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Exiting the Global Jobs Crisis

Daniel Funes De Rioja, Employers Spokesperson

Let me start by welcoming our distinguished guest, Former French finance Minister and now Managing Director of the IMF, Dominique Strauss Kahn. As President of a sister Organization of the ILO it is a pleasure to have you here with us. We employers have long encouraged a strong partnership between the IMF and the ILO and hope that this visit will further strengthen these links.

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Let me now turn to the issue before us.

We are in the midst of the worst crisis in labour markets in living memory. It is as *The Economist* magazine labelled this week now a '**Global Job crisis**'.

Enterprises in all parts of the world are struggling to survive, workers are being laid off and households are struggling with depressing new realities.

The majority of OECD countries are in recession, with unemployment rising. In the developing world, with demand for commodities drying up and export industries struggling, unemployment is likewise starting to rise, a situation acerbated in many

countries by the lack of social safety nets. The World Bank estimates that lower economic growth rates will trap 46 million *more* people on less than \$1.25 a day than was expected prior to the crisis. Both the World Bank and ILO tell us that vulnerable groups such as older workers, migrants and women are particularly at risk.

The third wave of the crisis as the Managing Director recently noted is now hitting low-income countries and sadly the progress that has been made in the last two decades particularly on the MDGs is in danger of being rolled back.

Encouragingly, there is general consensus on the broad policy framework needed to exit the crisis. The leaders of the G-20 nations recognized in their November 2008 communiqué that future approaches will only be successful “*if grounded in a commitment to free market principles: the rule of law, respect for private property, freedom of trade and investment, and competitive markets*”.

Clearly, we have moved beyond the realm of polemics and ideology to the realm of the practical: We need an open and honest debate for all stakeholders regarding policies and measures needed to exit the crisis based on the principle of *what is likely to work*.

Let me sketch out briefly what kind of broad policy framework is ‘*likely to work*’:

First, support free enterprises : Enterprises, and particularly small ones, create jobs and their recovery has to be the starting point. A competitive, confident and efficient private sector is a large part of the solution, not the problem. All arms of policy need to be directed to the goal of achieving a healthy private sector to rebuild economic losses and restore employment.

Second, supporting open trade: The main *protection* that enterprises and their workers need is the security that economies remain open and that opportunities to grow and develop existing and new commercial relationships across borders will not be closed off. Protectionism in the face of crisis has proven throughout history to be a disastrous approach and the ramifications of isolationism and economic nationalism would be unthinkable.

Third, keeping credit flowing: The key role of financial markets is to facilitate growth in the real economy by providing stability and liquidity to enterprises and individuals. *It needs to be facilitated to do this now!* Banks must act now to ease the credit crunch and start circulating in the economy the cash injections received through various government stimulus packages.

Easing access to financing will reduce the threat of layoffs as it will enable enterprises to overcome cash-flow problems and the drying up of opportunities for trade finance.

Fourth, effective regulatory supervision of financial markets: Changes will be required, in terms of practices and regulation, to ensure that financial systems remain robust. Such an effort calls for enhanced international coordination and cooperation, a balance between reasonable regulation and innovation, sound evaluation of systemic risk, and appropriate investor and consumer protection.

Fifth, stimulate global demand: Much of this will be achieved through fiscal stimulus packages but these, as outlined by the G-20, need some coordination. You yourself Mr Managing Director have called for global action in this regard. Such stimulus plans should create short-term economic activity and job growth while building capacity to improve productivity and sustain future economic growth, such as through investments in modern infrastructure.

Sixth, protecting the most vulnerable: Strengthening social protection measures as a means to bolster demand and protect the most vulnerable - although this is not without challenges. Additionally training and retraining opportunities, strengthening placement services, establishing or expanding emergency employment schemes and targeted safety nets are all part of policy responses.

Seventh, ensuring that social progress is maintained: Governments and business alike have a responsibility to ensure that those most at risk are protected. The values and principles contained in the 1998 ILO Declaration on Fundamental Principles and Rights at Work are of particular relevance in this regard.

The immediate task is to restore confidence and reduce uncertainty with firm decisive action. Lack of confidence is leading to the postponement of financial decisions, by both consumers and enterprises, and massively contributing to the current downward spiral.

Much of the discussions in the coming period will be focused on the multilateral system and how it needs to be re-shaped to ensure that it is more responsive to the needs of the modern global economy. These of course are complex technical and political debates.

Let me say clearly the business community strongly advocates a cohesive and effective multilateral system, with different components of that system focusing on areas of specialization and expertise, in a cohesive and coordinated manner.

We want to see in any future reform efforts that each component of that system is highly relevant to the workings of today's integrated global economy and can effectively and efficiently carry out its role and is held to the highest technical standards.

It is our view that the ILO is *the* agency charged with getting labour markets working again. To do this it must work with other relevant actors, such as the IMF and World Bank, in scaling up technical responses and leveraging expertise, products and tools.

Its actions in responding to this crisis must be focused on specific proposals to get labour markets moving again. In this respect its needs to be practical and provide actual tools, analysis and information that help the real labour market actors with crisis response.

The Organization finally must resist the temptation of spreading itself too widely and focusing on too many areas at the expense of genuine competency in areas where it truly has a comparative advantage.

In these uncertain times, political, business and trade union leaders have a special responsibility to work collectively to restore confidence in our economic systems and to reinvigorate labour markets in a way that will lead to sustainable growth.

Despite the serious concern about this situation, business is convinced that an upturn in our economies will happen, provided countries put aside protectionist measures and cooperate with each other in compliance with the fundamental principles of the market economy.
