

Protecting People, Promoting Jobs:

From crisis response to recovery and sustainable growth

*Communication to G20 Leaders by ILO Director-General,
Pittsburgh Summit, 24-25 September 2009*

The G20 from London to Pittsburgh

1. At the London Summit of 2 April 2009 Leaders pledged: "...our global plan for recovery must have at its heart the needs and jobs of hard-working families...we have therefore pledged to do whatever is necessary to restore confidence, growth and jobs..." in order to "...build an inclusive, green and sustainable recovery".
2. The emphasis that Leaders placed on the effects of the crisis on people and their resolve to restore growth and jobs, while building a more balanced, stable and prosperous future for the world, resonated strongly. They recognized the urgent need to focus on employment and social protection as a critical means of containing the negative impacts on the world's most vulnerable.
3. In Pittsburgh, Leaders have the opportunity to build on this medium-term perspective to also address the socio-economic imbalances that existed already before the crisis and which contributed to it, expressed in rising income inequality, employment and social protection deficits and persisting poverty, and weakening labour institutions. In particular, Leaders called "upon the ILO, working with other relevant organisations, to assess the actions taken and those required for the future."
4. The ILO has responded to this request in the following ways:
 - A) Preparing a survey and initial assessment of employment and social protection measures taken by 54 countries across all regions and income groups. Unemployment and other indicators of labour market and workers' distress have increased significantly over the last 12 months, they would have increased even more had these measures not been taken. The ILO estimates, on the basis of IMF calculations, that discretionary fiscal expansion, together with automatic stabilisers, will have created or saved in 2009 between 7 and 11 million jobs in the G20 countries. The inventory and assessment concludes with pointers for immediate action countries might want to consider as they move towards more balanced, sustainable growth patterns.
 - B) Reaching an agreement on a "Global Jobs Pact"¹ among the tripartite membership of the ILO (governments, business and labour of 183 countries). The fundamental objective of the

Global Jobs Pact is to provide an internationally agreed set of options for policy making designed to reduce the time lag between economic recovery and employment recovery. It is a call for urgent and coordinated worldwide action at the national, regional and global levels. The Pact was approved in the context of the Summit on the Global Jobs Crisis in June 2009 convened by the ILO where Leaders linked the responses to the crisis with the need to promote more balanced growth strategies, a fairer and sustainable globalization and new global governance structures.²

- C) Addressing the need for new patterns of sustainable growth. This requires a strong link between investment, growth and productivity on the one hand, and employment, labour market and social policies on the other.

A. Crisis responses: Employment and social protection measures

The ILO survey

5. As described in detail in the accompanying technical report,³ the policy efforts by G20 and many other countries to address employment and social protection are significant. While it is too early to make a full assessment of the effectiveness and impact of the individual measures taken, there is sufficient evidence to conclude that the actions taken are making a difference. Measures to protect the most vulnerable through expanded social protection, to invest more in education and training and to apply stronger labour market policies have received particular attention.
6. The jobs created or saved, as indicated above, amount to between 29 and 43 per cent of the total increase in unemployment in G20 countries in the first half of 2009. Without these measures, unemployment would have been that much higher in these countries. Yet, there is still a dramatic deterioration in labour market conditions around the world, and in the circumstances of the most vulnerable and disadvantaged, there remains a great deal more to do.

¹ "Recovering from the crisis: A Global Jobs Pact". Resolution adopted by the 98th Session of the International Labour Conference, Geneva, June 2009.

² Nine Heads of States and Government and six vice-presidents participated, including from the G20 group of countries, the Presidents of Argentina, Brazil and France, as well as the Deputy President of South Africa.

³ Protecting People, Promoting Jobs: A survey of country employment and social protection policy responses to the global economic crisis. An ILO Report to the G20 Leaders Summit, Pittsburgh, 24-25 September 2009.

