



PARLIAMENTARY CONFERENCE ON THE GLOBAL ECONOMIC CRISIS

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Mr President, Parliamentarians, Friends, Colleagues,

Thank you very much for inviting me to share with you the ILO's analysis of the current economic crisis and of the way it is affecting employment and social protection. As we all know, what started as a financial crisis quickly affected the real economy and transformed into a jobs crisis. It is now becoming a social and political crisis.

In many ways, the situation calls for political responses and for political leadership. I will come back to this but let me start with the facts.

And the facts, as we know, are not good.

In 2008, unemployment started rising very rapidly, everywhere. Between 2007 and the end of 2009, the ILO estimates that 50 million additional persons will be unemployed.

The IMF forecast a slow recovery from mid 2010 but considerable uncertainty surrounds the strength and the timing of economic recovery. It is more than likely that unemployment will continue to rise during 2010 and start to stabilize in 2011.

And we must also look beyond unemployment:

- The share of the informal economy is on the rise as persons losing jobs seek alternatives in the absence of unemployment benefits.
- The number of working poor is also on the rise and we estimate that an additional 200 million persons will fall back into poverty. Recent gains are being reversed.
- We should also bear in mind that world population continues to increase with some 45 million persons entering the labour force each year.

The key question today is: how long will it take for employment to return to its pre-crisis level? A number of studies of successive financial crises starting from the Great Depression indicate that on average it takes 4 to 5 years for employment to regain its level prior to the crisis.

Combining all these elements, unemployment rising for at least three years, an expanding informal economy, a rise in the number of working poor, the steady expansion in the labour force, and a significant lag between economic recovery and employment recovery, it is appropriate to conclude that we will need some 6 to 8 years to overcome this job and social crisis.

This is why the ILO is making the case for a Global Jobs Pact, a national and global pact centred on employment and social protection. Stabilisation and reform of the financial sector is essential, as are fiscal stimulus packages which we expect to bear fruit. But the depth, spread and duration of the jobs crisis compel us to address this frontally. Employment and social protection must be a central part of recovery policies.

The ILO has a unique tripartite structure. Nowhere else in the UN system are so many actors involved in decision-making; we are working not only with governments but also with employers and workers. Ours is a productive vision. We need employment policies to foster productive employment, to protect jobs whenever possible and policies for social protection whenever necessary.

We need policies for enterprise development that generate jobs that take advantage of the dynamism of the market economy. We also need to look at public goods, infrastructure, food security, and the environment. In all of these are areas we must tap the opportunities for productive job creation.

Complementary policies on the social protection side, unemployment benefits and employment guarantees are indispensable. In some instances, they were there but not used. These now need to be brought to the centre of policies.

Recovery is likely to be long and arduous. Recently some good news has come. Stock markets are up, several indicators are pointing in the right direction. But let us not forget that recovery should reach people. The indicators should also reflect the reality of their daily lives.

As parliamentarians, you are very close to people and what they think. You know that they should be part of the solutions, that they want their voices to be heard.

This means we have to think and work with a medium term perspective. Let us not forget that before this crisis there was a crisis. We overvalued the role of the market, we undervalued the role of the state and the public actors, and we devalued fundamental elements of our societies. We devalued work; salaries did not go up when financial surpluses were on the rise. We did not respect the environment the way we should have. We devalued public goods and social welfare. It was often the target for cuts when adjustments were needed.

Now, we must confront the pressing question: what type of globalisation is sustainable for the future? Before the crisis, the social dimension of globalisation was neglected. The resulting imbalances were morally unacceptable, politically unsustainable.

We cannot go back to business as usual.

We need to take a serious look at economic and social policies. We have to re-establish balances, find a new equilibrium, between the power of the state, the dynamism of the markets and of private enterprises, the voice of societies and the expression of people, the satisfaction of basic needs of families and communities.

Let us also remember that the present financial and economic model, the failures of which we are now experiencing, is not a given; this globalisation model can be changed; policies are reversible. The prevailing model was not a natural phenomenon but the product of political decisions.

What are the implications for your work? Political representatives and political leaders bear an enormous responsibility for charting a sustainable course for the future.

The demands of the moment call for strong national solidarity; it is time to unite politically to confront the crisis. This is the moment for political debate to play its full role.

Political leaders must have the long term vision that foster national bonds. Politicians must now seize the opportunity that comes with the crisis to define policies that responds to people's needs. Jobs, social protection, safety nets - that is what people expect. Action at the national level must focus on making this happen.

These efforts must be complemented by a supportive and fair globalization. Strong global governance with all multilateral institutions working together in support of a fair globalization is essential. The ILO is actively working towards that objective.

Thank you.