



Jobs and the crises

Emerging Issues for the

Commission for

Social Development

8 February 2010

Financial crisis



- Financialization → fragility
[liberalization, globalization]
- International financial *architecture*:
non-system
- *Policy responses*:
inadequate; double standards
- **Regulation** inadequate + inappropriate
- *International cooperation?*
G7 → G20, IMF strengthened

Financialization → deepening → fragility



964% of
World GDP

Derivatives

78% of
Total

138% of
World GDP

Securitized Debt

11% of
Total

122% of
World GDP

Broad Money

10% of
Total

9% of
World GDP

**Power
Money**

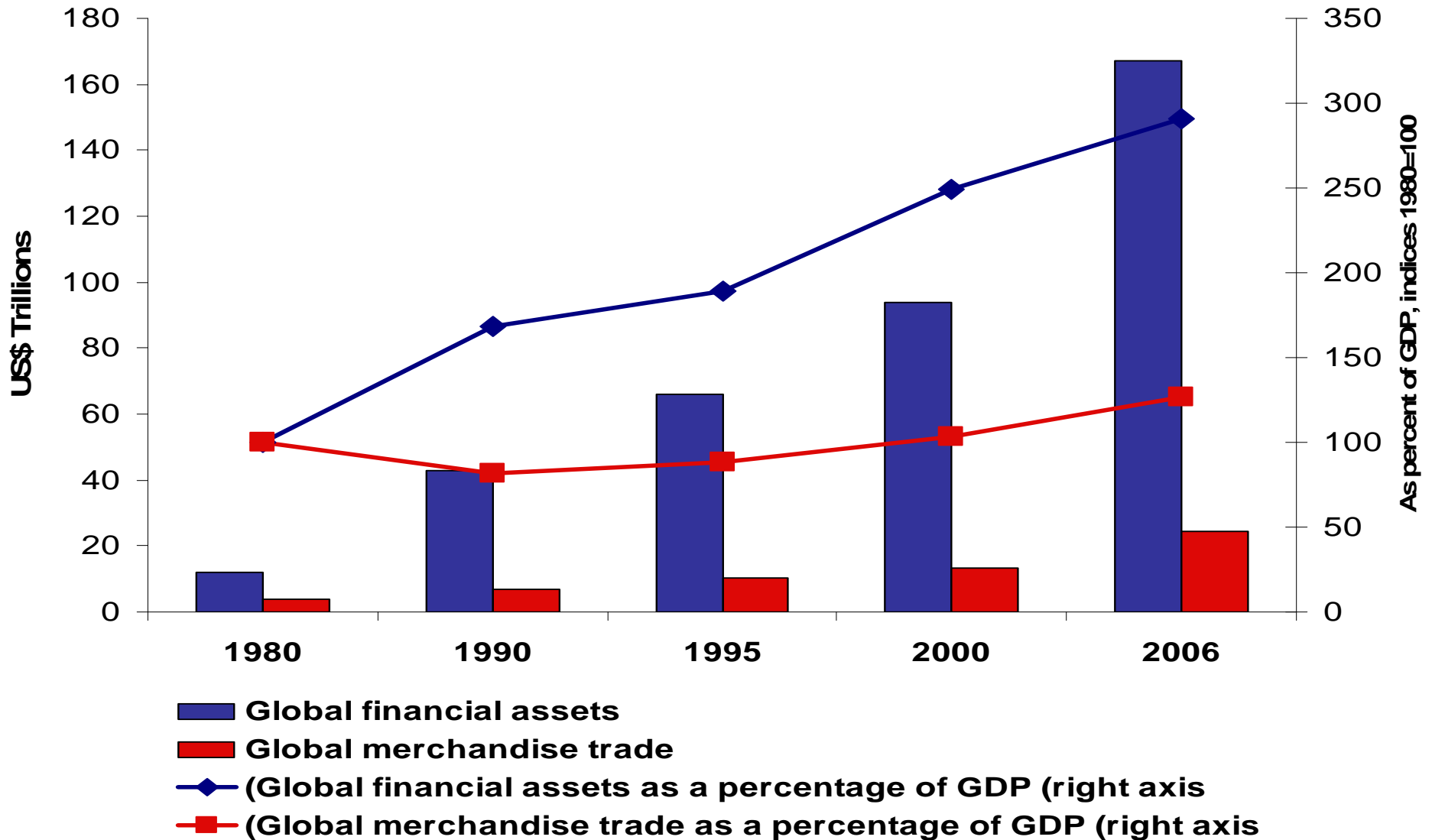
1% of
Total

Financial globalization

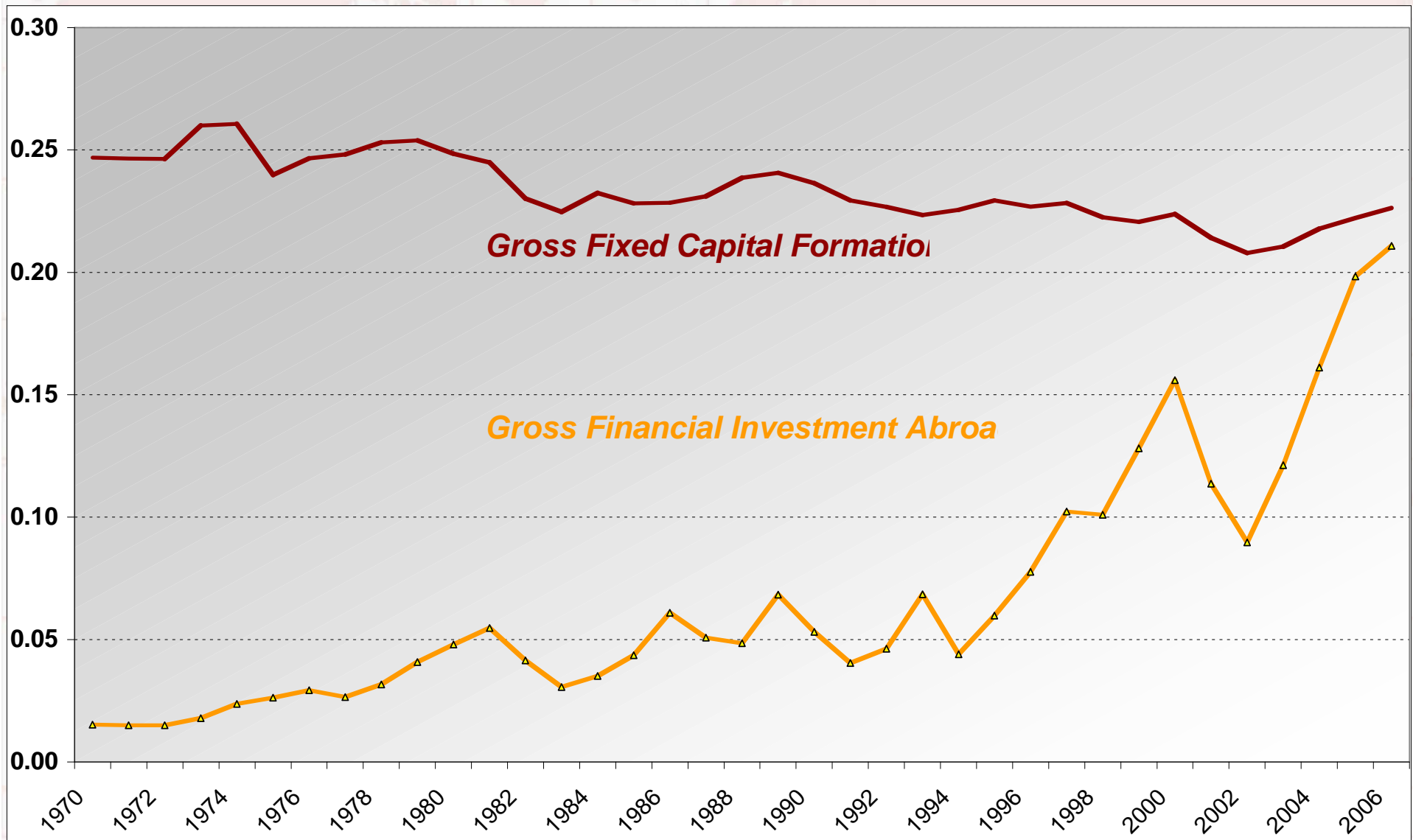


- *Net capital flows* from South to North
(US largest borrower)
- *Cost of funds* not generally lower due to financial deepening (more intermediation, financial rents)
- *Higher volatility*
- *Lower growth*, higher instability