7. The ILO has surveyed actions taken, in the period between mid 2008 and 30 July 2009, in 54 countries, spanning all income levels and regions, across 32 specific measures grouped under four areas, namely stimulating labour demand; supporting jobs, jobseekers, and the unemployed; expanding social protection and food security; applying social dialogue and protecting rights at work.⁴ The 32 measures surveyed reflect the policy areas highlighted by the G20 London Jobs Conference (24 March 2009), the expanded G8 Rome Social Summit (29-31 March 2009), and the policy portfolio of the “Global Jobs Pact”.
8. Table 1 provides the frequency of measures taken across the sample countries.
9. The six measures with the highest frequency are: spending on infrastructure; subsidies and tax reductions for small enterprises; credit for small enterprises; training programmes and facilities; consultations with employers’ and workers’ organizations;

⁴ This report was prepared over May-August 2009.

and social protection through cash transfers. These measures correspond closely to the policy options outlined in the Global Jobs Pact.

10. The six lowest frequency measures are: additional measures to fight labour trafficking and child labour, small enterprise access to public tenders; consultations at sectoral level; increased capacity for labour inspection; and protection of migrant workers.
11. In finalizing the accompanying survey, the ILO received a written contribution from OECD, which is included in the technical report, and comments from IMF, UNCTAD and World Bank. The ILO intends to continue this collaboration in carrying forward the analysis, as more comparative data and evaluation studies become available on the impact of the measures taken by countries.

Evidence of action taken in these areas suggests the following

12. While initial responses were aimed at staving off a precipitous decline in employment and mitigating

Table 1 Frequency of measures taken across sample countries

1. Stimulating labour demand	(%)	2. Supporting jobseekers, jobs and the unemployed	(%)
Additional fiscal spending on infrastructure	87.0	Additional training measures	63.0
with employment criteria	33.3	Increased capacity of public employment services	46.3
with green criteria	29.6	New measures for migrant workers	27.8
Public employment	24.1	Working time reductions	27.8
New or expanded targeted employment programmes	51.9	Partial unemployment with training and part-time work	27.8
Access to credit for SMEs	74.1	Wage reductions	14.8
Access to public tenders for SMEs	9.3	Extension of unemployment benefits	31.5
Subsidies and tax reductions for SMEs	77.8	Additional social assistance and protection measures	33.3
3. Expanding social protection and food security		4. Social dialogue and rights at work	
Social security tax reductions	29.6	Consultations on crisis responses	59.3
Additional cash transfers	53.7	Agreements at national level	35.2
Increased access to health benefits	37.0	Agreements at sectoral levels	11.1
Changes in old-age pensions	44.4	Additional measures to fight labour trafficking	3.7
Changes to minimum wages	33.3	Additional measures to fight child labour	3.7
New protection measures for migrant workers	14.8	Changes in labour legislation	22.2
Introduction of food subsidies	16.7	Increased capacity of labour administration/ inspection	13.0
New support for agriculture	22.2		

Source: ILO survey.

the impact on the most vulnerable, countries have increasingly sought to prepare for recovery by investing in new infrastructure and in preparing the workforce for structural changes such as those resulting from adaptation to lower carbon emissions. An evolution from emergency to longer-term focus may reflect the perception that the effects of the crisis on the labour market are likely to persist despite signs of recovery of overall growth.

13. As might be expected, there is a difference in the pattern of responses among countries. Lower and middle-income countries have, on average, taken a higher number of measures to stimulate demand and expand social protection than to support labour market policies. Conversely, as expected, high-income countries have invested more in stimulating labour demand and in labour market policies. Low-income countries have taken fewer policy initiatives than middle and higher income countries, which points to possible resource and capacity constraints, among other factors.
14. Many countries, especially in Asia and Latin America, have drawn on lessons learned from previous financial crises and have been relatively well prepared to react to the shock. In particular, countries that had achieved sounder fiscal stances, lower inflation, lower external indebtedness, higher reserves and to some extent, wider social protection coverage, have proven more resilient and better prepared to undertake quick action.
15. Most countries have shown a pragmatic approach by adapting, reorienting and expanding existing programmes, relying on already established institutional and technical capacity. Still, there has been innovation in the implementation of new programmes and measures, for instance, a significant number of new targeted employment programmes have been implemented.
16. The most common response to the crisis, public investment in infrastructure, shows a relatively high employment multiplier effect especially when indirect job creation is included. The choice of production technology, whether labour-based or equipment-based, significantly influences the employment component of the expenditure. This is particularly important for rural infrastructure investments. Many governments have found opportunities to favour projects that improve environmental sustainability and have the potential of creating “green jobs”. The drawback is that where projects have to start from scratch, the full impact on employment is delayed.
17. The reflex of governments, employers and workers to invest in training at a time of weak labour markets is well warranted. Employment retention measures combining shorter working hours and training are proving effective. Enterprises are using periods of lower demand to invest in the training of workers. Preparing now the workforce for the new skills required tomorrow is a good investment. Close institutional linkages between training systems and business often proves useful.
18. In spite of falling revenue, many countries have augmented social expenditures. Social protection measures, discretionary and non-discretionary, are acting as a key stabilizer of aggregate demand. The preferred options have been expansion of duration and coverage of unemployment benefits, extension of old age pensions, and expansion of health insurance and child benefits. Targeted cash transfers have played a particularly useful function in several countries. Nevertheless, major gaps in coverage remain.
19. To finance these exceptional measures, countries have reorganized already budgeted funds, activated accumulated reserves and expanded borrowing. There is little evidence as yet of a significant in-

