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48th Session of the Commission for Social Development

Follow-up to the World Summit for Social Development and the twenty-fourth special session of the General Assembly

(c) Emerging issues: Policy responses on employment and the social consequences of the financial and of the economic crisis, including its gender dimension

Statement by: Mr. Aurelio Parisotto, Senior Economist, International Labour Office, Geneva

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Mr. Chairman,

There is a passionate debate on whether economic recovery is just around the corner, or it will be slow and shallow, or double dipped or else. The somber reality is that the world suffers of a ruthless and prolonged jobs crisis, fraught with social and political dangers. Whatever shape the recovery takes, the reality is that this crisis, if unattended, may leave deep scars on our societies, depriving the vulnerable segments of the population of the opportunities to develop their human capital and their productive capacities for years to come. To counteract such outcome through an appropriate mix of financial, economic and social policies is our main challenge.

The ILO is making its best effort to monitor and assess the implications of the crisis for the labour market, the poor and the disadvantaged. This is a hard task. The lack of high frequency labour market statistics in poor countries is daunting. Our estimates tell that the total number of the unemployed in the world may have reached well over 200 million, with a sharp increase in 2009. A similar number of workers are at risk of falling below the poverty line. Harsh pressures on wages, shrinking working hours, deeper informality and reverse migration are especially affecting the earnings of poor households in both urban and rural settings.

Looking ahead, unemployment is likely to increase in 2011, particularly in the developed economies, in spite of the signs of recovery. Of particular concern is the increase in youth unemployment. Job creation measures that target the 45 million young women and men who every year join the world labour force for the first time, are a priority.

Mr. Chairman,

The crisis originated in the modern financial and industrial core of our economies, but its most devastating impact might be on those who live at the periphery of our societies.

The ILO is working with its constituents, the United Nations System and international partners to search for solutions. At the request of the Leaders of the G20 we have conducted an inventory of the measures adopted in about 50 developed and developing countries in the employment and social protection field. We have an idea of what is common practice in crisis response. We are now starting to look at what is good practice. We are learning a few lessons.

First, policy does make a difference. Countercyclical discretionary measures were critical to weather the global economic storm. In our report to the Summit in Pittsburgh, we estimated that those measures helped generate up to

11 million jobs, buffering social distress and helping restore some degree of economic confidence. In several developing countries, prompt monetary and fiscal responses, together with sound economic frameworks and the resilience of domestic markets, helped contain the deceleration in economic growth and maintain positive rates – a positive feature of this crisis compared with earlier ones.

Second, the content of policy makes a difference. Investment in infrastructure that clinches to labour-intensive methods has significant job creation effects. Coupled with green elements, it contributes to foster innovation and the emergence of new industries and new jobs. Policies and institutions help countries to sustain their labour markets even in the case of sharp contractions of output - through employment retention measures, shorter working time, unemployment insurance and measures for training and reskilling that equip enterprises and workers for a quick restart. We heard of good examples from the panels and the discussion at this Commission last week. Social dialogue played a role in crafting suitable arrangements.

Third, preparedness and timeliness make a difference. Countries with established systems of social protection, or where safety net schemes were in place and could be scaled up rapidly, have been able to better cushion the effects on the vulnerable groups. The examples include transfer programmes in Brazil, Colombia and Mexico as well as India and Bangladesh. In this latter country, the programmes that were put in place to counter the food crisis facilitated a swift response once the recession arrived. A good response to a crisis is to prepare for the next one.

In other words, those programmes worked as automatic stabilizers. In some cases, they also restrained rural-urban migration by means of supporting earnings in the rural sector, where the majority of the poor live. In the short-term, they had a positive macroeconomic impact, as the propensity of the poor to spend is pretty high. In the long-term, they helped poor households not to undercut their investment in education, safety, health and other assets that are critical to sustainable prosperity. By this token, social investment led to tangible economic returns.

Mr. Chairman,

There will be no economic recovery without a jobs recovery. The ILO is promoting the Global Jobs Pact. The Pact was adopted by the leaders of governments, business and labour at the International Labour Conference last June. It spells out key principles and a set of concrete measures. It is a tool to facilitate a stronger convergence of public policies and private investment in a concerted effort to put decent jobs at the hearth of recovery.

Many of the policies advocated in the Global Jobs Pact are already in place. Some of them were mentioned above. They need strengthening. The challenge is twofold: to package measures in ways that fit national needs and circumstances, and at the same time, to forge a global response.

The ILO is engaging in providing assistance to a number of countries that have expressed their intention to implement a Global Jobs Pact package. Through our leadership of the Joint Crisis Initiatives on a Global Jobs Pact and on the Social Protection Floor we are also contributing to a more coherent response by the United Nations System. We are encouraged by the widespread support our initiative has received during this Commission.

To conclude: this is a critical moment. In the wake of the worst global economic downturn in decades, countries have to manage complex policy trade-offs. They are confronted with difficult choices as it concerns financial and fiscal policies and the composition and level of social spending. The decisions they take now have implications for the future. Those decisions should be based on knowledge, a right balance between the estimated future costs and the missed opportunities for growth, and a vision of where society should go. It would be dramatically ironic if the blind optimism in the solvency of private financial institutions that led to the crisis would be replaced by an equally irrational apprehension about the state of public finances. This Commission on Social Development, building on the pledges for balance already made at the World Social Summit, can make a critical contribution to chart the right direction.

I thank you.