
IOE MEMBERS AND THE GLOBAL JOBS CRISIS

EXPLANATORY NOTE



INTERNATIONAL ORGANISATION OF EMPLOYERS

JUNE 2009

INTRODUCTION

BACKGROUND

On 1 April 2009, the IOE wrote to members updating them on the IOE's current and future responses to the Global Jobs Crisis, including concerted employer efforts in the March 2009 Governing Body meeting (304th session) to prioritize discussion of the crisis. This culminated in a fundamental adjustment to the 2009 International Labour Conference Agenda¹. In preparation, the IOE also informed members of a series of events that will take place at the regional level on how Employers' Organisations (EOs) are responding to the crisis.²

The IOE decided to dedicate its 2009 General Council meeting of Tuesday 2 June to the theme of the crisis and how EOs are responding to it, both internally and at the national policy level. The IOE circulated a survey questionnaire, requesting feedback from members on four key questions:

- 1. How has each organisation been affected internally by the crisis?*
- 2. How has each organisation responded to these challenges?*
- 3. What measures has each organization taken to help their members face the crisis?*
- 4. What role has each organisation played at national level in responding to the crisis?*

OVERVIEW OF RESPONSES

Forty three responses were received (7 from Africa³, 11 from America⁴, 8 from Asia-Pacific⁵ and 17 from Europe⁶). Of the EOs responding to the questionnaire, more than half were from developing countries and almost a further quarter from European countries in transition.

¹ The IOEs' actions in responding to the Global Job Crisis also include an emergency forum and the Organization's major statement entitled "Economic Recovery and Employment" proposing measures to overcome the crisis in the immediate term (February 2009), the employers response to the "High-level Tripartite Meeting on the Current Global Financial and Economic Crisis" (March 2009) and the joint business statement presented by the IOE and its partner organization the Business and Industry Advisory Body to the OECD (BIAC) to both the G8 Labour Ministers in Rome and the G20 London Summit (March-April 2009)

² Special session for African EOs held by the IOE and the Federation of Kenyan Employers, Nairobi, May 2009 – IOE's annual European meeting, Latvia, May 2009 – the 2009 Ibero-American Presidents' meeting

³ Algeria, Angola, Burkina Faso, Cameroon, Senegal, South Africa and Tanzania.

⁴ Barbados, Bolivia, Brazil, Colombia, Jamaica, Mexico, Peru, Suriname, Uruguay and the Bolivarian Republic of Venezuela.

⁵ Bangladesh, Iran, Jordan, Malaysia, New Zealand, Pakistan, Sri Lanka and Thailand.

⁶ Bulgaria, Croatia, Cyprus, Czech Republic, Finland, Greece, Malta, Montenegro, Netherlands, Norway, Russian Federation, San Marino, Serbia, Slovakia, Slovenia, Sweden and Switzerland.

EOs provided significant information on the role they are playing at national level in responding to the crisis (Question 4). Comparatively fewer EOs were able to provide information at this stage on the internal impact of the crisis and measures they have taken to respond operationally and organisationally (Questions 1 and 2).

A number of IOE members provided additional information on the general impact of the crisis at the national level. This included useful feedback that the Global Jobs Crisis was having various observable impacts at the national and enterprise levels, including:

- ▶ Reduced demand, particularly in the tourism, construction, automotive and mining sectors;
- ▶ Falling investment;
- ▶ Increased operating costs and falling yields;
- ▶ Falling exports;
- ▶ Rising unemployment;
- ▶ Difficulty in accessing finance;
- ▶ Budget cuts at the enterprise level, and
- ▶ (In some cases) a deteriorating industrial relations climate.

EVALUATION

The information provided by IOE members is an important and unique resource on EO responses to the current near unparalleled economic and employment crisis. It will allow the IOE and its members to identify common difficulties and EO responses to the current crisis, and thus be able to draw a global picture of the current and future situation.

This will assist in maximizing the effectiveness of employer advocacy and support responses to the Global Jobs Crisis during coming months. This IOE member feedback is fundamental for two key purposes:

- ▶ The 2009 IOE General Council meeting on Tuesday 2 June, which will focus on the crisis and how EOs are responding.
- ▶ Discussion on the Global Jobs Crisis at the June 2009 International Labour Conference (through the Committee of the Whole).

Based on the information received, the following observations can be made for each of the four above-mentioned questions.

HOW HAS EACH ORGANISATION BEEN AFFECTED INTERNALLY BY THE CRISIS?

