

**Achieving and Sustaining an Employment-Based Recovery: U.S. and Global  
Strategies for Governments, Businesses, Workers and Families**

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**Remarks by ILO Director General Juan Somavia**

Thanks to Brookings, to Kemal Dervis, to my fellow panellists, to all my friends here today.

It is a real privilege to be speaking in this prestigious institution always attentive to public policy and the lives of people; and at a time when jobs are at the top of public concern, in the US and worldwide.

Indeed, as a result of the crisis, global unemployment has jumped by 34 million since 2007 to total 212 million in 2009 – the highest ever recorded. It is likely that 100 million women and men will have fallen into absolute poverty last year

The world's labour force is now over 3 billion and growing at around 1.5% per year. That translates into around 45 million new jobs needed annually to simply standstill, mostly in developing countries.

That is in addition to the jobs needed to get unemployed workers back to work. In advanced countries like the US unemployed practically doubled last year. With unemployment for youth three times higher than for adults.

Half of the world's workers find themselves in different forms of vulnerable work; working poor, discouraged workers, involuntary part-time, the vast informal economy.

The scale and significance of the challenge is enormous.

There are serious risks of a prolonged jobs crisis with wide social and political repercussions unless attacked with vigour. I believe it can be done.

Let me share with you some ideas to approach it from three perspectives:

First: the significance of work and the risks of a job-weak recovery.

Second: an international policy response based on lessons from experience.

Third: key agenda items for the future to address some underlying structural issues.

So, first: The significance of work.

Our ILO Constitution says that “Labour is not a commodity” but too many people feel they are treated as if they were – used when needed, then discarded when not.

The crisis has again put before our eyes something that we all know; good jobs, quality jobs, decent work, are everywhere central to the lives of women and men.

Decent work is a source of personal dignity. Stability of family and households. Peace in the community. Trust in government and business and overall credibility of the institutions that govern our societies.

Labour is much more than just a cost of production.

This simple aspiration to have a fair chance at a decent job is at the top of the political agenda, on top of opinion surveys; yet, policies are not delivering.

Years before the financial crisis we already had a jobs crisis. The sort of growth we had was not delivering enough quality jobs.

The present crisis came on top of a long period in most countries, including in the US, of widening income disparities and an erosion of middle classes, the bedrock of political stability.

We know that we cannot go back to business as usual.

This means not only reversing soaring levels of open unemployment. It is also about valuing the dignity of work, about ending the divergence between productivity gains and real wages, about strengthening not weakening labour institutions like unions, safework regulations and minimum wages.

Global employment forecasts, if correct, tell us that the situation should stop getting worse in 2010. But previous crises have shown that for employment to return to the pre crisis levels can take four to five years.

I don’t think we have the political space to take so long. Social tensions are brewing.

We need a global drive to create quality work. That is not only the US challenge, it is our global challenge.

And that is the message of the Pittsburgh Summit under the leadership of President Obama – “Putting Quality Jobs at the Heart of the Recovery”.

“We cannot rest until the global economy is restored to full health, and hard-working families the world over can find decent jobs.”

“To assure that global growth is broadly beneficial, we should implement policies consistent with ILO fundamental principles and rights at work.” The Leaders also gave strong support to the ILO Global Jobs Pact.

### **Second, an international policy response based on lessons from experience**

In June last year, our International Labour Conference, with the participation of Government, Employers’ and Workers’ delegates from the ILO’s member States, unanimously adopted A Global Jobs Pact.

It is still the only policy framework agreed to globally by the whole international community to address the social and employment impact of the international financial and economic crisis.

Its aim is to reduce the time lag between economic recovery and the recovery of decent work opportunities.

It promotes a productive recovery centred on investments, employment and social protection, rights at work and social dialogue.

Many of the policies that countries have adopted in response to the crisis reflect the approach of the Pact. And many countries have moved to devising national jobs pacts.

Let me highlight some aspects drawn from countries’ experience

- The situation today would be much worse absent the impact of automatic stabilizers and stimulus packages. The ILO has calculated that in 2009 between 12 and 14 million jobs were created or saved in the G20 countries.
- Extending unemployment benefits, income transfers to poor households, and preparing for basic universal protection has been a strong feature. Brazil, China, and India, among others, have ambitious plans for building their social protection systems beyond the crisis.

India’s public employment guarantee scheme has attracted great interest. It offers 100 days of employment or a minimum cash benefit to poor rural households.

- Retaining people in jobs, by subsidizing a period of reduced working time through various mechanisms has been widespread. The short working hours scheme in Germany has held back the rise in open unemployment and has kept skilled workforces together for the upturn. Canada, France, Japan, Mexico, Netherlands, Turkey and 17 States of the US have similar mechanisms.

- Increased public investment in needed infrastructure, particularly in road construction, transport, housing and other public works have expanded job opportunities. Social infrastructure, such as child and elder care, is also a source of valued employment. Experiences in Indonesia, South Africa and many other countries show that their employment impact depends on a number of factors such as the rapidity of implementation, choice of technology and community involvement.

