and relatively modest compared to the recovery of 2010 and 2011.

3. A number of policy initiatives undertaken by European and international institutions did not prevent the euro area crisis from worsening in late 2011 and the first months of 2012. Weakened growth, caused initially by the 2008 near financial meltdown, adversely affected the fiscal balance and government debt to GDP ratios of a number of countries. This in turn fed back to the financial system, as exposed banks further cut lending to increase their reserves and protect against defaulting loans. In the real economy, this led to rising unemployment, fiscal tightening and weak investment and consumption which in turn further curtailed growth. [2]

4. Developing countries have shown some resilience to the renewed global economic slowdown of 2011. However, forecasts for 2012 and 2013 are markedly down on earlier projections for Brazil, Russian Federation, India and China (the BRICs), although these are much stronger than those for advanced economies. An increasing reliance on domestic demand and economic integration between developing economies has underpinned the capacity of such economies to sustain recovery, albeit at a reduced pace, despite a fall-off in exports to advanced countries. They would, however, certainly feel the effects of a renewed debt and banking crisis emanating from the euro area, given its potential effects on international trade and the financial system. Emerging and advanced economies do not appear to have decoupled from their interdependency and a reduction in the United States balance of payments deficit and China's surplus seems largely due to the recession.

[1] ILO: *Recovering from crisis: A Global Jobs Pact* (Geneva, 2009).

[2] See International Monetary Fund (IMF): *Global Financial Stability Report – Market update, Jan. 2011,* available at: www.imf.org/external/pubs/ft/fmu/eng/2011/01/pdf/0111.pdf; and European Commission: *Interim forecast,* Feb. 2012, available at: http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/2012/2012-02-23-interim-forecast_en.pdf.

5. Sub-Saharan Africa has maintained growth of around 5 per cent or higher since 2003, with the exception of 2009 when it fell to just under 3 per cent. Its growth is forecast to continue at this pace in 2012 and 2013. As a consequence, per capita growth rates have risen to nearly 3 per cent per year after the two decades from 1980 to 1999 when they were negative. The US$1.25-a-day poverty rate fell 10 percentage points between 1999 and 2008, to apply to less than half of the region's population. [3] African countries are among the most unequal in the world, although recent trends point to some narrowing of income gaps in most of the region. [4] Recent growth was strongly influenced by exports of oil and other commodities over the past decade; however, a broader base for sustained expansion seems to be under way, with improved economic management and a reduced debt load among a range of positive factors. However, with one fifth of Africa's 1 billion population in the 15–25 age range, generating decent work opportunities especially for young women and men remains a major challenge. [5]

6. Unemployment is high in developed economies and it is not expected to decrease in the next two years. There are around 200 million unemployed worldwide, and some additional 400 million jobs are needed to prevent a further increase in unemployment in the next decade. Indeed, unemployment remains 27 million higher than before the crisis, despite falling participation rates, with youth unemployment reaching 12.7 per cent in 2011. Looking ahead and based on growth forecasts that are now looking somewhat optimistic, the ILO's report *Global Employment Trends 2012: Preventing a deeper jobs crisis* foresees subdued employment growth rates for several years. Part of the additional potential workforce will stay outside the labour market, thereby increasing the pool of discouraged workers. People will increasingly be forced into low-quality, informal sector jobs to earn a living and slow growth will create a substantial drag not only on employment but also on wages. The unemployment rate is expected to decline only gradually, with the number of jobseekers increasing globally, in line with the continuous growth of the labour force. If the global economic situation were to substantially deteriorate with recovery only picking up in 2013, as now seems increasingly likely, the jobs gap would widen further with global unemployment rising to 204 million in 2012 with a further increase to 209 million in 2013. [6] It is generally acknowledged that, given "the depth of the 2009 recession, […] growth rates are too sluggish to make a major dent in very high unemployment". [7]

7. Trade flows are slowing, capital flows to developing countries are falling sharply and in some cases have reversed, while currency markets are volatile. Recent ILO research on the employment impact of the 2008–09 fall in world trade shows that India lost around 4 million jobs and South Africa 900,000, largely due to the spreading of the effects of trade

[3] World Bank, PovCal database, available at: http://iresearch.worldbank.org/PovcalNet/index.htm?1.

