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Item 18: Macroeconomic Policy Questions
(b) International financial system and development
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Statement delivered by Ms. Telma Viale,
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Mr. Chair,

The international financial system remains severely fragile. The spores from the financial and economic crises are continuing to be channelled throughout the real economy by the limited availability of credit; cautious spending decisions which translate into lower output, employment and in turn low confidence among consumers and investors; and also by the international trade and investment linkages.

The consequences of the crisis on labour markets are unprecedented. The special event hosted here yesterday provided daunting figures - global unemployment around 200 million of which 75 million are youth, around 900 million barely getting by on less than US$2 per day, and global unemployment expected to increase by at least 2.5 million in 2013. Considering that roughly 40 million people enter the labour force every year, we are faced with the challenge of creating over 600 million jobs in the next decade.

In order to tackle the damaging effects of the prolonged crisis, full and productive employment and decent work must become a key objective of macroeconomic and development policies.

Both fiscal and monetary policies must be used actively to stave off prolonged stagnation. While governments are rightly concerned about fiscal deficits, the ILO has cautioned that a premature retrenchment threatens to weaken growth and work against both the public and private sectors' efforts to reduce the debt left by the financial crisis. With unemployment and youth unemployment in particular, reaching extremely high levels, the costs in terms of social and political cohesion as well as future economic potential are rising. Where fiscal consolidation is needed, it can only be sustainable if undertaken with social responsibility and a fair sharing in the burden.

Policy measures should consider both the demand and supply side of the labour market including by: i) supporting infrastructure investment; ii) improving access to bank funding for SMEs; iii) extending the coverage of social protection; and iv) investing in job prospects for youth.

Investment promotion policies as well as industrial policies can play a positive role as instruments for job creation. However, such policies must be carefully planned with appropriate transparency and accountability to ensure investments in sectors that would optimize growth and jobs potential as well as productivity growth. Country assistance to design such supply-side policies deserves increased attention in the work of this Committee.

While holders of financial assets can protect themselves against fluctuations in global markets through sophisticated financial instruments, the large majority of the population are not in a position to take advantage of those instruments. They depend on their labour income and if it falters, entire households are likely to suffer. Strong and well designed social protection systems with broad coverage are critical to ensure job and income insecurity. They also function as automatic stabilizers for aggregate demand during downturns. The UN Social Protection Floor Initiative therefore, deserves the utmost attention and support when addressing macroeconomic policy questions.

In conclusion, I would like to emphasize that reform and repair of the financial sector must continue. But, it should be done with an emphasis on policy coherence - that is coherence among trade and investment policies, labour and social policies as well as macroeconomic and financial policies. The ILO stands ready to work with our constituents in the UN system to turn these concerns into tangible and feasible options that boost jobs and living standards while also helping to rebalance the global economy.

I thank you.