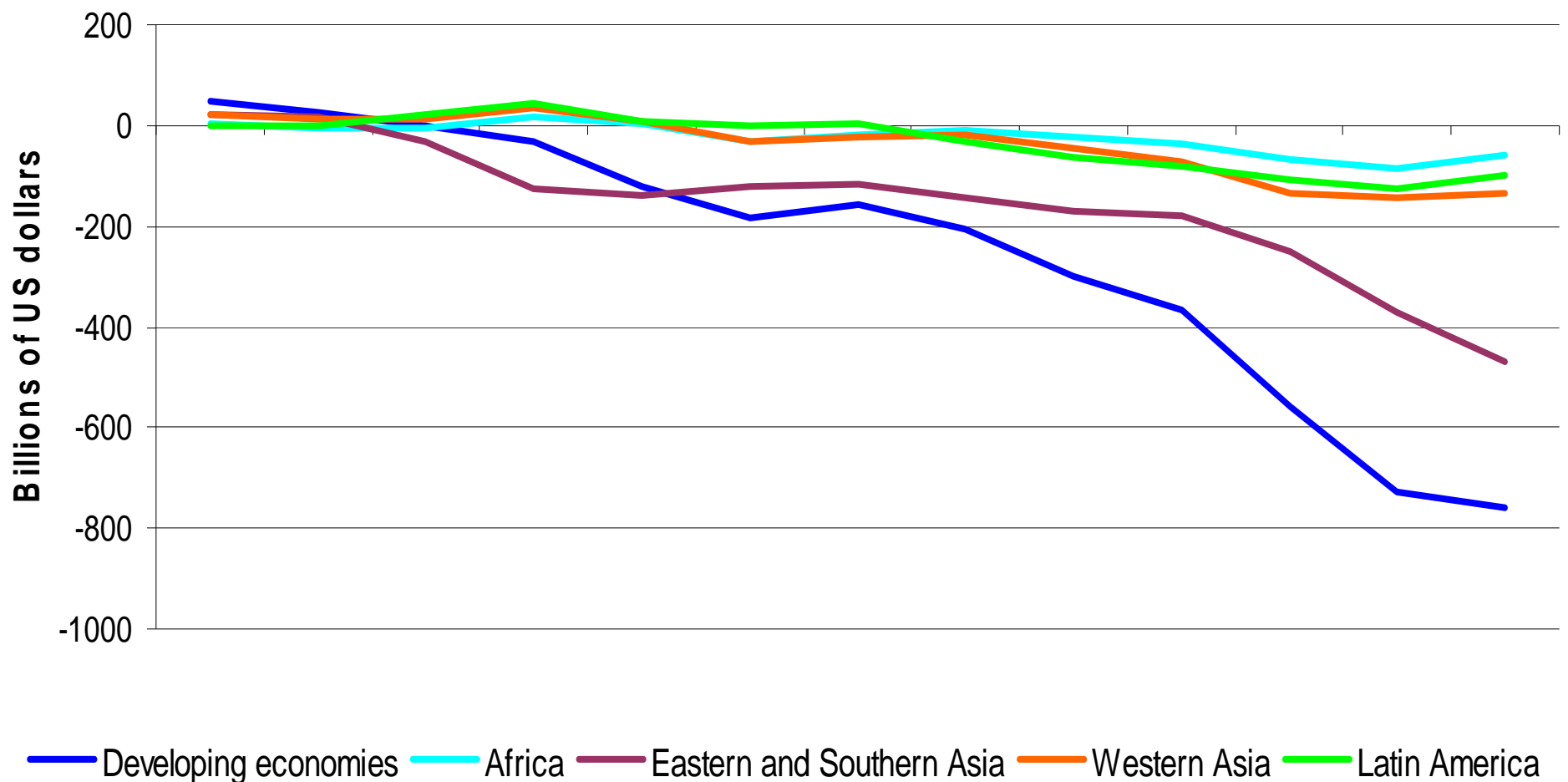
Globalization: finance > trade



Finance-investment nexus?



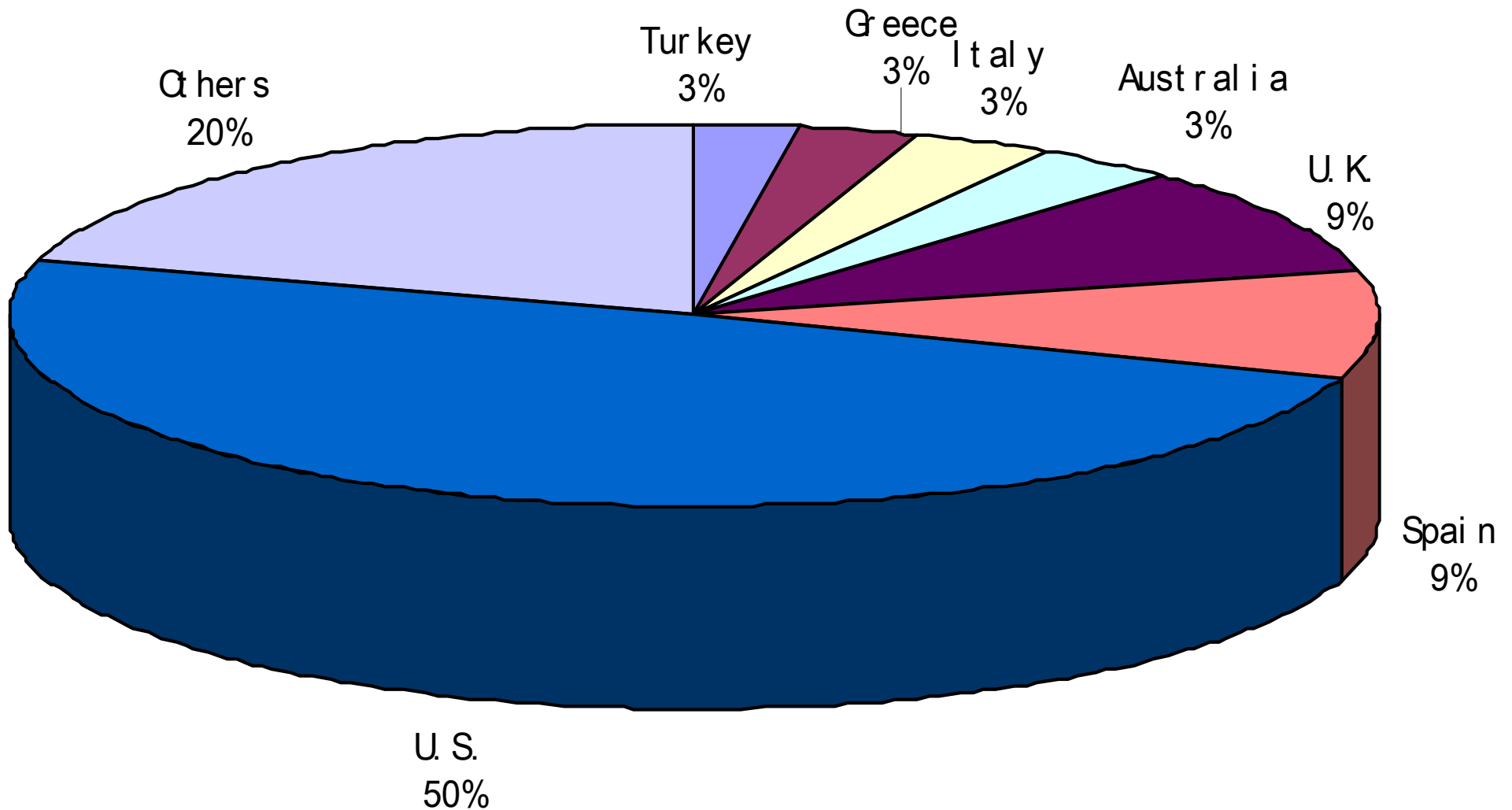
Net transfer of financial resources from South to North