[4] I. Ortiz and M. Cummins: *Global inequality: Beyond the bottom billion: A rapid review of income distribution in 141 countries*, Social and Economic Policy Working Paper (New York, United Nations Children's Fund (UNICEF), Apr. 2011). Available at: www.unicef.org/socialpolicy/index_58230.html.

[5] African Development Bank (AfDB); Organisation for Economic Co-Operation and Development (OECD); United Nations Development Programme (UNDP); and United Nations Economic Commission for Africa (UNECA): *African Economic Outlook 2011*. Available at: www.uneca.org/eca_resources/Publications/books/aeo2011/EN-AEO2011.pdf.

[6] ILO: *Global Employment Trends 2012: Preventing a deeper jobs crisis* (Geneva, Jan. 2012).

[7] IMF: *World Economic Outlook Update*, Jan. 2012. Available at: www.imf.org/external/pubs/ft/weo/2012/update/01/pdf/0112.pdf.

contraction right across the economies. [8] Non-oil commodity prices declined in 2011 and are expected to fall in 2012, while oil prices will remain high. [9] Developing economies face a slowdown in demand from exports but also moderating domestic demand in part as a consequence of policy tightening initiated in late 2010 and early 2011 in order to combat rising inflationary pressures in some large emerging market economies. In emerging and developing economies, inflation is expected to drop from the high rates of 2011. Overall, consumer prices in these economies are projected to decelerate, with inflation around 6.25 per cent during 2012, down from over 7.25 per cent in 2011. High prices for consumer essentials in many countries remain a serious concern, especially for lower income groups. [10]

8. Increased long-term unemployment in a number of countries could turn a short-run cyclical problem into a more intractable structural issue. Coupled with stagnant real wages and pressure to repay excessive levels of household debt, this is affecting consumer demand. The United States housing market is still a source of concern, as debts weigh on households' balance sheets. In general, widespread contractionary fiscal policies have not been offset by the growth of private demand of households and enterprises. [11] Perception of the inadequacy of the policy response is holding back business and consumer confidence. [12]

9. Baseline forecasts assume that a major disorderly default and banking crisis in Europe will be avoided and that a fiscal contraction in the United States and other developed economies will not be "excessive". The "muddling through scenario" assumes that European policy-makers succeed in stabilizing interest rate premiums in vulnerable countries and limiting deleveraging. In contrast, alternative scenarios for downside risks do factor in the effects of a spiralling down of credit and investment and financial contagion spreading through Europe to other advanced and emerging economies, reducing world trade and financial flows, which could cut global growth by 2 percentage points compared to the central forecast (in other words to 1–2 per cent). [13]

[8] D. Kucera, L. Roncolato and E. von Uexkull: "Trade contraction and employment in India and South Africa during the global crisis", in *World Development*, 2012, www.sciencedirect.com/science/article/pii/S0305750X11002877.

[9] IMF: *World Economic Outlook Update*, Jan. 2012, op. cit.

[10] World Bank: *Global economic prospects: Uncertainties and vulnerabilities*, Washington, DC, Jan. 2012.

[11] United Nations Conference on Trade and Development (UNCTAD): *Trade and Development Report 2011: Post-crisis policy challenges in the world economy*, Sep. 2011.

[12] OECD: *OECD Economic Outlook*, Nov. 2011.

[13] IMF: *World Economic Outlook Update*, Jan. 2012, op. cit.; and OECD: *OECD Economic Outlook*, op. cit.