Table 2 Average number of measures taken by category and country income group

Country sample by income group	Stimulating labour demand	Supporting jobs, job seekers, and unemployed	Expanding social protection and food security	Social dialogue and rights at work	Total
Low income (10)	2.9	1.2	2.3	0.8	7.2
Lower middle income (10)	3.8	2.3	3.2	1.4	10.7
Upper middle income (17)	3.9	2.9	2.5	1.6	10.9
High income (17)	4.4	3.7	2.3	1.8	12.2
Average	3.8	2.5	2.6	1.4	10.3

Source: ILO survey.

crease in new concessional development finance for crisis response.

20. The crisis has spurred social dialogue and collective bargaining into finding creative solutions including work sharing arrangements, extended leave, and other forms of work adaptation. Dialogue has in some cases included macroeconomic strategies as well as more detailed consultations on specific policy areas. The severity of the crisis has led some governments and social partners to seek as broad a basis for national consensus as possible in light of the risks to social cohesion and economic stability. The process itself has been difficult at times, not always resulting in agreement.

Fragile global economic recovery and weak employment growth

21. Mid 2009, initial signs of stabilization in economic output and recovery have been recorded to varying degrees across countries and more robustly in Asia. Forecasts seem to converge on a very gradual and weak global recovery at least until end 2010, particularly in advanced countries and in Eastern and Central Europe. In Asia, a robust rebound is observed linked to exceptionally strong fiscal expansion.
22. United Nations, OECD and IMF projections⁵ forecast a continued deterioration in labour markets in 2009 and throughout most of 2010. Most recent data available for the first 6 months of 2009 point to stagnant or very weak growth of employment, in negative, weak and stronger growth countries. ILO estimates an increase in global unemployment, by end 2009, of between 39 and 61 million workers relative to 2007.⁶
23. The world's economically active population rises every year by some 45 million persons, mostly young women and men on the doorsteps of the labour market. Based on studies of previous financial crises, the lag time between output recovery and employment recovery to pre-crisis levels could reach on average 4 to 5 years.⁷
24. Many ILO constituents reflect continued concerns and fears about lack of credit, endangered enterprises, plant closures, job and earnings losses and anxiety about the future. Particularly distressing for working families is that even the more positive fore-

casts continue to regard high unemployment as inevitable long after recovery begins. Recent opinion polls in different regions have recorded high levels of labour market insecurity across large swathes of the world's population.⁸

Pointers for further action

25. Strong economic growth and strong employment growth are both essential. Policies should remain targeted on both objectives in order to reduce the lag in the recovery of global employment and maximise the potential for growth in jobs in the period of economic recovery. Measures to stimulate the job intensity of growth and more refined methodologies to assess the employment content of different investment options are needed.
26. Expansionary fiscal measures to generate jobs and boost aggregate demand should be continued, and where necessary enhanced, until such time as private demand is sufficiently robust to sustain growth and employment. The optimal extent and duration of these measures depends on specific country situations, and will require international coordination.
27. A combination of policy measures conceived to stimulate synergy and mutual reinforcement works best. Deeper analysis of country experience and assessment of the impact of different policy packages can further guide decisions. The ILO is committed to strengthening its services and expertise and putting them at the disposal of countries in this regard.
28. Economic and employment recovery would be significantly boosted by much faster progress in repairing financial markets to restore a normal flow of credit and productive foreign and domestic investment, including in small enterprises, the backbone of employment in most countries. This is more the case in developed countries, and less so in some developing countries, where strong financial regulations are in place, and where development and public banks are playing a powerful anti-cyclical role. Ultimately, policies must ensure that the financial system is at the service of the real economy.
29. The crisis has exacerbated underlying structural problems in several emerging and developing countries. Heavy foreign debt burdens, widening budgets deficits, depreciating currencies and other symptoms of structural weakness are severely constraining the capacity of low income, but also some

⁵ UN, World Economic Situation and Prospects 2009, Update as of mid 2009. OECD Economic Outlook, June 2009; IMF World Economic Outlook, April 2009.