Net capital importers



Capital Importers



Short-term capital inflows problematic

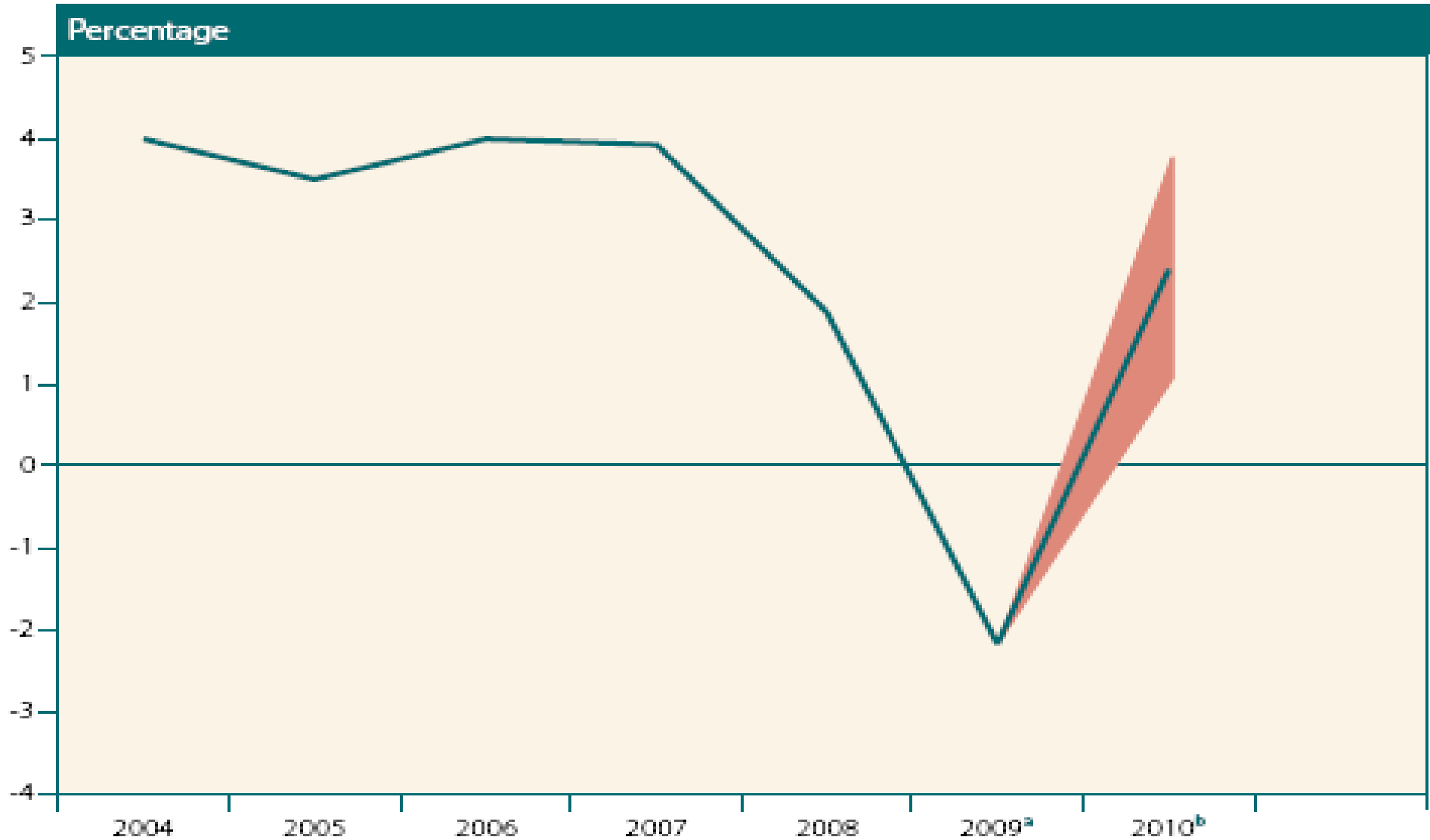


- *No real contribution* to investment, growth rates
- *Asset* (shares, real estate) price + related (e.g. construction) *bubbles* instead
- Cheaper finance for *consumption binges*
- *Over-investment* → excess capacity
- All exacerbate instability, *pro-cyclicality*