Table 1. Overview of the World Economic Outlook
(per cent change unless noted otherwise)

		Projections			
	2009	2010	2011	2012	2013
World output	-0.7	5.2	3.8	3.3	3.9
Advanced economies	-3.7	3.2	1.6	1.2	1.9
Emerging and developing economies	2.8	7.3	6.2	5.4	5.9
Selected countries/regions					
United States	-3.5	3.0	1.8	1.8	2.2
Euro area	-4.3	1.9	1.6	-0.5	0.8
United Kingdom	-4.9	2.1	0.9	0.6	2.0
Japan	-6.3	4.4	-0.9	1.7	1.6
China	9.2	10.4	9.2	8.2	8.8
India	6.8	9.9	7.4	7.0	7.3
Brazil	-0.6	5.4	4.1	3.5	3.5
Mexico	-6.2	4.3	3.1	3.2	3.6
Central and Eastern Europe	-3.6	4.5	5.1	1.1	2.4
Commonwealth of Independent States	-6.4	4.6	4.5	3.7	3.8
Middle East and North Africa	2.6	4.3	3.1	3.2	3.6
Sub-Saharan Africa	2.8	5.3	4.9	5.5	5.3
World trade volume (goods and services)	-10.7	12.7	6.9	3.8	5.4

Source: IMF: *World Economic Outlook Update*, Jan. 2012. Data for 2009 from IMF: *World Economic Outlook: Slowing growth, rising risks*, Sep. 2011.

II. Financial instability, rising unemployment and recession in Europe

10. Financial stress and vulnerability have increased since the last quarter of 2011, centred on the euro zone. Concern about economic prospects for Europe has dampened recovery in other regions, especially in some developing and emerging countries which have seen borrowing costs rising and capital inflows falling. [14]

11. To counter the renewed financial crisis, a number of important policy measures have been introduced, notably the provision of longer term liquidity to banks by the European Central Bank and the establishment of a permanent euro bailout fund, the European stability mechanism, which will replace the temporary European financial stability facility in July 2012.

12. However, rating downgrades of some prime-rated sovereign debts, including those of the European financial stability facility itself and bonds of crisis-stricken countries, have deepened the euro area crisis and the risk that its effects will spread. Around two-thirds of the euro area debt is currently traded at interest rates well above those of German government bonds (spreads). Such high rates endanger the sustainability of a country's

[14] World Bank: *Global economic prospects: Uncertainties and vulnerabilities*, op. cit.; and IMF: *World Economic Outlook Update*, Jan. 2012, op. cit.

debt as interest payments plus capital repayments become unmanageably large. [15] Moreover, fiscal consolidation, strenuously pursued by crisis-stricken economies, is taking a toll on growth and job creation. As the IMF has warned, "... markets themselves have been schizophrenic about fiscal tightening, at times rewarding it with lower interest rates, and at other times recoiling at the implied growth slowdown and pushing up interest rates". [16]

13. A further deterioration in the financing conditions of the sovereign debt of some euro zone members could lead to another round of bank deleveraging in which inflows of funds are used to write off bad debts and increase reserves rather than lend to firms and households. However, the three year longer term refinancing operation of the European Central Bank has provided banks with a large-scale inflow of funds at very low interest rates, much of which are apparently being placed in high-yielding bonds of Member States. This has eased both the vulnerability of euro zone banks and the cost of borrowing for exposed countries. For example, in the first months of 2012, Spain and Italy have managed to sell bonds at interest rates noticeably lower than their 2011 peak, although still higher than those of Germany. However, bank lending to smaller enterprises and households remains stagnant.

14. At its meeting on 1 and 2 March 2012, the European Council confirmed the strategy of fiscal discipline to control borrowing, with structural reforms to boost growth and competitiveness and institutional reforms to improve the capacity of the European Union (EU) to act collectively. Among a number of far-reaching EU economic governance measures is a new Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, under which 25 of the 27 EU Members commit to maintaining a balanced or surplus budget, with a lower limit of a structural deficit of 0.5 per cent of the gross domestic product, and a limit of 60 per cent in the ratio of government debt to gross domestic product. These rules are to be monitored by the European Commission and the Council.

15. The run-up to the March European Council meeting had been dominated by prolonged negotiations between Greece and the Troïka of the European Commission, the European Central Bank and the IMF, which also involved private bondholders represented by the Institute of International Finance. This resulted in a new memorandum of understanding involving further cuts in the Greek government budget deficit, a cut in the minimum wage, a write-down of the value of Greek Government debt and a tightening of surveillance of the implementation of the agreed measures.