To date, the crisis has not equally impacted on all EOs. More than half of the EOs who responded to the questionnaire, mainly from developing countries, indicated that they have not been yet significantly affected. Moreover, some EOs indicate that the economic crisis has to be viewed in addition to other substantial challenges they are already facing (for example the supply of Natural Gas in parts of Europe).

However, each EO appears very conscious that the crisis will impact upon them and that ultimately no country will be spared. To this end, a number of EOs have already adopted preventive measures to anticipate and thus soften the impact of the crisis on their organizations and their members. Others have gone further to identify and seek to exploit opportunities.

For those EOs directly affected at this stage, the major reported negative developments include:

- ▶ Reductions in membership (including disaffiliation by member companies or failing to renew affiliation).
- ▶ A consequent fall of EO revenues creating funding and operational stresses. This has been translated into reductions in membership fees; requests for delays in the payment of fees; and some externally imposed funding restrictions.
- ▶ A decline in demand for additional, paid services (and a preference for the minimal package of generic services included within the basic membership fee). This includes reduced participation in training, seminars and other commercial activities; and a stay on companies taking out advertisements in magazines published by their EOs.

However, various positive internal signs were also highlighted which provide some balance to the otherwise negative impact of the Global Jobs Crisis on EOs. These included:

- ▶ Some EOs reported that the crisis had led to an increase in member affiliations (with new members asking for immediate services linked to the crisis).
- ▶ Others reported a reduction in members expressing an intention to disaffiliate, perhaps reflecting the increased need for specialist advice during restructuring, and the more pressing need for employers' interests to be collectively defended;
- ▶ An increase in requests for EO services to overcome difficulties arising from the crisis (including additional demand for legal advice and industrial relations training, particularly on redundancies and cost cutting).

Thus, some EOs report an increased workload in which they are even more actively involved in helping their affiliated members, notwithstanding the Global Jobs Crisis.

Even for EOs most affected by the economic crisis to date, not all have suffered the same internal impacts. For some, the consequences of the crisis have been softened by a strong budget situation in preceding years, underlying the importance of sound internal financial management.

INTERNAL IMPACTS OF THE GLOBAL JOBS CRISIS ON IOE MEMBERS

The *Association of Tanzanian Employers* is budgeting for an overall reduction in membership fees which are based on the number of employees within members companies. This will hopefully be balanced by new memberships in response to the increased need for legal advice on termination.

A number of more specific crisis impacts were reported by those EOs which have broader spheres of activities extending beyond employment and social policy to include more general economic and business services. The *Bulgarian Chamber of Commerce and Industry* reported that as a consequence of falling exports, fewer certificates of origin and certifications were issued (reducing overall revenues to the organisation).

Positive outcomes of the crisis were highlighted by the *Employers' Confederation of Thailand* which indicated that its income from consultancy services on termination of employment, cost reduction, and avoiding labour disputes, is higher than in previous years.

HOW HAS EACH ORGANISATION RESPONDED TO THESE CHALLENGES?

IOE members outlined the internal and operational measures their organizations were taking to respond to the crisis, in an effort to both retain membership and representation, and provide effective services to employers suffering commercial and operational adversity. These included:

- ▶ Improving services with an emphasis on increasing member satisfaction and giving priority to the fight against the crisis;
- ▶ Seeking to become closer to and improve communication with employer members;
- ▶ Cost cutting and expense restraint;
- ▶ Avoiding disaffiliations by allowing additional time for the payment of membership fees;
- ▶ Pursuing new revenue options (including seeking new memberships; offering new services; and organizing specific training courses on industrial relations and redundancies);

- ▶ Being more aggressive in the sale of value added services to employer members;
- ▶ Seeking to pursue funding in discussion with Government and the private sector where applicable; and
- ▶ Internal restructuring and organization improvement to remain competitive and effective.

It should be emphasized that EOs did not report any specific staff reductions in response to the crisis. On the contrary, many organizations recognized that experienced and technically effective staff are additionally valuable during the current crisis and are particularly valued by member employers. Some EOs were even planning new recruitments notwithstanding the crisis.

INTERNAL RESPONSES OF IOE MEMBERS TO FACE ECONOMIC CHALLENGES

CGEA from Algeria indicated that even though it has not yet been directly affected by the crisis, it has already set up an internal committee to monitor the effects of the crisis.