Economic recovery uncertain



World economic growth, 2004–2010

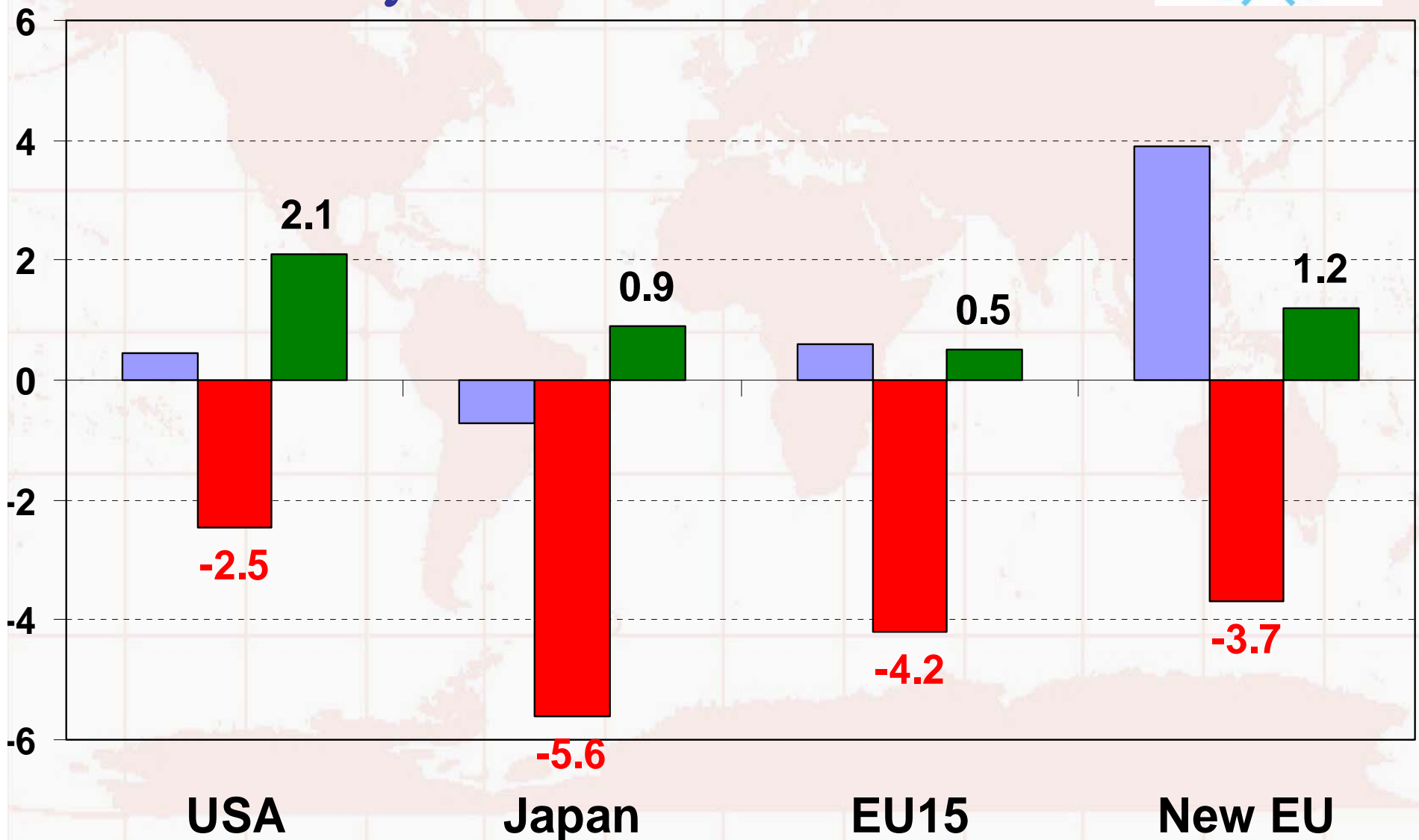


Growth by main country groups

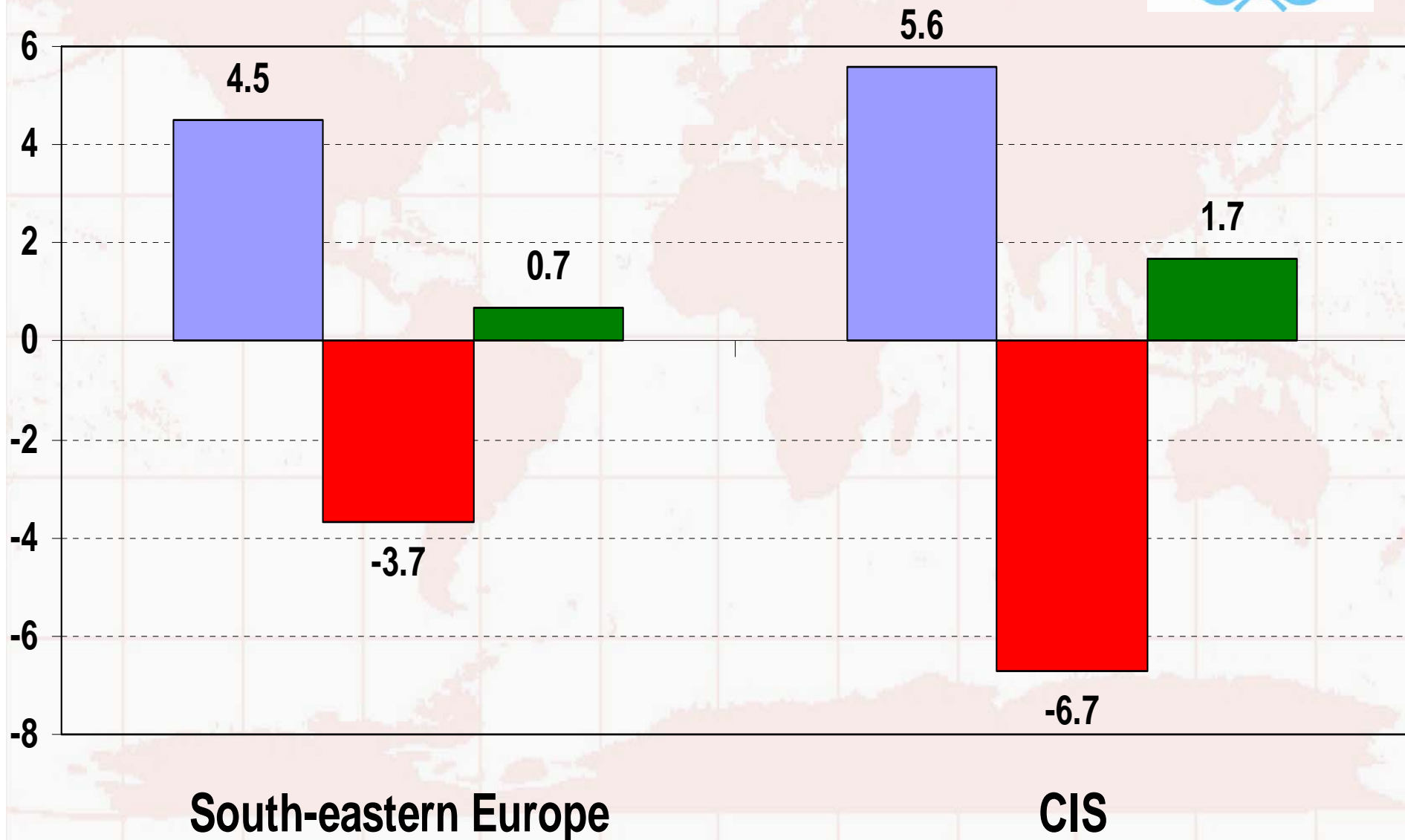


	Per capita GDP growth rate			Change in growth rate	
	2004-07	2008	2009	2009/2008	2009/2004-7
World	2.6	0.9	-3.4	-4.3	-6.0
Developed economies	2.1	0.3	-4.1	-4.4	-6.1
Economies in transition	7.7	5.5	-2.6	-8.1	-10.2
Developing economies	5.7	4.0	0.1	-3.9	-5.6
LDCs	5.2	3.6	0.3	-3.3	-4.9

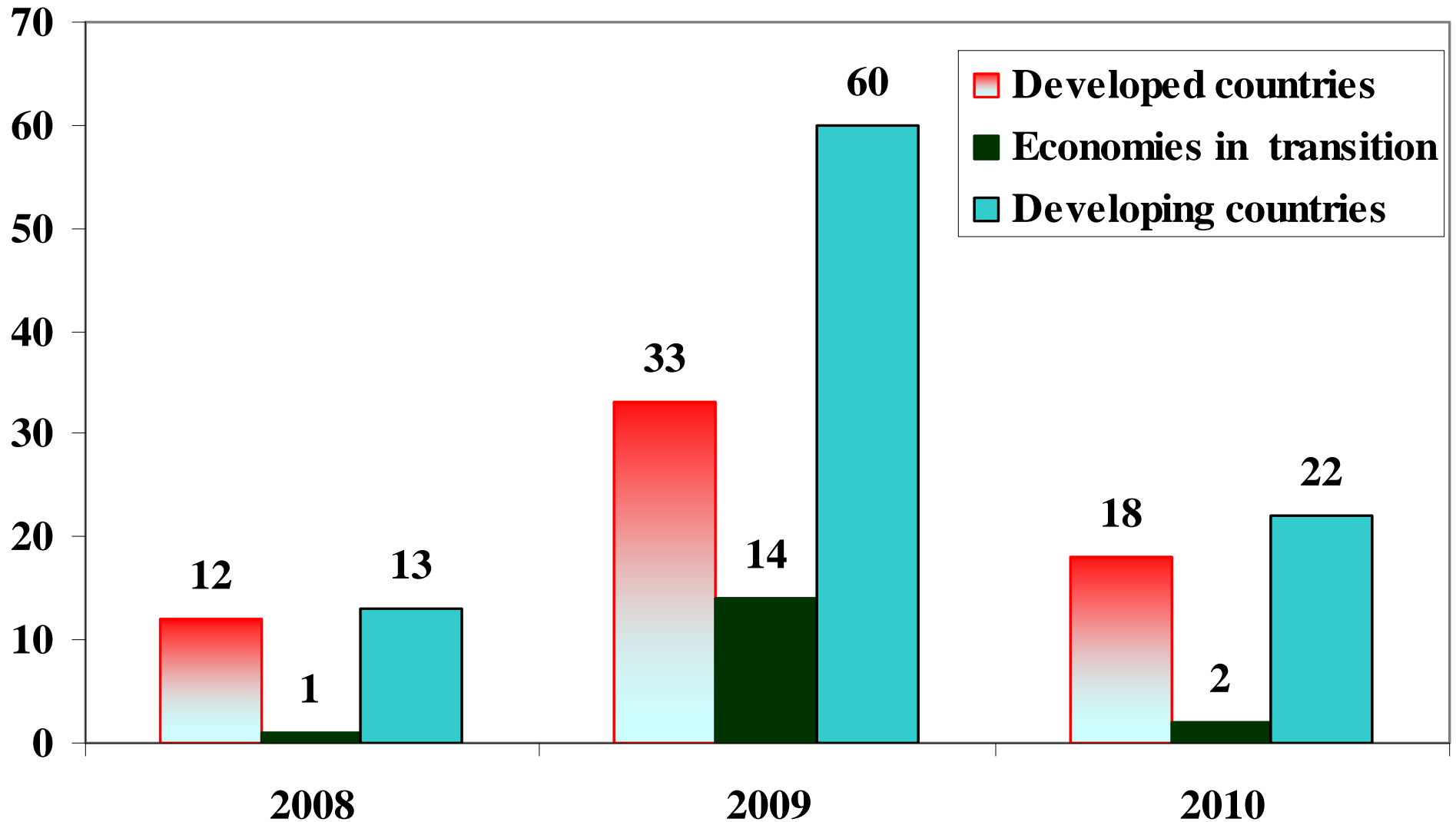
Most developed economies slowly out of recession