16. The euro area seasonally adjusted unemployment rate was 10.7 per cent in January 2012, compared with 10 per cent in January 2011. There is, however, a large variation between States. The lowest unemployment rates were recorded in Austria (4 per cent), the Netherlands (5 per cent) and Luxembourg (5.1 per cent), and the highest in Spain (23.3 per cent), Greece (19.9 per cent in November 2011), Ireland and Portugal (both 14.8 per cent). In January 2012, the youth unemployment rate was 21.6 per cent in the euro area. The lowest rates were observed in Germany (7.8 per cent), Austria (8.9 per cent) and the

[15] IMF: *Global Financial Stability Report – Market update,* Jan. 2011, op. cit.

[16] IMF: *Global challenges in 2012,* speech by the IMF Managing Director at the German Council on Foreign Relations, Berlin, 23 Jan. 2012. Available at www.imf.org/external/np/speeches/2012/012312.htm.

Netherlands (9 per cent), and the highest in Spain (49.9 per cent), Greece (48.1 per cent in November 2011) and Slovakia (36 per cent). [17]

III. Continued importance of the Global Jobs Pact

17. The Global Jobs Pact was designed to "reduce the time lag between economic recovery and a recovery with decent work opportunities", as well as to promote institutions that are key to sustainable development and a fair globalization. It is of continued importance, given the current situation of weak confidence and lagging consumer and business demand, the persisting credit crunch afflicting small and medium-sized enterprises (SMEs), and the mounting needs to protect the weakest and re-establish social dialogue and effective collective bargaining systems. A number of countries that followed policies promoted by the Pact have withstood the global crisis relatively well and have good prospects for recovery.

18. **Building physical infrastructure and human capital**, as emphasized in the Pact, has the effect of crowding in private consumption and investment and involves countercyclical measures that build future productive capacities. New infrastructure projects have contributed to sustaining production and incomes (as in Australia, China, Indonesia and Sweden, to mention a few examples). [18] As part of a broad fiscal and monetary stimulus, China increased expenditure on housing, education and health.

19. **SMEs** benefitted from lower interest rates, microcredit programmes in rural areas, temporary non-wage labour costs and tax rate reductions. Indonesia, for instance, combined a reduction of income taxes to sustain household demand with the strengthening of an existing project of infrastructure investment to support employment and growth over the crisis. Such community-based employment-intensive infrastructure investment programmes have a large employment and growth multiplier at the local level and contribute to vocational and entrepreneurial skills development, poverty reduction and inclusive growth.

20. Investment in human capital in the form of **skills development**, upgrading and re-skilling and vocational training has contributed to preserving and improving the employability of workers. A particular focus on disadvantaged groups, as recommended in the Pact, has helped reduce long-term unemployment and inequalities. For example, the Jobs and Training Compact implemented in Australia since 2009 has extended the scope and expanded the capacity of existing labour market programmes by combining employment services, basic education and training, tax benefits and participant allowances, infrastructure projects and community services with a particular focus on helping retrenched workers, young people and depressed local communities.

21. **Public employment services** have been reinforced in Germany and China to reduce the incidence of long-term unemployment and the loss of skills and provide re-skilling to support recovery. [19] Investment in education and vocational training has been a priority to

[17] Eurostat news release, 1 Mar. 2012. Available at: http://epp.eurostat.ec.europa.eu/cache /ITY_PUBLIC/3-01032012-AP/EN/3-01032012-AP-EN.PDF.

[18] See ILO–OECD *G20 Country Policy Briefs* for Australia, China and Indonesia (ILO–OECD, 2011).