Various EOs have been proactive and innovative in finding new ways to respond to the internal impact of the crisis. In order to avoid disaffiliations, the *UPCG from Montenegro* has invited members that cannot pay membership fees to continue using its services, paying during the crisis only the amount they can afford.

As a new revenue opportunity, the *Bulgarian Chamber of Commerce and Industry* has made BCCI data available in additional foreign languages, introduced new technologies, provided additional public access via the Internet, and concluded an arrangement to offer financial products at preferential conditions.

As an innovative new source of revenue, *Business New Zealand* is in the process of forming a major companies group of larger employers that in addition to joining the relevant regional EO, will pay an enhanced fee for direct access to Business NZ itself.

ANDI from Colombia indicated that it is already focusing on the post crisis period, trying to take advantage of opportunities in a recovering market. It has therefore made comparatively minor adjustments to ensure its sustainability, such as careful management, more rational use of resources and an active policy of bringing together members. It has also increased its staffing and created a new sectoral committee.

An interesting example of positive internal staff reorganization was the *Serbian Association of Employers* which plans a one-year recruitment of young practitioners to perform administrative tasks, which will in turn enable more skilled and experienced staff to directly work with member employers during the crisis.

WHAT MEASURES HAS EACH ORGANIZATION TAKEN TO HELP THEIR MEMBERS FACE THE CRISIS?

A primary role of EOs in 2009 is to shape the best possible conditions for their members to maintain maximum productivity and viability across the current Global Jobs Crisis.

To this end, EOs reported a commitment to helping their employer members by maintaining a more active collaboration with them, collecting information and policy input from them, and formulating actions which respond to the criteria and concerns identified by employer consensus. A trend throughout the responses was various EOs' commitment to continuously adapt to provide the most effective help possible.

EOs sought to be as effective as possible in understanding and meeting the needs of their employer members during this period of adversity, conducting extensive research and consultations in order to understand and address the operational and financial challenges employers are facing.

With an overall consensus that information will play an essential role in the fight against the crisis, EOs regularly reviewed and monitored the economic situation to keep their members informed. Some EOs have strengthened their information units and increasingly exchange information with other EOs, keeping their members informed on what is going on abroad and identifying good international practices that could be applied at the national level.

Many EOs also facilitate the exchange of views and discussions between their members by regularly organizing forums, seminars and roundtables. They also utilise experts such as economists participating in special meetings with their members.

In order to raise employer awareness on the importance of economic stability, EOs disseminate up-to-date information through publications, newsletters and the Internet, and through national conferences, meetings etc. The importance of these regular activities appears to have been heightened by the current crisis. Technical assistance, training and advice are also provided, through both general meetings and services to individual employers.

EOs appear to recommend to their members the same measures they have implemented internally to fight the effects of the crisis, namely measures focused on cost-reduction and securing new revenue by broadening the range of activities or developing new markets.

From a global point of view, it appears that EOs actively encourage job retention, providing information on flexible working arrangements such as part-time employment. Employers are often reminded of the importance of skills retention and longer term development by their EOs. If termination of employment cannot be avoided, the EOs strongly support their members by providing legal advice on voluntary retirement, redundancies and mandatory procedural steps to be observed.

Many EOs also encourage their members to strengthen open social dialogue between employers and workers, sometimes providing advice on how to manage and motivate workers during turbulent and uncertain times.

EXAMPLES OF EOs' COMMITMENT TO HELPING MEMBERS FACE THE CRISIS

The commitment of EOs to offer the most effective help to their members is demonstrated by various innovative measures during recent months.

EOs are seeking to utilize institutions which can be useful to their members. For example, the *Bangladesh Employer' Federation* maintains constant contact with the local ILO office for technical assistance. In the same way, the *CGEA* from Algeria indicated that external financial advisors are made available to help its members.

EOs also report on a wide range of ideas and solutions, with the *Cyprus Employers and Industrialists Federation* providing members with up-to-date information on developments at the national, European and international levels and informing them of good practices and strategies abroad that could be used by Cypriot companies.

Business New Zealand indicated that in case of redundancies, efforts are made to work with companies to find new employment for displaced employees.

WHAT ROLE HAS EACH ORGANISATION PLAYED AT NATIONAL LEVEL IN RESPONDING TO THE CRISIS?

A majority of respondents highlighted the major role EOs play in national economic policy, and in particular their role in influencing government responses.

Many EOs take a proactive and preeminent role at the national level in order to defend the interests of the private sector, undertaking strong lobbying in support of particular economic approaches, and opposing others.