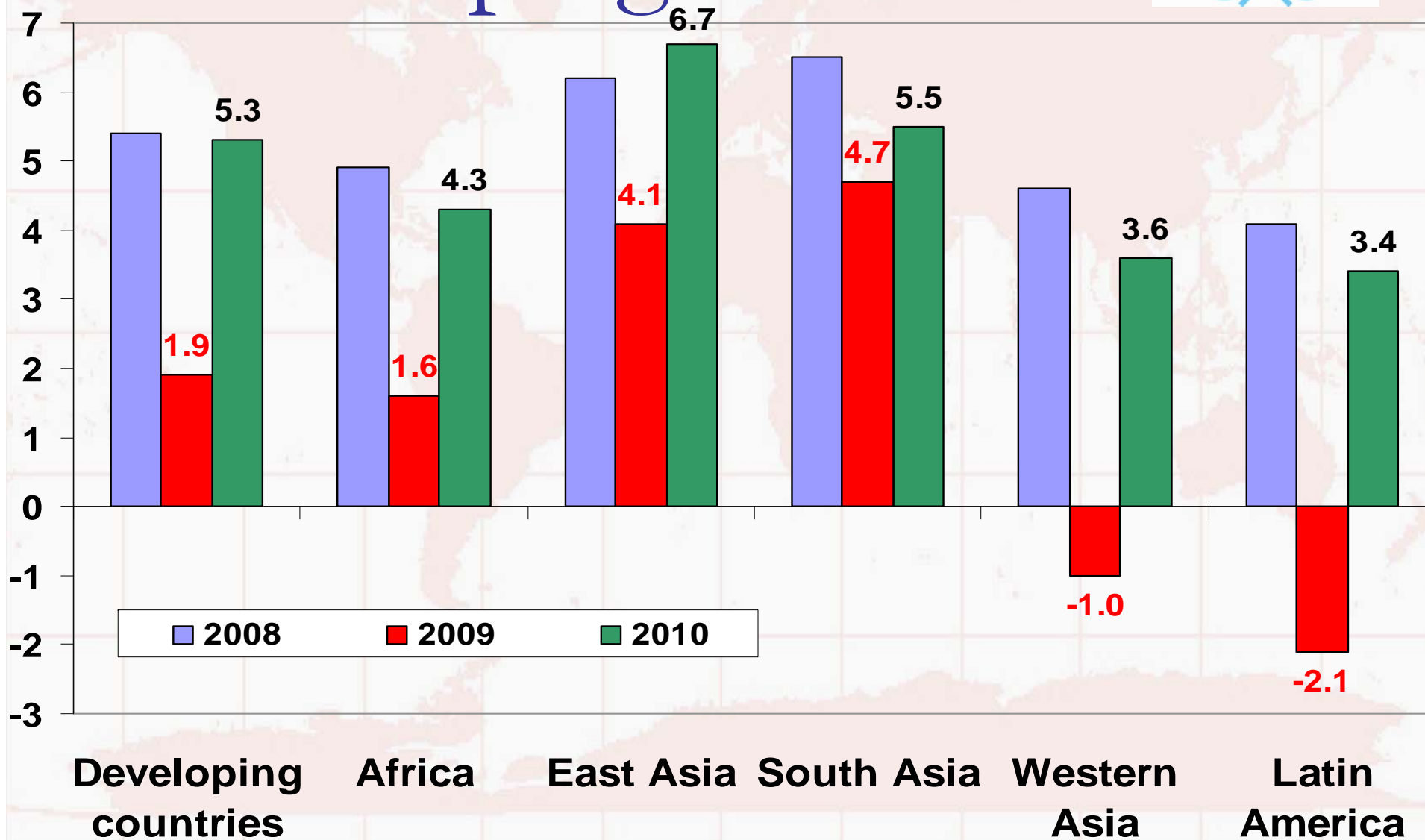
Uncertain weak recovery in transition economies