⁶ ILO, KILM 6th edition, 2009.

⁷ Reinhart, Carmen M. and Kenneth S. Rogoff. 2009. The Aftermath of Financial Crises, NBER Working Paper No. 14656.

⁸ See inter alia United States Gallup poll, August 13, 2009; EU 27 Eurobarometer 316, July 2009, Reforma newspaper poll in Mexico, in Reuters release 1 July 2009; Japan Productivity Center poll, Reuters, 30 June 2009; South China Morning Post, 17 July 2009; IPSOS, August 2009 on Chile.

- middle income countries, to join in global efforts for recovery. These countries require additional international support under conditions that also permit them to stimulate growth, jobs and social protection.
30. In addition, multilateral and bilateral development resources for low income countries should be expanded and redirected to meet the growing need for employment and social protection. The recent OECD Development Assistance Committee policy statement on the role of employment and social protection highlights this objective.⁹ A strong application of a pro-poor economic growth strategy, with the required support through development cooperation, is urgently needed.
 31. Before this crisis, major gaps prevailed in the coverage of social protection in high, middle and low income countries. The crisis has prompted many countries to expand coverage and raise benefit levels. These efforts must be pursued and amplified through a global agreement on the need for all countries to develop basic universal social protection on a fiscally sound basis. Protecting people helps sustain aggregate demand.
 32. International assistance facilitating institutional and capacity building and policy advice based on worldwide knowledge, best practices and lessons from experience can help significantly, in particular in poorer and least developed countries. South-South cooperation should play an important role.
 33. The crisis has had a major impact on young women and men, showing a significantly rising trend in unemployment in the first half of 2009 compared to one year earlier. A more detailed assessment of the nature and impact of recovery policies from a gender perspective is required. While in some countries the initial impact was on sectors in which male workers are in the majority, women are increasingly also affected as they hold a disproportionate share of precarious jobs.
 34. In times of crisis, deterioration of workers' rights, rising child labour, unprotected migrants, human trafficking and other degradation of human dignity are a real risk. The ILO survey showed relatively few new measures addressing these issues. Urgent attention needs to be given to preventing the exacerbation of such practices. Strengthening labour administration and labour inspection is key.
 35. Inward looking strong protectionist measures on trade have largely been eschewed. The WTO report on the financial and economic crisis and trade-related developments notes "...further slippage towards more trade-restricting and distorting policies, but resort to high intensity protectionist measures has been contained overall, albeit with difficulties."¹⁰ The threat of protectionist measures remains and should be actively deterred whilst safeguarding the special situation of developing countries. Where protectionist sentiments arise from understandable feelings of insecurity in a crisis context, effective answers are needed by means of social and labour policy.
 36. Assessing the impact of the policies on workers, enterprises and households would be greatly enhanced by broader availability of statistical data and instruments to monitor the crisis. It is essential to strengthen the capacity of statistical offices where employment and labour statistics are weak; and to broaden the indicators to include less apparent symptoms of social distress, such as the number of discouraged workers that no longer seek employment. Statistical systems to track employment and labour issues are a pressing need to assess crisis responses and to inform longer-term policies. The UN GIVAS project responds to such concerns.¹¹
 37. In managing the policy transition from emergency to gradual recovery and onto sustained economic growth, employment generation and enhanced social protection coverage should be retained as key criteria of success. This is particularly important when measures to unwind the extraordinary fiscal stimulus are considered.
 38. Keeping in mind the human dimension is essential. The crisis has engendered profound sentiments of injustice. Millions believe they are paying the price of decisions and actions over which they had no control and from which others benefited. A fair spread of the costs of the recovery and the effort required to overcome the crisis are essential ingredients of a socially sustainable response.

