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The role of the ESCs/SIs in the new economic, social and environmental world governance: An ILO perspective in times of socio-economic crisis and beyond

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AICESIS President Marzano, Delegates, and distinguished participants,

The International Labour Organization is honored to once again address the International Association of Economic & Social Councils & Similar Institutions, but especially at such a critical time for the global community.

Director-General Juan Somavia regrets that he could not come to New York to address you personally, but has asked that I convey his esteem for your association, his expectations for this vital gathering, and his gratitude to the United Nations for hosting it.

Economic & Social Councils & Similar Institutions – let me call them ESCs for short, understanding that the very term "similar institutions" was never more apt than as applied to your organization: "one size does not fit all." Likewise, I will avoid the use of the acronym ECOSOC in this context, because the UN Economic & Social Council is meeting here in New York as we speak, and the UN ECOSOC is only comprised of member-state governments. Quintessentially, your ESCs incorporate the principle of social dialogue and its premise that governments formulate better policy when the latter is informed by its concerned citizenry. UN Secretary-General Ban Ki-moon emphasized this point when he addressed your assembly this morning.

At the ILO, we define social dialogue as negotiation, consultation or simply exchange of information between or among representatives of governments, employers and workers, on matters of common interest relating to economic and social policy. Your ESCs, of course, add the additional element of civil society defined more broadly. Social dialogue underpins the ILO, and has been at its heart of its mandate since its creation in 1919 amidst the social turbulence that followed the First World War. In today's challenging times, social dialogue has never been more pertinent.

The current crisis is global, and calls for global solutions. Last year, at your AICESIS assembly in Budapest, we reviewed the central elements of the global crisis which was spawned in the financial realm but then migrated to the real economy, buffeting lives worldwide. Unfortunately, most of our dire predictions of employment-loss and social-dislocation are coming true, even if some parts of the world appear to be moving toward economic recovery. Certainly, volatile financial markets remain to be convinced that such recoveries are sustainable.

Millions of working women and men remain unemployed; while business bankruptcies have increased dramatically, particularly among the smaller enterprises that have always been the engines of job growth during recoveries. This year opened with record levels of global unemployment, estimated by the ILO at 212 million. Worse still, vast numbers of so-called

"discouraged workers" have simply dropped out of the labour market, disillusioned that the latter even exists. Others, involuntarily, work only part time. And, in developing countries especially, many job-seekers resort to informal activities, unable to find wage employment in the formal sector. The net effect is that official unemployment statistics under-count the jobless or ignore them altogether.

Earnings have also been squeezed in many countries by reduced hours of work, cuts in overtime, benefits and, in some cases, actual rates of pay. These direct and indirect consequences have added 100 million persons to the number of working poor since 2008. Whatever recoveries have occurred, they have been "jobless."

It is axiomatic that when economic growth eventually returns, employment generation typically lags recovery by four to five years. But given a global jobs crisis of this magnitude, the ILO estimates that a jobless recovery could linger for six to eight years. With 45 million new entrants to the global jobs market annually – mostly young people – the global economy needs to create some 300 million new jobs over the next five years just to recover pre-crisis levels of employment.

As we are meeting in New York, the employment figures released by the US Bureau of Labor Statistics last Friday *(2 July 2010)* provide a handy "reality check." Remember that state and local governments in this country are shedding public-sector jobs and reducing their pay at an alarming pace. So, let's do the numbers: the USA has lost nearly 8 million private sector jobs since the recession began. Private payrolls in this country have added just under 100,000 jobs per month since the beginning of this year. At that rate, it will take the US nearly 7 years to recover jobs lost during the recession. But it takes a like number -- about 100,000 new jobs a month – for the US just to keep even with its population growth. As they say in America, "do the math."

This is in a country whose central government has steadfastly rebuffed calls for drastic spending cuts being adopted elsewhere in the world. What we failed to predict last year was the emergence of a public-debt crisis, with corresponding pressures on governments to reduce their deficits via draconian austerity measures. Governments in the developed world now know what their counterparts in emerging economies mean by "policy space" -- or, more accurately, the lack thereof.

Concomitantly, as youth and long-term unemployment increase in many countries, there is an attendant risk that the societal scarring effects of the current crisis will be prolonged, entrenched, and difficult to heal. As your own AICESIS deliberations have affirmed, work and employment are a vital foundation for people's well-being and their social equilibrium. It is no coincidence that for so many nationalities, first or last names reflect our families' ancestral occupation, trade, or craft. If you deny people their livelihood, you strip them of not only their dignity; you rob them of their identity.