[19] See ILO–OECD *G20 Country Policy Brief* for Germany (ILO–OECD, 2011).

address youth unemployment in India. India's national policy on skill development has focused on combining school-based training with workplace training, involving social partners and paying special attention to sectoral needs. [20]

22. **Work-sharing schemes** address the need to retain skills and employment, on the one hand, and preserve the viability of enterprises, on the other. Work-sharing programmes that are complemented by partial unemployment benefits, such as the *Kurzarbeit* scheme in Germany, have reduced job losses and helped support enterprises over the most severe phase of the crisis, limiting firing and hiring costs for firms and preserving workers' employability and income as well as firm productivity. [21]

23. **Targeted support to crisis-hit industries,** to both enterprises and workers, has also shown large employment and productivity returns. A combination of support to consumer demand, suppliers and auto communities helped the United States car industry preserve jobs, return to profitability and increase productivity while innovating and improving vehicle technologies. As emphasized in the Pact, synergies between the State and the market, policies for preserving jobs and skills, capacity building, supporting "green" production, and enhancing social protection to low-skilled and weaker groups of society can have large economic and social gains even in face of major crisis.

24. **Well-designed social protection mechanisms** work as automatic economic stabilizers and represent an in-built support to weaker population groups. During the great recession of 2008–09, many countries expanded existing schemes typically by extending eligibility criteria, duration, level of benefits, work-sharing schemes, and training and retraining programmes. These were mostly developed economies. For example, cash transfers to low-and middle-income groups served as a social protection mechanism and support to aggregate demand in Australia. Some emerging market economies such as Argentina, Brazil, Thailand and Uruguay also reinforced their systems, and Viet Nam implemented a new unemployment scheme. [22]

25. The Mahatma Gandhi National Rural Employment Guarantee Scheme, implemented in India since 2005, has proved to be an instrument of income stabilization, social protection of the most vulnerable and inclusive and equitable growth. It represents an innovative **employment guarantee** scheme that ensures employment for 100 days at minimum wages to one member per rural household, with no distinction of gender, age or physical capacity. The global recession worsened a long-standing food crisis for a number of low-income countries, in particular in Africa, and, in the absence of adequate social security provisions, this was alleviated with targeted subsidies and measures to support agriculture and exports

[20] See the ILO–OECD *G20 Country Policy Brief* for India (ILO–OECD, 2011).

[21] A. Crimmann, F. Wiessner and L. Bellmann: *The German work-sharing scheme: An instrument for the crisis*, Conditions of Work and Employment Programme, Conditions of Work and Employment Series No. 25 (Geneva, ILO, 2010).

[22] Bonnet et al. (2012) show that 21 countries out of the 43 analysed using the ILO–World Bank inventory of policy responses to the crisis had "... at least one operational unemployment scheme at the time of the crisis … [and] [o]f these countries, 13 documented expansionary measures to increase overall coverage or benefits". F. Bonnet, C. Saget and A. Weber: *Social protection and minimum wages responses to the 2008 financial and economic crisis: Findings from the ILO–World Bank inventory*, Employment Sector, Employment Working Paper No. 113 (Geneva, ILO, 2012).

and to build and maintain infrastructure, in some cases with public sector wage increases. [23]

26. **Minimum wages** were significantly increased in real terms in Australia, Brazil and Canada. The recent growth pattern of Brazil and its resilience to the crisis appears to be attributable in part to a reduction of informality, inequality and poverty. This more inclusive pattern of growth has supported domestic demand and created opportunities for SMEs which were aided by simplified business registration and lower taxation. Labour inspection and increased awareness of workers' rights were also instrumental in raising labour standards and supporting domestic demand. [24] Such experiences show the crucial interconnection between the promotion of labour standards, the provision of a sufficient degree of social protection and labour market policies directed to preserving and enhancing workers' employability.

27. **Social dialogue** at both the national and international levels has a central role in the Pact not only to achieve "pain-sharing" agreements in time of crisis but also to devise efficient and equitable economic and social protection policies. [25] Different forms of social dialogue have been undertaken since the outbreak of the crisis in 2008 in both developed and developing countries. In several instances, they have led to national or sectoral agreements, but in others they have failed. [26] Although the current crisis has often strained the capacity of employers' and workers' associations to develop joint approaches, continued support for the principles of freedom of association hold the promise that the social dialogue process can regain its effectiveness as a means of organizing collective action even in the most difficult of times.