60 developing countries with declining incomes in 2009



Sub-potential recovery in developing countries

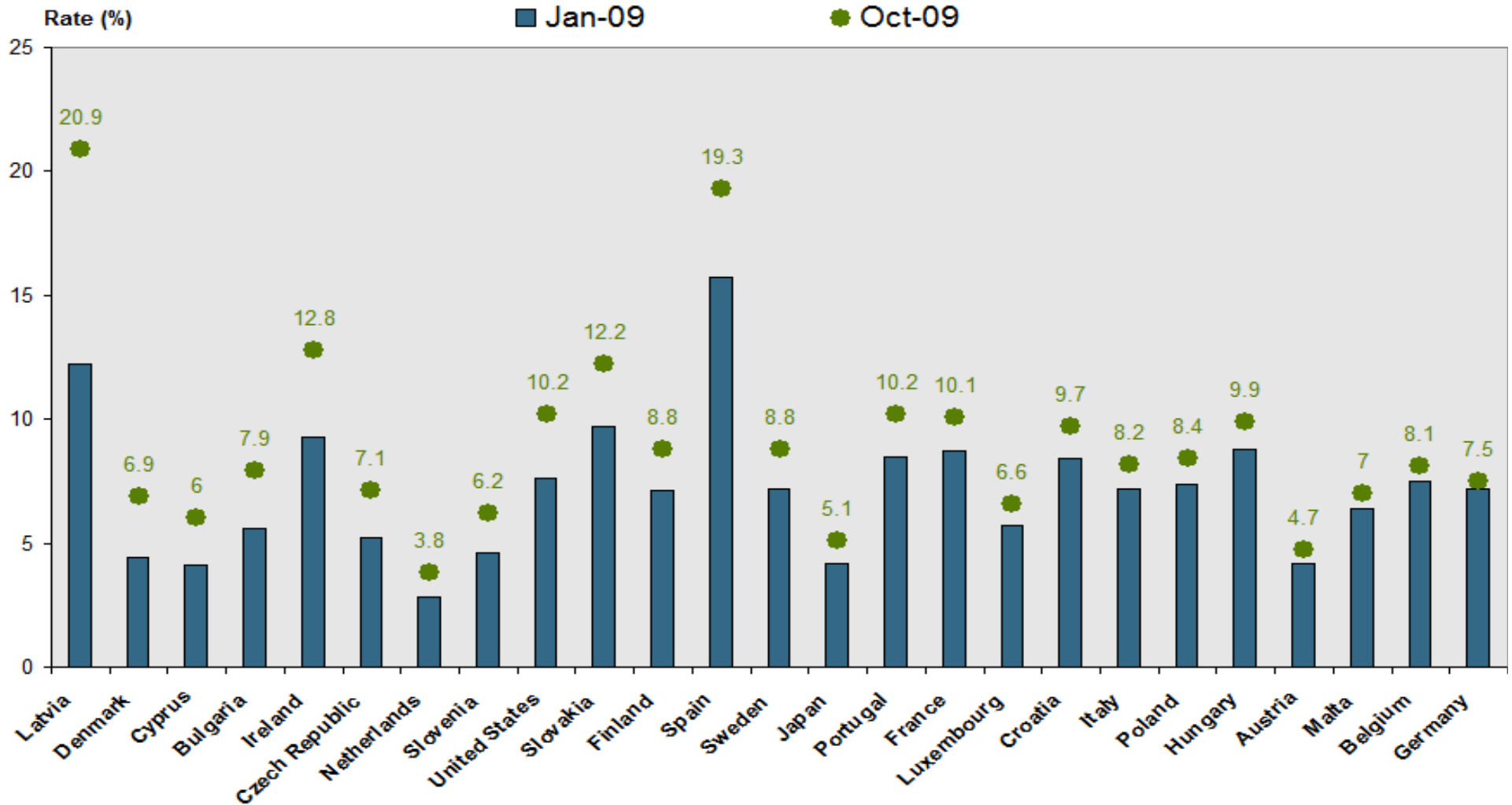


Unemployment still rising

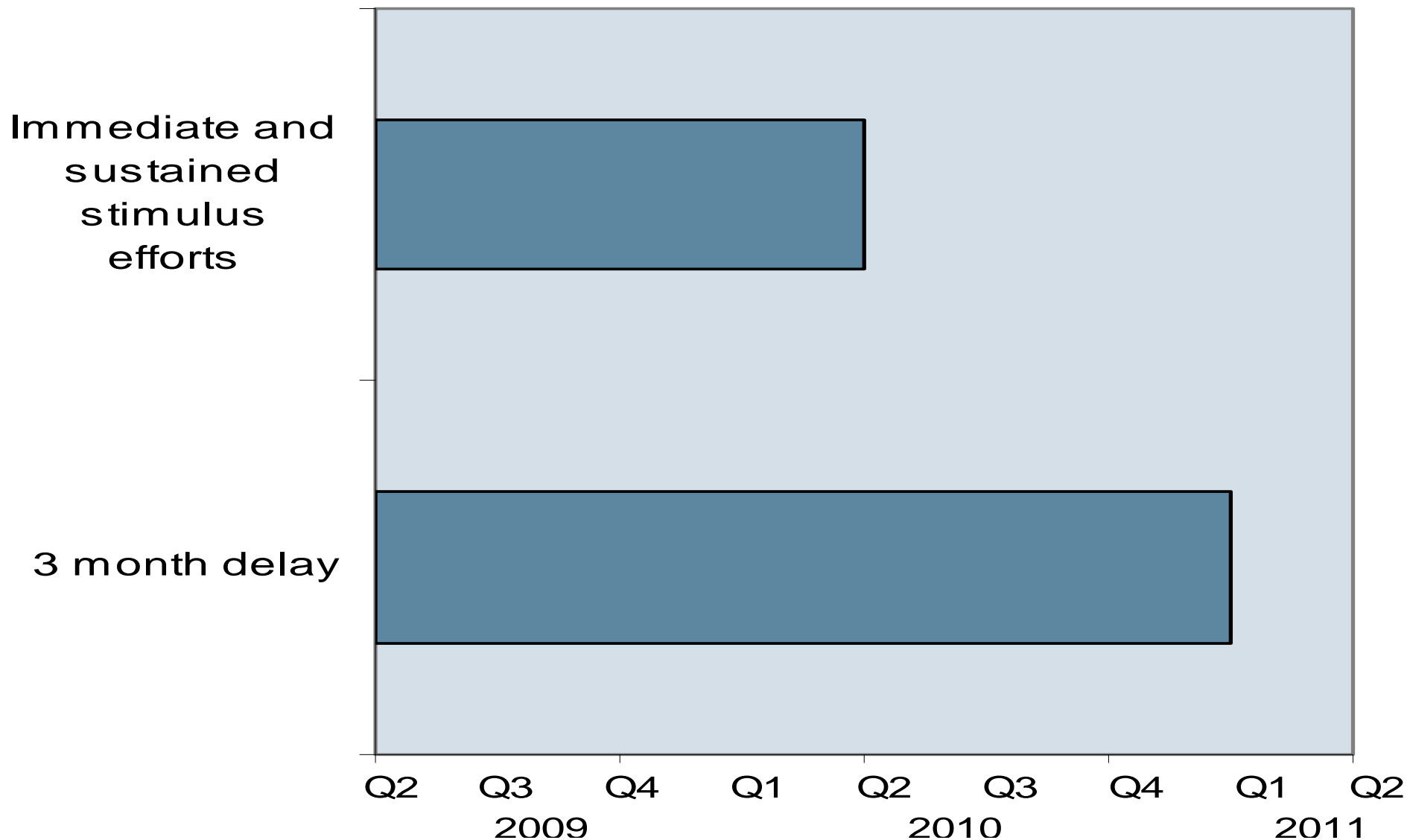


Total unemployment rate

Data are sorted by largest % gain YTD



Stimulus lags delay recovery



Output, jobs recovery lags, 1991, 2001



Duration of output recovery and job market recovery after the 1991 and 2001 US recessions (in months)



Social protection counter-cyclical



- *Employment* crucial for incomes, especially for domestic demand, poverty reduction, multiplier effects
- Fiscal stimulus, esp. for *job creation*
- Conditional cash/income *transfers*
- *Universal* vs targeted social protection
- Social protection → demand maintenance

Women more vulnerable



- Vulnerable jobs >half total in 2007
- More women (52.7% vs 49.1% for men)
- Increased unpaid work burden
- Increased insecure informal sector jobs
- More willing to accept poorer job conditions
- More vulnerable to exploitation and abuse
- With greater unemployment
 - more women sex workers
 - more domestic violence

Job losses by gender



Developed countries

ILO: economic crisis bigger impact on men rather than women in developed economies' labour markets

Developing countries

- ILO: 51 million more unemployed, including 22 million women
- 6% rise in unemployment in 2008:
5.8% for men and 6.3% for women



Regional impacts

Asia Pacific

- 65% more vulnerable, in informal sector
- female job loss would rise by 4.4%, 3.8% for men