Large projects tend to be capital intensive. To make worthwhile infrastructure improvements also pay off in jobs requires a special effort to connect them into the local economy. Parallel measures such as support to small businesses and skill development can significantly improve the direct and indirect employment dividends.

- Support to enterprises for new hiring is widespread. China, India the UK and Canada are also acting along the lines of the proposal adopted this week by the Senate. Small enterprises are a target for such supports which also include measures to boost the supply of credit often squeezed in the credit crunch and the development of clean energy and green jobs.
- Investment in training and skills development programmes is a common feature of crisis response measures in nearly all countries. Different routes have been taken to the same end – preparing working women and men for the skills likely to be needed for recovery and targeting vulnerable groups whose lack of skills could trap them in long term unemployment.
- Furthermore in the design of emergency responses, governments have often consulted widely particularly with business and labour. This has resulted in diverse tripartite agreements on crisis responses in Argentina, Australia Japan, Netherlands and South Africa.

And a final important observation. The notion of a package approach of converging policies, included in the Jobs Pact, is critical to success.

In sum, there is a new activism by governments compared to previous crisis which have cushioned the impact. But stimulus measures on an appropriate scale will be needed until jobs and the real economy pick up.

### **Third, so what are some of key agenda items for the future**

We also have to address some underlying structural issues that have hampered the generation of enough decent work opportunities.

The starting point is to make employment creation a priority macroeconomic policy goal, in the same way as low inflation and sustainable public finances. Let's remember that the charters of the Fed, the IMF and the WTO all refer to full employment.

Given the huge fiscal challenge that many countries face, we must formulate an employment strategy that is also a fiscal strategy.

There is nothing worse for government budgets and deficits than recession and unemployment, leading to lower tax revenue and higher unemployment compensation.

Creating decent work lays the groundwork for better long-term fiscal performance. A fiscal recovery strategy will face political obstacles if it is not perceived as fair, easy to explain and based on at least some degree of international cooperation.

So against this background, we need to think differently about employment policies for the future.

- First, the financial sector must service the real economy by channelling savings to productive investment and sustainable enterprises. Stronger prudential regulation of the finance sector is important. However, productive economies that provide employment and incomes to people are the only source of a sustainable return to capital. What happened to the old notion of honest hard work as the legitimate source of wealth creation?
- Second, we need an income-led growth pattern. Aggregate demand should be firmly anchored in earned income and broad access to employment, not increasing debts, thus progressively raising the real purchasing power of middle and low income households.

To do so, the link between productivity gains and wages needs to be strengthened. Skills development is also a crucial investment in the workers of the future. Strengthened labour institutions, such as regularly reviewed minimum wages and an effective labour inspection system, and more widespread collective bargaining can play a key role.

- Third, acceptance is growing to the need for every country to establish a basic floor of social protection for the most vulnerable. As many are learning in their crisis responses, social protection brings a triple benefit. It protects people from becoming trapped in debilitating poverty, empowers them to seize market opportunities and contributes to aggregate demand.
- Fourth, trade implies adjustments in both importing and exporting countries, which have labour market consequences. ILO and WTO joint research concluded that it is necessary to link more directly trade, employment and social protection policies.

Many countries are turning to exports as a way to faster growth. But export-led growth cannot be a global strategy. It must have a counterpart; an import-led growth strategy. If not it simply does not add up.

A truly global strategy would include increased flows of private and public investment finance to developing countries. As Kemal Dervis put it, such “a more “gentle” rebalancing of the world economy ...would be good for job creation and growth worldwide”.

- Fifth, we must prepare for the global transition to clean energy. It will affect a large number of enterprises, jobs and workplaces. New skills will be needed. New green jobs will emerge. A proper system of incentives would greatly help such a transition. Public private partnerships are ideally suited for this task.

The ILO is collaborating with the global networks of unions and employers and UNEP on policies for greening the economy. Overall we see a net gain in decent work as an important potential outcome, provided we have a supportive policy framework and start the transition early.

A framework for a new fairer and more inclusive globalization requires a better balance between social and economic policies and a greater convergence between public and private actors around priorities. How we tackle the immediate jobs crisis is central to that future balance.

#### So to conclude

US leadership is critical.

The Pittsburgh Summit marked a breakthrough in moving towards establishing a framework for strong, sustainable and balanced growth and putting quality jobs at the heart of the recovery.

This is a major step towards the comprehensive, coherent policy approach that we so badly need.

In six weeks time the US will be hosting a Meeting of G20 Employment and Labour Ministers. It is a great opportunity to take the Pittsburgh agenda forward. The ILO is providing its full support, under the guidance of the US Department of Labor.

My bottom line message today is: Strong, sustainable and balanced growth in an open global economy requires an urgent and sharper policy focus on jobs and the real economy, here and worldwide. We must grasp the opportunity to shape a fair, inclusive and less volatile globalization.

Thank you