28. Despite the difficulty in disentangling the various influences on economic and social performances, experience suggests that the approach offered in the Pact and followed by a number of countries has contributed to both the alleviation of the worst effects of the crisis and the strengthening of elements of recovery. Social protection and labour market institutions and policies have helped preserve employment, wages and incomes and thus have supported aggregate demand, business confidence and investment. They have also been an investment in human capital formation and employability for the longer term. It might also be argued that, in unfavourable economic circumstances, they have alleviated some of the pressures on social cohesion. These lessons suggest that with the global

[23] C. Saget and J-F. Yao: *The impact of the financial and economic crisis on ten African economies and labour markets in 2008–10: Findings from the ILO–World Bank policy inventory*, Employment Sector, Employment Working Paper No. 100 (Geneva, ILO, 2011).

[24] See ILO–OECD; *G20 Country Policy Brief* for Brazil (ILO–OECD, 2011).

[25] As stated in the Pact, it is necessary to increase "respect for freedom of association, the right to organize and the effective recognition of the right to collective bargaining as enabling mechanisms to productive social dialogue in times of increased social tension, in both the formal and informal economies". The Pact also states: "Especially in times of heightened social tension, strengthened respect for, and use of, mechanisms of social dialogue, including collective bargaining, where appropriate at all levels, is vital."

[26] Baccaro and Heeb, in their analysis of the social dialogue experiences during the crisis using the ILO–World Bank inventory of policy responses to the crisis, find that "... freedom of association is a necessary condition for social dialogue [while] ... a combination of a crisis that hits hard, together with organizationally weak unions, or a crisis with a lesser and not particularly far-reaching impact, together with strong unions, is often sufficient to produce an absence of social dialogue." (L. Baccaro and S. Heeb: *Social dialogue during the financial and economic crisis: Results from the ILO–World Bank inventory using a Boolean analysis on 44 countries*, Industrial and Employment Relations Department, Working Paper No. 31 (Geneva, ILO, 2011).

economic situation threatening again to take a turn for the worse, the principles and policy instruments proposed in the Pact remain of central importance to supporting sustained recovery of individual economies, balanced global growth and sustainable and fair globalization.

IV. International policy responses

29. With the recovery at risk, the efforts of the G20 to coordinate policies for strong, sustainable and balanced growth are of considerable importance. It will be recalled that the G20 Summit in Cannes, in November 2011, adopted the Cannes Action Plan for Growth and Jobs. This consisted of commitments by G20 countries to short-term action and in the medium-term to "sustained, broad-based reforms to boost confidence, raise global output and create jobs".

30. The Summit "agreed to a six-point plan to strengthen the medium-term foundations for growth: (1) commitments to fiscal consolidation; (2) commitments to boost private demand in countries with current account surpluses, and, where appropriate, to rotate demand from the public to the private sector in countries with current account deficits; (3) structural reforms to raise growth and enhance job creation across G20 members; (4) reforms to strengthen national/global financial systems; (5) measures to promote open trade and investment, rejecting protectionism in all its forms; and (6) actions to promote development."

31. The Cannes Summit also endorsed the conclusions of the G20 Labour and Employment Ministers' Meeting (Paris, 26 and 27 September 2011), which focused on improving active employment policies, particularly for young people and other vulnerable groups; strengthening social protection by establishing social protection floors adapted to each country, promoting effective application of social and labour rights; and strengthening the coherence of economic and social policies. Ministers also set up an intergovernmental task force on employment, composed of the G20 representatives, with the contribution of relevant international organizations and consulting social partners, to develop inputs to their next meeting on preparing young people to find decent jobs.

32. The cycle of G20 meetings under the Mexican Presidency in preparation for the Los Cabos Summit, to be held on 18 and 19 June 2012, began shortly after the Cannes Summit in November 2011. The new round of economic forecasts has provoked further discussion on how collective action could stave off a renewed crisis. However, the challenges of policy coordination are formidable. European countries are preoccupied with preventing a debt default by one or more of the members of the euro zone and very conscious of their difficulty in selling bonds on global financial markets at reasonable interest rates. The United States Congress was unable to reach a consensus on fiscal policy for 2012, and as a result the country will enter into a phase of consolidation that could put a brake on any signs of improving business sentiment and employment pickup. Japan has little room for fiscal expansion, despite a balance of payments surplus. The large emerging G20 economies are better placed to support growth but face problems of relatively high inflation.