What then is appropriate ILO and AICESIS action? AICESIS contributed a thoughtful paper to last month's International Labour Conference in Geneva, entitled "The Global Jobs Pact and the ESCs." The ILO commends Algeria's National Economic & Social Council (CNES), in conjunction with the Councils of Spain, China, Bulgaria, Mauritius, and Senegal, for having provided this seminal analysis.

As previously noted, ESCs and similar dialogue institutions are more relevant than ever, not only as forums for discussion, but as also in helping to conceive creative policy proposals. At the same time, I would highlight the observation from the Italian CNEL paper that was drafted to animate your assembly's General Debate yesterday, namely that the design and implementation of multiple ESC initiatives must pragmatically respond to policymaker's real needs and immediate pressures. To quote from the CNEL contribution, "…we should ask ourselves to what extent the design and implementation of the multiple ESCs initiatives do respond to policy makers' real needs and pressures, rather than to self- referred logic and agenda."

The ILO believes that the Global Jobs Pact, conceived and constructed at the International Labour Conference of June 2009, constitutes an integrated portfolio of tried and tested policies. Together, they put employment and social protection at the centre of crisis response, underpinned by a process of dialogue and respect for rights at work. In fact, so much common sense infuses the Global Jobs Pact that it is difficult for those who did not witness its gestation to believe that it engendered heated and protracted debate as employer and worker organizations and their governments mooted each suggestion and seemed to parse every sentence.

What that means for national ESCs is that your governments, employer representatives, and trade unions have accepted that everything in the Global Jobs Pact can be discussed. Of course, none of it is binding and it is up to you to work with your governments and social partners to tailor policy responses appropriate to <u>your</u> national and local situations, but you need not waste time in deliberating what elements of the Global Jobs Pact constitute permissible proposals. In principle, they all are.

The Pact is already being used in several countries as the overall framework for dialogue on employment and social protection policies for recovery. Three policy evolutions are noteworthy:

First, the role and legitimacy of social protection has grown significantly, recognizing that protecting people from becoming trapped in debilitating poverty empowers them to seize market opportunities (i.e., to continue their job search) and contributes to aggregate demand.

Second, in many countries, tripartite understandings and diverse labour-management agreements have been reached through social dialogue and collective bargaining to address the crisis, from the firm to the national level. In the crucial years ahead, social dialogue can be a key instrument to help win wider support for policies that accelerate job-rich recoveries and shape more stable and inclusive growth paths for the global economy.

Third, in many countries, labour and employment ministers are today more likely to be included in macroeconomic policy-making circles.

<u>More concretely, how is social dialogue performing within the new economic environment?</u>

Social dialogue and tripartism, including the broader framework of ESC debates, gained momentum in 2009 after a slow start in 2008. ILO research reveals that countries like Belgium, the Netherlands, South Africa, and Singapore, having well-established and functioning social-dialogue traditions and long-standing experience with Social Dialogue, reacted more quickly and effectively to the crisis than did countries where such institutions were weak or non-existent. With some

exceptions, pre-existing national tripartite structures and social partnerships functioned effectively to deliver timely and consensus-based recovery packages.

In South Africa, for instance, the National Economic Development & Labour Council (NEDLAC) has served as a critical institution for democratic governance, a forum where different interests are voiced, and where government, employers organizations, trade unions and representatives from civil society can reach consensus on how to best address the immense challenges facing that country.

Significantly, NEDLAC was forged in the crucible of South Africa's transition from apartheid to majority rule. Fortunately, its diverse membership found it of sufficient utility that they chose not to disband it once it had served its initial purpose. Thus, when the effects of the global economic crisis began to exacerbate already high levels of unemployment, South Africa was well equipped to confront these added challenges. With its solid foundation of trust and cooperation, NEDLAC was able to rapidly craft the response needed to charter a new course through turbulent economic waters. Under the auspices of NEDLAC, the social partners reached their own pact in November 2009, a *Framework for South Africa's Response to the International Economic Crisis*, which outlines a number of measures to address the economic crisis, and retain and create employment in the spirit of the Global Jobs Pact.

In other countries, where there have been no pre-existing institutions, new national tripartite social-dialogue and similar institutions have emerged in order to address the crisis. For example in El Salvador, an Economic and Social Council was created in 2009 as a platform for important sectors of the country -- namely, trade unions, social sectors, private enterprise, government, and academia. A subcommittee within this body, with the participation of the social partners and the government, has been responsible for the establishment of the National Pact for Employment -- taking into account the ILO's Global Jobs Pact.

