

11th Meeting of the Association of Economic and Social Councils
and Similar Institutions (AICESIS)

(Budapest, 9 July 2009)

**The effects of the global financial, economic and social crisis on the worldwide
reduction of inequality and on sustainable development**

President Toth,

Prime Minister Juncker,

Deputy Secretary-General of the UN,

Ladies and gentlemen,

It is an honour and a privilege for the International Labour Organization to address the International Association of Economic and Social Councils and Similar Institutions at such a critical time in modern economic affairs.

Director-General Juan Somavia, who regrets that he is unable to address you personally, has asked that I convey his esteem for your organization, his expectations for this vital gathering, and his gratitude to the Hungarian Government for hosting it.

Economic and Social Councils are commonly based on the principles of tripartism and cooperation between governments and social partners. Some include a broader representation of civil society alongside employers and workers. Whatever their composition, all members of your Association represent genuine dialogue between policy-makers and social partners with a view to forging consensus on national priorities and policies. As President Toth said in his speech to the International Labour Conference just last month, the ILO and the AICESIS must “develop, broaden, and deepen participatory democracy”.

Ladies and gentlemen,

Social dialogue and tripartism are the foundation of the ILO and have been at the heart of its mandate since its creation in 1919, amidst the social turbulence that followed the First World War. In the ILO's 90th anniversary year, amidst our own turbulent times, the value of social dialogue has never been more relevant to its historical mandate.

From the early stages of this economic and social crisis our tripartite organization reacted and has been taking action. This crisis is global and calls for global solutions.

What is the scenario:

- Millions of women and men have lost their jobs; business bankruptcies are growing exponentially, particularly among smaller enterprises.
- Unemployment is expected to continue rising at least until the end of 2010, probably 2011, and more than 50 million jobs could be lost worldwide by the end of this year alone.

The World Bank, for its part, estimates that a like number of people in the developing world will fall into abject poverty, the depths of which are unimaginable to those unemployed in more developed economies. In fact, some 1.6 billion workers – more than half the global workforce – clutch precariously to low-wage jobs that could disappear overnight. Small wonder, then, that IMF Managing Director Strauss-Kahn told the ILO's executive board in March that we faced the specter of civil unrest and even war in regions heretofore glowingly described as “emerging markets.”

- Not surprisingly, social hardship is heightened in developing countries where social protection is weak or non-existent. Even in a number of developed countries, most new job seekers do not receive unemployment benefits. Thus, millions of workers will be left with no support at all.

Even after economic growth returns, employment typically recovers to previous levels with a lag of four to five years. According to ILO estimates, even if a recovery started taking hold this year or the next, a global jobs crisis of this magnitude could linger for six to eight years. With 45 million new entrants to the global jobs market annually – most of them young women and men – the global economy would have to create some 300 million new jobs over the next five years just to recover pre-crisis levels of unemployment.

But you know more than most that this crisis is not only a financial crisis. Its roots stretch much deeper into global imbalances, between countries and within countries, between wealth creation and social progress, between productivity and wages, between consumption and savings. At its root this a social crisis.

At the ILO we have for some years been saying that this model of globalization was neither morally nor politically acceptable, and certainly not economically sustainable.

Now is the time to rethink the kind of globalization we need for a fairer, greener, more sustainable world. It is the right time to pose the big questions, to review what has gone wrong and to discuss new measures. For instance, how can one link more closely wages to productivity increases? How can one fund the extension of social protection, a universal social protection? How can financial markets service better the real economy? How can one promote productive investment? How can the social dimension of globalization be improved?

In these and similar issues, economic and social councils can play an invaluable role, not only as a place of dialogue, but as places of analysis, discussion and above all of concrete proposals. The world

is in desperate need for new ideas and proposals that can lead us down the road of social justice for a fair globalization – as described in a Declaration adopted by the ILO in June 2008, 3 months before Lehman Brothers collapsed under the weight of leveraged debt.

Ladies and Gentlemen,

This year, faced with the prospect of deepening and prolonged global increase in unemployment, poverty and inequality and the continuing collapse of enterprises with the attendant risks of social and political stability the ILO adopted a Global Jobs Pact at its annual conference last month.

It is an urgent call to put employment and social protection at the heart of recovery policies to tackle this most dramatic economic and social crisis of the global economy.

The Global Jobs Pact amounts to the most urgent and wide-ranging tripartite response to an economic crisis ever adopted by the ILO. It offers a portfolio of practical, operational policy options comprising elements that have been tried and tested in many countries that can be adapted to national situations, underpinned by a process of dialogue and respect for rights at work. It seeks to reduce the time lag between growth and employment recovery.

The Pact is not an international legal obligation, but a common-sense accord on common policy approaches. It is a tool that will guide the ILO's own work. It is also at the service of national action and international policy coherence to make employment creation and social protection a central element of all economic and social policies, and of stimulus and recovery packages

The G8 Labour Ministers, at their meeting in Rome in March this year, welcomed the idea of developing a "Global Jobs Pact." The G20 London Summit in April also called upon the ILO to work with other relevant organizations to "assess the actions taken and those required in the future on employment and social protection issues". The recent UN Conference on the Crisis invited the ILO to present the Global Pact to the annual meeting of the UN Economic and Social Council, which Director General Somavia did just this past Monday.

We trust that the Pact will be widely adopted as the basis for shaping an inclusive recovery.

Your joint conference offers an invaluable opportunity to exchange views among the tripartite partners as well as other representatives of civil society on ways of working together at the national level to craft measures to address the consequences of the economic downturn and prepare for sustainable recovery. We hope that you will find the ILO Global Jobs Pact useful in this process, and I invite you to visit the ILO web site for its full details.

There is much space here for strengthening cooperation between the AICESIS and the ILO. Your councils provide an excellent venue to consider the Jobs Pact and to hold relevant consultations at regional and national level. The ILO would be pleased to collaborate with you in such initiatives.

I wish you a fruitful meeting and thank you for your kind attention.