It would be fair to say that IOE members were amongst the first organisations in many countries to address the near unprecedented economic and jobs challenge we now face. Many EOs sought to raise the awareness of governments, employers, workers and the entire civil society of the worldwide crisis, even before it became apparent within their national economy. A number of EOs published research and held (at their own initiative) press conferences or open discussion forums involving all stakeholders and both domestic and foreign experts.

However, EOs clearly indicated that their main efforts were aimed at Governments with which they held numerous high-level meetings to defend the common interests of the private sector. They have also been closely involved in inquiries, discussions and negotiations carried out by public authorities on measures to combat the crisis.

Playing the key role of intermediary between individual employers and national governments, EOs have been proactive and sought to pursue multiple pressures on Governments to adopt and implement effective measures to tackle the crisis in a favourable and sustainable way for employers.

A number of EOs reported that they have developed, internally or in collaboration with other stakeholders detailed proposals, recommendations and sets of measures (economic and/or social packages) to face the crisis, and have submitted these to Governments and other stakeholders.

There also appears something of a global trend towards strengthening regular tripartite dialogue, either through established national consultative bodies or through specific committees established in response to the crisis. In some countries employers' and workers' organizations signed new agreements to strengthen social dialogue as a direct response to the Global Jobs Crisis.

Based on the information provided and notwithstanding national differences and priorities various categories of measures have been pursued by EOs at the national level:

MACRO-ECONOMIC MEASURES

It appears that EOs have primarily centred their efforts on macro-economic measures to ensure overall economic stability and growth. These include:

Banking measures: Seeking reductions in bank interests rates; seeking to influence the lending practices of national banks; seeking increased credit access particularly for SMEs; preventing unilateral modifications of contractual and credit conditions; supporting loan-rescheduling for affected undertakings; rebuilding confidence in the banking and financial system; improving banking conduct; and restoring the role of national banks in reinforcing national financial systems.

Financial measures: Encouraging reform and improved performance of national financial institutions; securing financial help from international institutions; supporting budget consolidation by reducing public expenditures, finding new resources, better use of funds; postponing unnecessary reforms and expenditures; and ensuring liquid assets are available by selling State bonds in foreign markets or establishing a fund for employers.

Monetary measures: Supporting policies which will reduce the risk of fluctuations in national currencies.

Taxation Measures: Pursuing personal and business tax reduction and reform measures; and advocating the abolition of specific taxes, in particular those which retard job creation and retention.

Fiscal measures: Supporting fiscal bonuses for each worker employed particularly from vulnerable categories of workers; and supporting sustainable development.

Investment measures: Encouraging state investment into specific sectors for positive short term economic benefits (e.g. *construction:* co-financing interest rates for the purchase of the first real estate, inviting banks to reduce interest rates on real estate loans; *tourism:* reduction of VAT; *automotive:* renewal of publicly-owned rolling stock); seeking enhanced infrastructure investment; enhanced innovation, research, and development investment support; and establishing sound conditions to attract foreign investment and restore investor confidence.

Income measures: Seeking direct support for the payroll for undertakings (e.g.: providing a delay in the payment for social security and health insurances); support for SMEs (increased access to credit; better linking SMEs with the public sector; establishing specific funds).

Cost reduction measures: Seeking cuts in the price of infrastructure and services, reduced business fees and charges, and reducing the costs of redundancies and restructuring.

EMPLOYMENT MEASURES

A range of further measures advocated by various EOs centre on employment and supporting the capacity of employers to both retain and create jobs during this period, and implement essential restructuring:

Measures aimed at stimulating employment: Skills development (e.g. increased resources for education, better linking education to the needs of labour markets, improving training/retraining, enhancing the employment of young people (apprenticeships)); encouraging formal employment; stimulating employment in specific sectors; strengthening employment services; designing new job creation strategies; and developing/supporting specific industries in maintaining employment of skilled workers.

Job Retention Measures: Advocating for flexible working arrangements to avoid dismissals, such as part-time employment/partial unemployment, providing for support both for:

- ▶ Workers (providing training during unworked periods or extension of time for the payment of reimbursements of credit).
- ▶ Employers (costs charged on State funds; make it possible to postpone the contribution to national funds or to the social security institute without affecting employers or workers).

EOs also advocated measures to retain employment, extending the rules regulating flexible working arrangements (e.g. extension of the period allowed for part-time employment/partial unemployment; enlarging the rules for “publicly paid leave of absence”); and implementing a coherent nationwide wage policy (coordinated policy and moderated wage increases).