33. In a multipolar world economy where no one country or region can lead, in spite of the Cannes commitments, there is a risk that each country will pursue a cautious macroeconomic strategy that adds up to collective deflation at a time when collective action is needed to restimulate recovery. As the IMF Managing Director said in a speech in Berlin on 23 January 2012, "It is not about saving any one country or region. It is about saving the world from a downward economic spiral. It is about avoiding a 1930s moment, in which inaction, insularity, and rigid ideology combine to cause a collapse in global demand." [27]

34. A further opportunity to coordinate global action for recovery and sustainable development is provided by the Annual Ministerial Review session of the United Nations Economic and Social Council (ECOSOC), to be held in New York on 2 and 3 July 2012. Ministers will discuss a report of the Secretary-General on "Promoting productive capacity, employment and decent work to eradicate poverty in the context of inclusive, sustainable and equitable economic growth at all levels for achieving the MDGs". ECOSOC has on a number of occasions expressed strong support for the Global Jobs Pact and at its July session will focus on country experiences with investment, employment and labour market policies, and on a review of the use of the Global Jobs Pact by UN agencies.

35. The ECOSOC session comes close on the heels of the United Nations Conference on Sustainable Development at the summit level, to be held from 20 to 22 June 2012 in Rio de Janeiro, Brazil ("Rio +20"). A separate Governing Body paper reviews the ILO's preparations for Rio +20. [28] It should be noted that the themes of a green economy in the context of sustainable development and poverty eradication and the institutional framework for sustainable development are both highly relevant to action to revive the global economy and move to a sustainable development path. Reflection is also beginning within the United Nations on the possible shape of a post-2015 development agenda and, on whether, and if so, in what form the drive to achieve the Millennium Development Goals (MDGs) might be continued.

V. From crisis recovery to inclusive and sustainable global development

36. One of the strengths of the ILO Global Jobs Pact is that it offers a combination of immediate measures to tackle the economic and social policy dimensions of crisis recovery and policies needed for longer term sustainable and balanced growth. The Pact is thus a strategy for countercyclical investments that also foster and facilitate structural change for more balanced growth. The expansion before the financial crash of 2008 had not yielded sufficient decent jobs to keep up with the growth of the global labour force and reduce working poverty and informality. Addressing the uneven impact of globalization coupled with the challenge of shifting towards a "green" growth trajectory mean that a return to business as usual will not assure either recovery or sustainable development.

37. The risk of renewed recession or a feeble recovery highlights the continued relevance of the Pact to national actions and the engagement of the Organization in efforts to coordinate collective action internationally. An important part of the continued promotion of the approach outlined in the Pact is policy dialogue within the multilateral system on the connection between effective employment and social policies and macroeconomic performance. The 2012 calendar of international meetings provides several important opportunities for the Organization to reinforce several key messages, including that:

- increasing the pace of decent work creation is essential and can also ease pressure on government finances;

[27] IMF: *Global challenges in 2012*, op. cit.

[28] GB.313/INS/4.

- extension of social protection and the building of social protection floors both reduces poverty and inequality while strengthening demand, especially in times of recession;
- investment in the real economy of sustainable enterprises and essential infrastructure is vital and the financial services sector should act to channel savings to productive purposes;
- transition to an economically, socially and environmentally sustainable development path must start now and can help to reinvigorate growth by targeting the creation of "green" jobs; and
- social dialogue, based on respect for fundamental principles and rights at work is vital to the design and implementation of policies that mitigate the effect of renewed crisis and prepare for sustainable recovery.

VI. Possible points for discussion

38. ***The Governing Body is invited to:***

- ***review the outlook for decent work and the scope for continuing the promotion of the Global Jobs Pact; and***
- ***offer guidance on priorities for national and international action to stave off the threat of renewed recession and build towards sustainable development and a fair globalization.***