In Singapore, where tripartite social partnership has proven valuable to crisis recovery, the Government recently announced plans to institutionalize national tripartite consultations through ratification of ILO Convention No. 144. This convention, which fundamentally addresses governance, requires ratifying ILO members to undertake effective consultations between representatives of the government, employers and workers on matters pertaining to ILO activities. Speaking at the International Labour Conference last month, Singapore's Manpower Minister observed that ratifying the Convention will mark "...a significant milestone for Singapore, to institutionalise and strengthen tripartism as a unique competitive advantage contributing to our economic and social progress."

Beyond these good practices, what could be an appropriate role for ESCs in the context of calls for new economic, social and environmental governance?

ILO research and policy activities seek to reconceptualize globalization for a fairer, greener and more sustainable model of economic development – similar to that expressed in the UN's World Economic & Social Survey 2010, "Retooling Global Development," released last week. Our underlying assumption is that the roots of the current global economic crisis extend beyond the financial sphere. They reach much deeper into structural global imbalances, between and within countries, between wealth creation and social progress, between productivity and wages, between consumption and savings.

At the ILO, we have for some years been warning that current models of globalization are flawed. As the ILO Director-General has stressed, "…a jobless recovery would not be economically, socially or politically sustainable." Bipartite and tripartite social dialogue at all levels -- enterprise, sector, national, regional and transnational – is necessary. But truly systemic change can only be achieved with the full participation of civil society and all economic stakeholders – in other words, your wider ESC remit.

As I have observed, the global crisis appears to have mutated into a new phase. Under the pressure of financial markets, some countries are being forced to adopt austerity plans hastily and without consulting their social partners. This trend is hazardous as it carries the risk of halting and even reversing momentum for recovery. We have already seen negative consequences for workplace relations through strikes, street protests, deteriorating social climates, and the growing spectre of societal conflict. ESCs and tripartite social-dialogue institutions must not be marginalised at such a perilous juncture. As many examples demonstrate, where governments have relied on social-dialogue mechanisms, there has been less social turbulence, more equitable recovery planning, and better buy-in by broader society.

The ILO commends the vital role that ESCs can play in this era of uncertainty and social malaise. There is a need to introduce in the agenda of ESCs a point on the very definition of what constitutes "recovery" and what is only "post-crisis." Sharing a common definition on when we are out of the crisis will help us construct a legitimate blend of policies appropriate to the post-crisis phase. Certainly, "decent work" and "income generation" should be indicators by which our societies and their economies can be identified as en route to genuine recovery.

We need something more sophisticated and meaningful than the way classical economists measure recessions or their recovery: two consecutive quarters of economic decline or growth. Clearly, the global economy was in distress long before it was officially determined to be in recession. ILO DG Somavia has spoken of a "crisis before the crisis." The corollary is that a recuperating global economy is likely to remain in need of close attention well after economists declare that it is in recovery.

At the ILO, we recognize that ESCs add value to socio-economic discourse. First of all, as their name would suggest, ESCs combine economic and social discourse, meaning that they bring a wider range of economic and social actors around the policy table than a strictly tripartite forum might permit. And, as the ILO moves into new areas such as gender, HIV/AIDS, food security, green jobs, etc., your civil society organizations often offer greater depth and expertise on these specialized topics than we can muster from our existing resources for such issues.

Furthermore, many ESCs reach down to the local community level, where the current jobs crisis is being felt most starkly, where social protection is often first delivered to our core constituents, and where some of the most innovative policy responses to delivering employment and social assistance originate. By contrast, the ILO's mandate steers it in the direction of national governments, who ironically depend upon local authorities to interface with their grassroots populations.

The ILO, as you know, welcomes closer collaboration with your organization and its members. We were pleased that AICESIS could be represented by its Dutch affiliate at the ILO

regional conference on the role and functioning of ESCs in the Western Balkans and Moldova that was held just last week in Ohrid, Former Yugoslav Republic of Macedonia.

We are especially looking forward to co-hosting an African regional seminar on the role of ESCs as promoters and implementers of the Global Jobs Pact which will be held in Cotonou, Benin in October 2010. This and other such joint endeavors can build on the strong foundation which you have laid here in New York for economic & social councils & similar institutions to assume a more central role as we seek to extricate ourselves from socio-economic crises, and build a more just and sustainable world economy.

Thank you for offering the ILO this opportunity to share its views with your assembly.