Latin America

- ILO: 2.4 m. workers could have lost jobs in 2009
- Impact on women greater

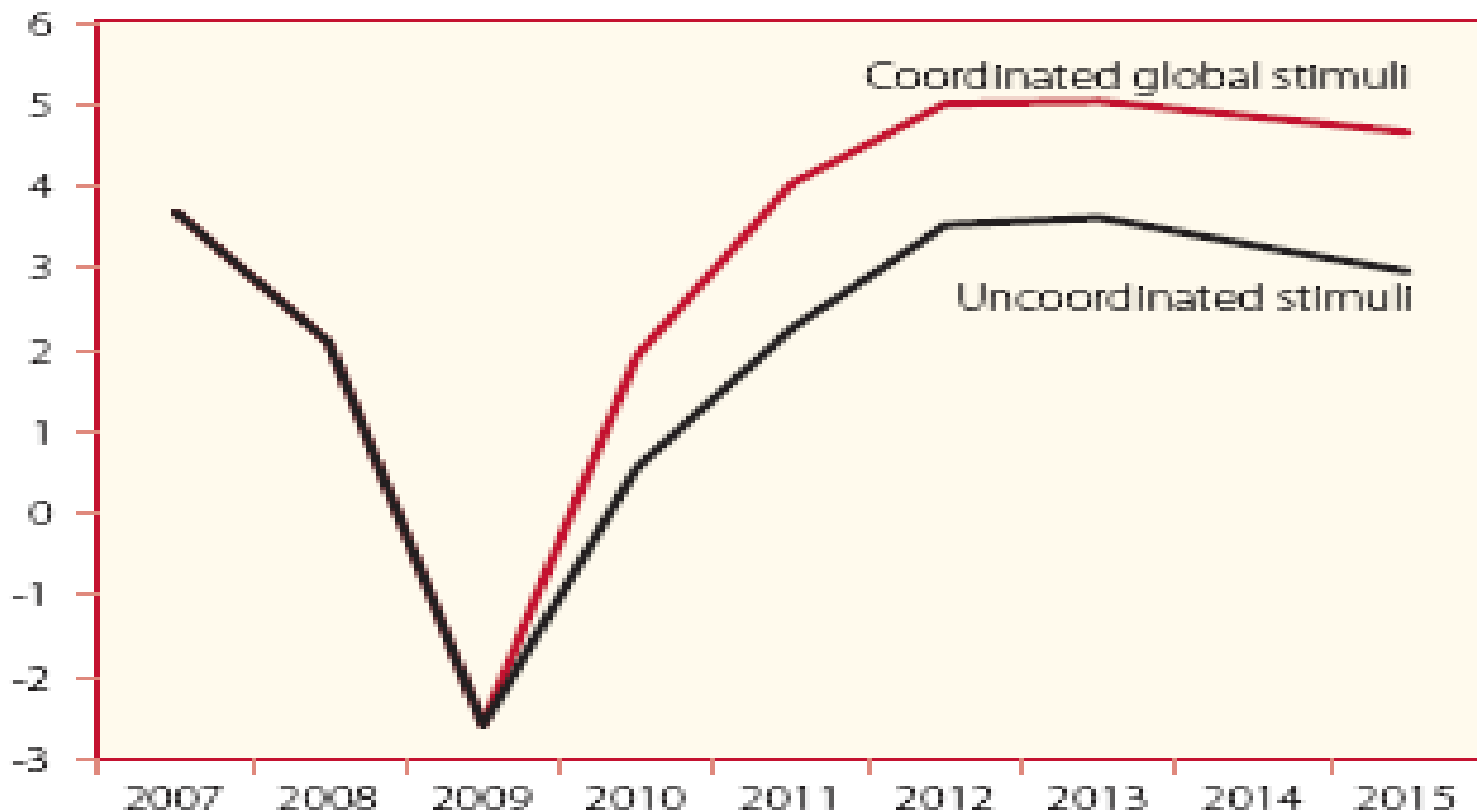
Africa

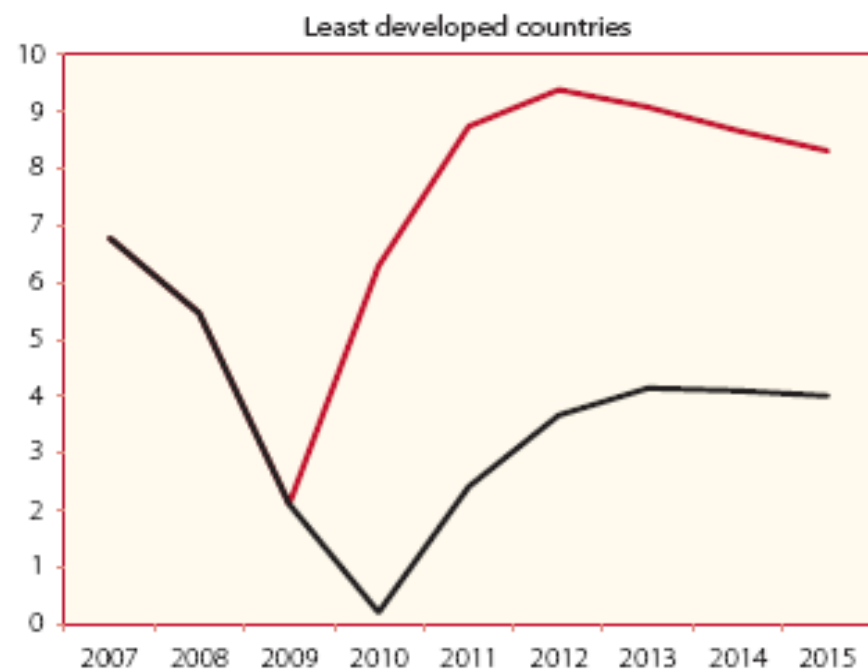
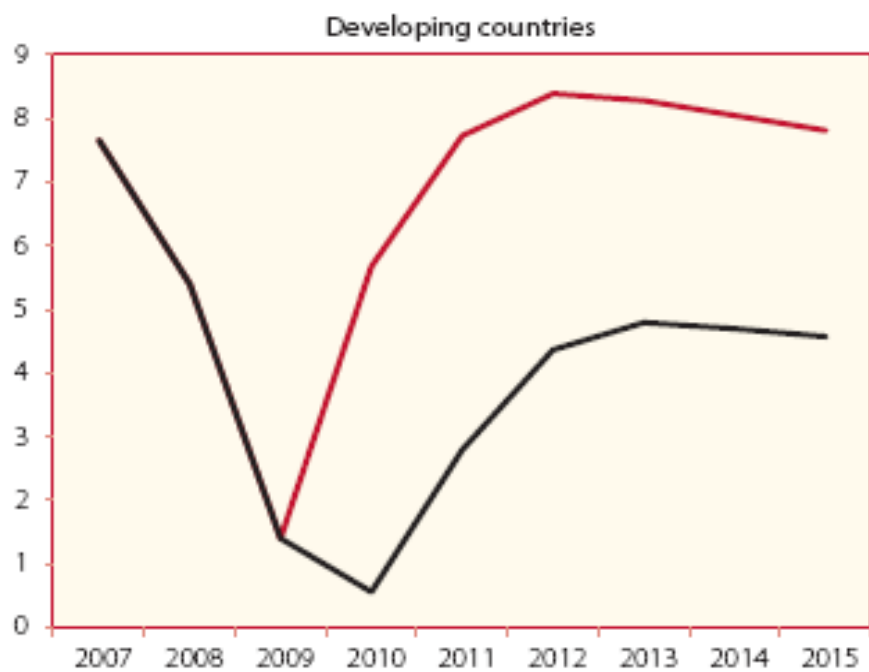
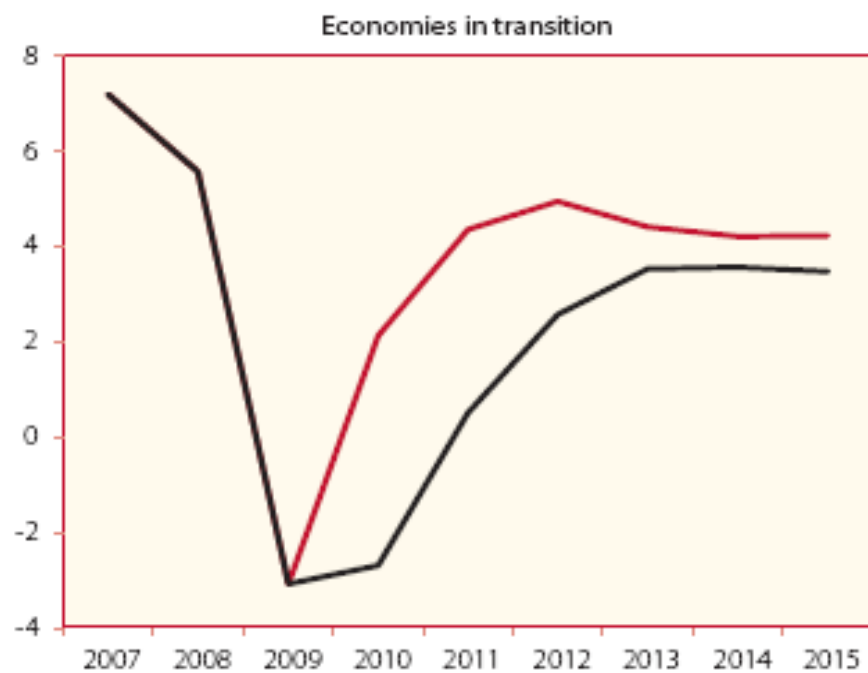
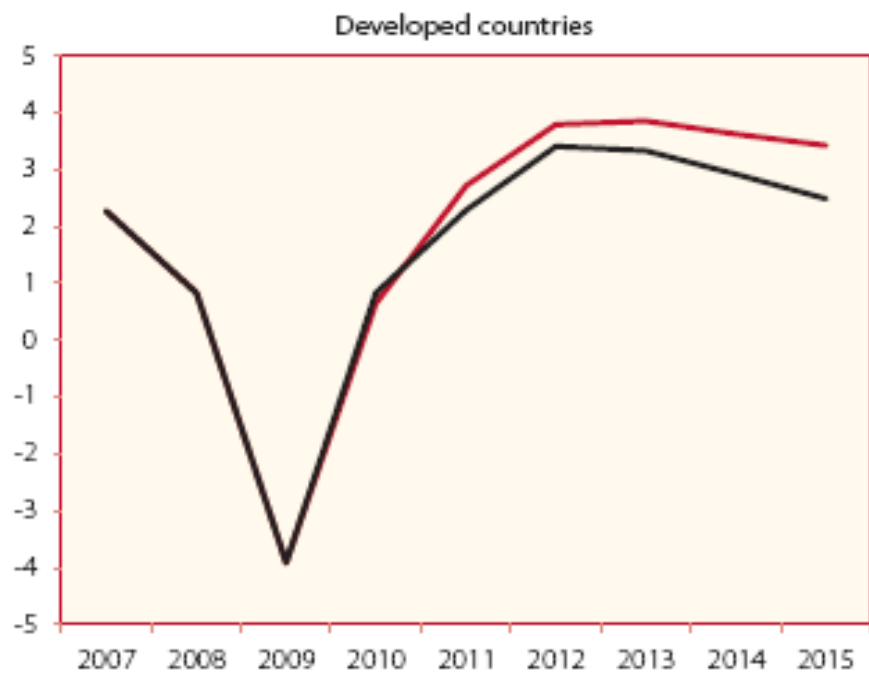
- Women's unemployment rate way above rate for men:
- 15.9% vs 8.1% in North Africa
- 8.3% vs 7.6% in Sub-Saharan Africa

Global recovery with coordinated vs uncoordinated stimuli, 2010-2015



World





Source: UN/DESA, based on policy stimulations with the UN Global Policy Model.

Bretton Woods moment lost?