B. The "Global Jobs Pact"

39. The Pact is a strong consensus between actors of the real economy. It proposes a balanced and realistic set of policy measures that countries, with the support of regional and international institutions, can adopt to strengthen their ongoing efforts to address the crisis while pursuing economic, social and en-

⁹ Development Assistance Committee.2009. Making economic growth more pro-poor: the role of employment and social protection policies, Policy statement adopted by the High-Level Meeting 27-28 May. DCD/DAC(2009)14/REV2).

¹⁰ WTO.2009. report WT/TPR/OV/W/2, 15 July.

¹¹ UN Global Impact and Vulnerability Alert System (GIVAS).

vironmental sustainability. The Pact responds both to people's agenda and real economy needs.

40. The Pact presents a portfolio of tried and tested policies that put employment and social protection at the centre of crisis responses and recovery within a productive vision based on promoting investments and sustainable enterprises. These policies can be tailored to national and local situations. Many countries are already implementing a number of them as the survey of policies shows. Adopted in an integral and coordinated manner these policies can reduce social tensions, mitigate the negative impact of the crisis on people, stimulate aggregate demand and reinforce both competitive market economies and a more inclusive growth process.
41. The Global Jobs Pact is based on the ILO's on-going Decent Work Agenda and recalls that respecting fundamental principles and rights at work, promoting gender equality and encouraging voice, participation and social dialogue are also critical to recovery and development.
42. In L'Aquila, Italy, the G8 recognized the need to take forward "the ILO Decent Work Agenda, and to build on the Global Jobs Pact ...to respond to the crisis at worldwide level and advance the social dimension of globalisation."¹² The United Nations Economic and Social Council encouraged member States to make full use of the Global Jobs Pact, also inviting relevant international organizations to integrate, in accordance with their mandates, the Pact in their activities.¹³ Governments can facilitate the latter through their representatives in governance bodies.

C. Addressing global imbalances through new patterns of sustainable growth

43. In Pittsburgh Leaders have the opportunity to build on a medium term outlook for sustainable growth. Stabilizing financial markets and raising the rate of output growth, crucial as these are, are not enough. A different pattern of sustainable growth is needed coming out of the crisis which has underscored growing global imbalances. These imbalances are themselves linked to domestic imbalances between financial markets and the real economy, financial and productive investment, productivity and wages, private initiative and public regulation.

¹² G8 Leaders Declaration on responsible leadership for a sustainable future, July 2009.

¹³ ECOSOC resolution: Recovering from the crisis: A Global Jobs Pact (E/2009/L.24, 21 July 2009).

44. Policies that, over decades, have overvalued the market's capacity to self regulate, undervalued public policy and government regulation and reduced the importance of social policies, the dignity of work and the protection of the environment, have contributed to these imbalances. The results have been income inequality rising to unacceptable highs and the exclusion of large numbers of persons from basic social protection and insufficient opportunities for productive and decent work.
45. A much stronger link is necessary between investment, growth and productivity on the one hand, and employment, labour market and social policies on the other, together with a progressive greening of the economy. In short, a sustainable development approach. Reviewing how growth, economic performance and social progress are measured is urgent. Progressively expanding income-based global effective demand will be required to replace the practice of unsustainable debt and asset bubbles; work should be decently rewarded and excesses contained. This opens the way to a better balance between export-led growth and expansion of sound domestic consumption.
46. The adaptation of economic sectors, including action to promote clean energy, will require strong employment, social and training policies, to equip the workforce with the skills required for new jobs, and to facilitate the transition out of declining activities. Climate change policies must address their employment and labour implications.
47. While no one model of economic growth and social progress can apply to all country situations, some basic elements are shared. Sustainable global growth must rest on national policies and institutions fostering productive investment and rising productivity, respect for the environment, decent work, equal opportunity for women and men, innovation and enterprise development, strong labour institutions and organizations of workers and of employers, and adequate social protection of persons, avoiding excessive income inequality and eradicating extreme poverty. The proposed Charter for sustained economic activity could address these issues.
48. All countries, with the support of the relevant international organizations, can engage in a convergent policy effort around these and other agreed objectives, to ensure wide prosperity from robust economic growth and lay the foundations for a fair and sustainable globalization.