Measures aimed at greater labour market flexibility: More flexible regulation of employment contracts and redundancies; amendments to the labour code to introduce new

forms of labour market organizations, and more wide ranging reforms to reduce the costs and increase the effectiveness of employment.

Social Security Measures: Some EOs advocated measures dealing with reform of parts of the social security system; postponing the labour market exit age; increasing public expenditure for social safety nets; and advancing measures to cut the prices of basic necessities; financial support for vulnerable groups; and other health, welfare and security measures.

THE PROACTIVE AND INNOVATIVE ROLE OF EOs AT THE NATIONAL LEVEL

The *Employers' Confederation of Thailand* sought financial aid from the ILO to organize "bipartite consultations for an effective response to the financial crisis through social dialogue".

SEV from Greece held a public discussion on how to meet the challenges Greece is facing and conducted a public web based open opinion survey.

The *CNP* from Senegal organized a meeting of economists, banks, development partners and the government on the impact of the worldwide financial crisis.

In April 2009, the *Bulgarian Chamber of Commerce and Industry* set up an Anti-Crisis Consultative Committee composed by representatives of Government, NGO, bank sector, trade unions, employers and the CCI.

Some EOs have also tried to adapt (taking into account national conditions), measures adopted abroad. The *Employers Federation of Pakistan*, taking its inspiration from an agreement in Korea in February 2009, proposed a multi-stakeholder agreement or "social contract" for the next five years. This would see business, government and civil society agreeing on a joint mutual plan of action to bring the national economy out of the crisis.

Some EOs have adopted measures focusing on the post-recession period, such as the *Malta Employers' Association* which recommended a medium/long term job creation strategy with specific action plans for the generation of green jobs and employment opportunities in potential growth areas; and to capitalize on the economic stability that Malta is experiencing to promote the country as a safe haven for investment.

OVERVIEW AND CONCLUSION

Members are thanked for their valuable assistance in gathering this very useful information. Some preliminary observations may be drawn from the responses received:

- ▶ To date, the crisis has not affected all EOs equally. It appears very clear that EOs from more developed countries are more fully exposed to the consequences of the economic crisis, whereas EOs in the developing and transition economies are set to be affected, but less immediately. The crisis is still progressing and only its first impacts are visible at this point in many countries. The wider impacts of the current crisis may not be observable for one to two years.
- ▶ Each EO seems very conscious that, even if their countries have not been affected yet, none will be spared the impact of this genuinely global crisis.
- ▶ EOs recognise that, being member-based organizations, whatever affects their members will have both direct and indirect impacts on their operations.
- ▶ Many EOs appear to be encouraging their members to take precisely the type of proactive organizational measures they are pursuing to internally remain viable.
- ▶ The crisis highlights the global need for EOs, and of employers joining together and contributing to their collective representation.
- ▶ A number of EOs have shown an impressive capacity for rapid adjustment in response to the current crisis. Organisational and even policy flexibility appears necessary in order to navigate through this crisis, and maximise employment, business sustainability, and EO membership.
- ▶ Notwithstanding that direct employers are most affected by the crisis it is their EOs which are generating positive solutions and ideas, particularly in the economic policy sphere.
- ▶ EOs play a proactive, preeminent and unique role at the national level in defending employers' interests. EOs have spared no effort in seeking to influence governments, parliaments and other public authorities towards appropriate macro-economic policy responses to the Global Jobs Crisis.
- ▶ Finally, many EOs emphasised the need for useful and effective social dialogue, pointing out the need for consensus and both social and economic support in combating the current crisis.

Members may wish to take up these themes during discussions on the Global Jobs Crisis during the IOE General Council meeting (2 June), and through employers' participation in the Committee of the Whole during the 2009 ILC (from 3 June).

The Global Jobs Crisis is of course one of the most rapidly developing and changeable policy challenges of contemporary times. In the wake of the IOE survey, further developments may have arisen at the national level relevant to the matters outlined above.

Members are encouraged to update their colleagues during the General Council and the ILC on any further developments and reflections, or of specific national developments relevant to the global debate.

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INTERNATIONAL ORGANISATION OF EMPLOYERS (IOE)

26, chemin de Joinville

1216 Cointrin / Geneva

Switzerland

Phone: +41 22 929 00 00

Fax: +41 22 929 00 01

E-mail: ioe@ioe-emp.org

Internet: www.ioe-emp.org