Bretton Woods, 1944: United Nations conference on monetary + financial affairs

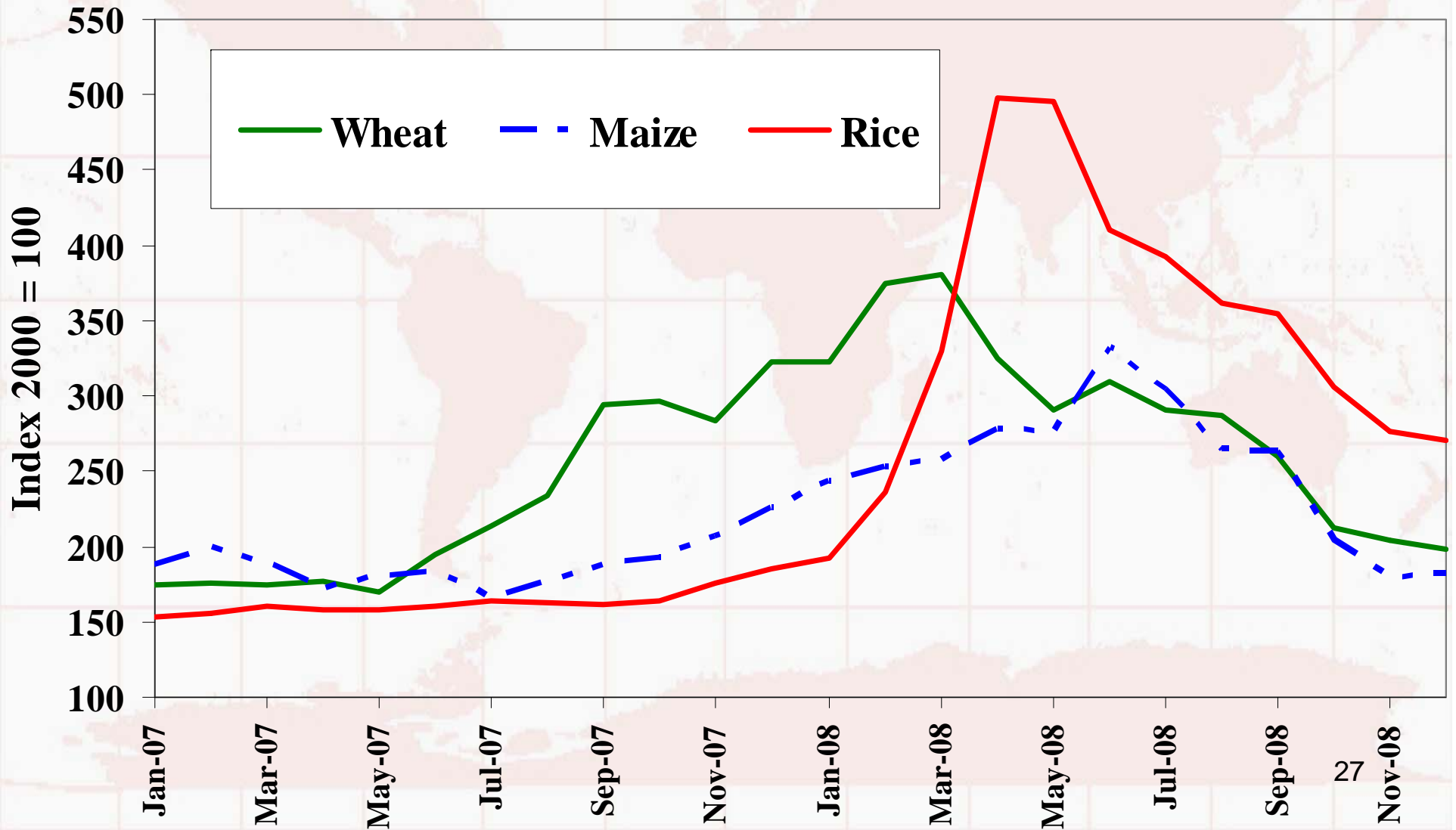
- 15 years after 1929 Depression
- Middle of WW2
- US initiative vs UK Treasury stance
- 44 countries (28 developing countries; 19 LA)
- UN system: IMF, IBRD, ITO
- Clear emphasis on **sustaining growth, job creation, post-war reconstruction, post-colonial development, *not just financial stability***

Systemic reform agenda

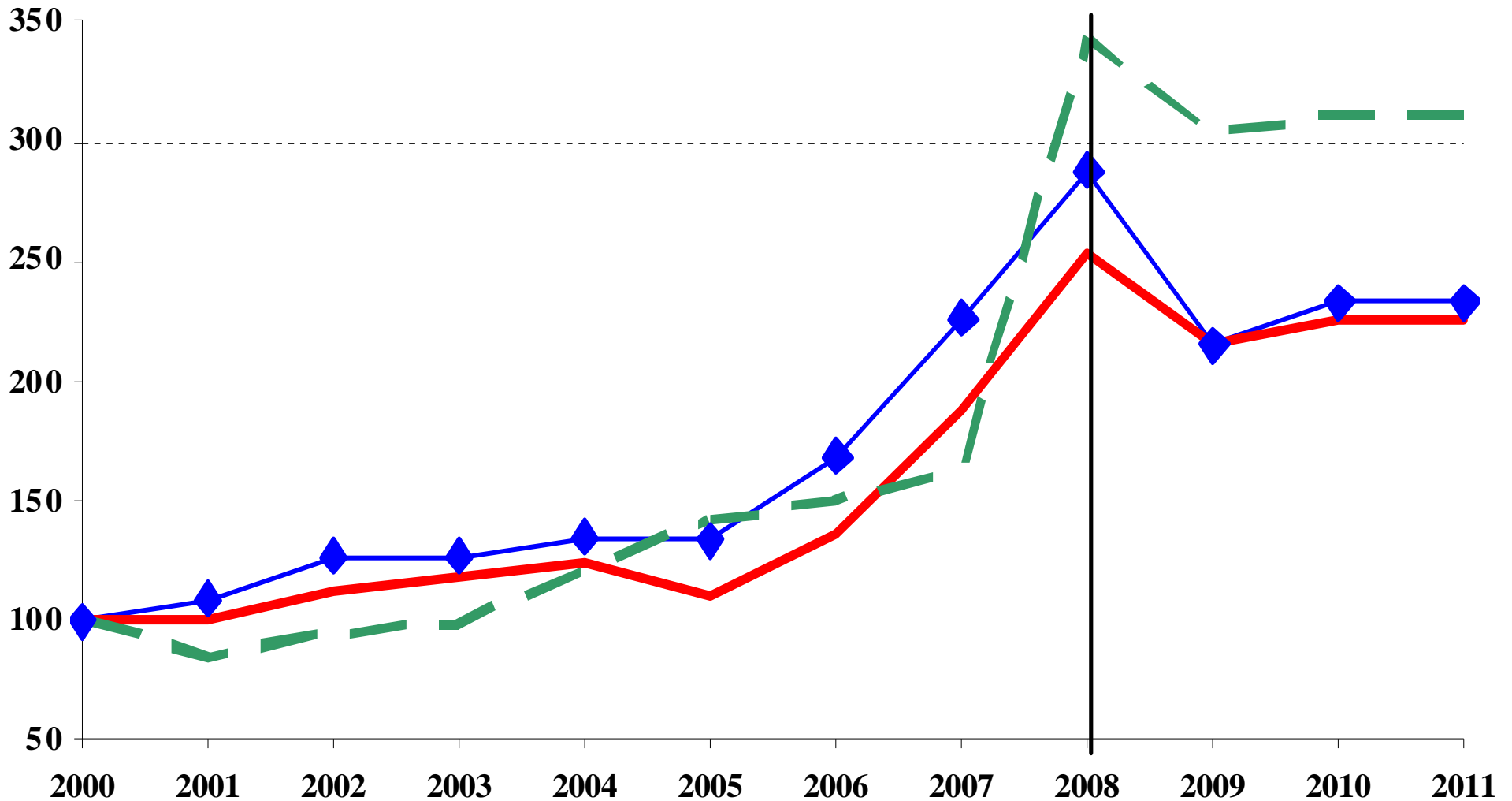


- Ensure *macro-financial stability* with *counter-cyclical* macroeconomic policies + *prudential risk management*, including *capital controls*
- *Finance* growth (output, employment) with *developmental* financial system
- Ensure *inclusive* financial system
- Monterrey *policy coherence*: Align IMF, WB with UN development agenda, IADGs
- But who will *lead comprehensive* reform process?

World food prices lower after spikes



But still higher than before



4 crises, dilemmas



Climate change vs development

Reduce climate change while raising living standards for all

Need to **reduce GHG emissions** in rich countries and **slow** (+ eventually reduce) them in developing countries

Food prices lower after spikes, but higher than before while hunger rising since 1995

4 crises: 1 solution?



More renewable energy to mitigate

→ sustainable development pathway

Investment (vs market)-led approach to address climate change, development, food, recovery goals

Cannot rely on markets alone

More job creation from renewable energy

Cross-subsidization (e.g. global or regional feed-in tariffs, scale economies)

Big push: front-loading

Scale + learning economies

Need significant (fin. + technology) transfers

Global Green New Deal



- **New Deal** for recovery, social protection, jobs, infrastructure, development
- **Green**: more job creation from renewable energy (compared to fossil fuel energy)
- **Global**: cross-subsidization (e.g. regional feed-in tariffs, scale economies)
- **Public investment to induce** private invt
- Cheap credit → **over-investment** → under-utilized capacity → private investment reluctance → **public invt in renewables**

Thank you



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