

Weathering the Jobs Crisis

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Workers worldwide are the innocent victims of the global economic crisis. Tens of millions of workers are losing their jobs and their incomes ... their savings and their hopes for a secure retirement. Millions are losing their homes ... and trillions of dollars have vanished from the net worth of working families.

Staggering falls in income and output were recorded in the final quarter of 2008 and the first quarter of 2009. The outlook for 2009 remains bleak with the most recent OECD forecasts¹ indicating that GDP will fall by 4.3 percent in 2009 across the OECD as a whole -- and by 2 percent globally. In 2010, most countries are projected to experience stagnation at best -- if not further reductions in GDP. These are the worst forecasts ever made by the OECD.

The crisis has now spread to emerging and developing economies as well ... where growth has now stalled and GDP per capita is falling. The IMF identified 26 low-income developing countries in Africa, Asia, the Americas and Eastern Europe as being "highly vulnerable" to the adverse effects of the global recession in 2009².

These data provide a stark contrast to recent reports of 'green shoots' --- the bottoming out of the recession and signs of a recovery. A few months of stock market rallies do not amount to sustained economic recovery. While we can hope for the best ... we must also be prepared for worse.

The truth is that we are still in uncharted water ... and no one knows when the bottom of this recession will be found ... nor how vigorous the recovery will be. The depth and duration of the recession will be determined by how urgently governments can act together to promote recovery and build the foundation for a more sustainable ... more fair ... and more environmentally responsible basis for global growth going forward.

At this stage, labor markets are at the vortex of the global crisis. A bursting housing bubble in the U.S. that first surfaced as a sub-prime mortgage crisis triggered a global credit market crisis that pulled the U.S. and the global

¹ OECD Economic Outlook Interim Report March 2009.

² IMF, The Implications of the Global Financial Crisis for Low-Income Countries, 2009.

economy into a severe recession of uncertain depth and duration. As workers lose their jobs, they cannot pay their mortgages. As foreclosures rise and housing prices continue to fall, banks' securitized assets become ever more toxic weakening their balance sheets and reducing the flow of credit. Restricted credit and sagging consumer spending devastate private investment fueling another round of the recessionary spiral. To reverse this spiral, governments must act aggressively to stop the loss of jobs, falling wages and the loss of family income.

Unemployment continued to surge in the first months of 2009 and rates are projected to rise to double figures for the OECD as a whole by the end of the year and to remain at this level during 2010 and 2011. Youth, in particular, are being hit with unemployment rates of over 20 percent in many OECD countries ... and many young people leaving schools and colleges this summer risk being condemned to economic inactivity. Companies are continuing to cut jobs in the second quarter of 2009 ... signaling a lack of business confidence and the prospect that long-term unemployment will increase across all demographic groups.

Labor markets lag behind economic recovery ... and significant increases in unemployment – particularly long-term unemployment -- are extremely difficult to reverse. This points to the risk of prolonged labor market recession. The ILO estimates that worldwide unemployment could increase by 40 million worldwide by the end of 2009³. Over 200 million workers could be pushed into extreme poverty, mostly in developing and emerging countries where there are no social safety nets ... and the number of working poor, earning below 2 US dollars per day for each family member may rise to 1.4 billion worldwide.

Given the specter of a persistent global jobs crisis ... there is an urgent need for a far more aggressive and internationally coordinated jobs-oriented recovery strategy than has been put on the table.

The global labor movement is gravely concerned that fiscal stimulus packages to date are inadequate in size ... imbalanced geographically ... insufficiently focused on labor issues ... and are being implemented much too slowly⁴.

According to an ILO review of responses to the crisis in over 40 countries and an OECD submission to the G8 Social Summit ... the fiscal stimulus measures do not sufficiently focus on employment and social protection ... and only half of the countries examined have announced active labor market initiatives. Moreover, they have failed to tackle the lack of social protection and the dramatic decline in individual wealth held in pensions. The effects of the crisis are being felt most by

³ G8 Social Summit, People First, Tackling Together the Human Dimension of the Crisis.

⁴ ILO-IILS (ed), The Financial and Economic Crisis: A Decent Work Response, Geneva 2009, p. 8.

those whose pensions fall under un-protected 'defined contribution' schemes that provide no pension security at the age of retirement⁵.

OECD countries should immediately undertake an extra annual stimulus of at least one percent of GDP to be sustained for the next three years. Recovery packages must be targeted so as to have the biggest impact on growth and employment. Governments should bring forward infrastructure investment programs that stimulate demand growth in the short term and raise productivity growth throughout the real economy in the medium term.

Measures should be introduced to support the purchasing power of low-income earners in particular, including single earner households ... which are predominantly female-headed. In a large number of the OECD member countries, 50 percent or more of the unemployed do not receive unemployment benefits ... whereas in many developing countries the majority of those losing their jobs are not eligible for unemployment benefits at all. Putting more money into the pockets and purses of people on low incomes will boost the economy.

A key priority must be to keep people at work. Programs must be implemented to reduce the risk of unemployment and wage losses, as well as to provide income support through -- in particular -- increases in short-time working.

Even prior to the crisis, income inequality had risen to dangerous proportions in most countries. Increases in wages had fallen behind wider growth rates in productivity in two-thirds of the industrialized countries that make up the OECD⁶ and the share of wages in national income had fallen in all countries for which there are data. In developing nations, even before the advent of the 2007-2008 food price crisis and the current crisis ... the World Bank noted that in 46 out of 59 countries examined, inequality had increased over the previous decade. The economic crisis is now threatening to exacerbate these dangerous inequalities, undermining social cohesion and threatening political tensions.

G8 Labor Ministers met in Rome in March to address the "human dimension" of the crisis, a meeting in which TUAC and BIAC were consulted. The labor ministers concluded that macroeconomic policies to address the crisis must be "flanked by social and employment policies that avert unemployment and the risk of social exclusion and make for rapid re-entry into the job market." They also highlighted the need for strong social dialogue pointing to the value of greater worker participation in the economic restructuring process.

The global labor movement is calling on governments – at G8, G14 and G20 meetings ... as well as here at the OECD and other international institutions -- to undertake further fiscal stimulus and take particular care to focus their actions to support employment, wages and social dialogue. Governments must:

⁵ OECD Private Pensions Outlook 2008.

⁶ "Growing Unequal", OECD October 2008.

- Take immediate steps to ensure that the recovery measures are adequate for supporting the necessary measures to maintain and protect jobs and provide social protection.
- Ensure that recovery measures maximize job creation and include active labor market policies.
- Provide adequate social security and labor protection for the most vulnerable workers.
- Invest in human capital development through education and training.
- Engage in meaningful social dialogue with the social partners at this time of increasing vulnerability.

In addition, we are calling on the OECD governments to:

- Provide support for the ILO Global Jobs Pact and, going beyond this, revise and update the OECD Memorandum of Understanding with the ILO.
- Develop 'green economy' investments that can shift the world economy on to a low-carbon growth path and create good jobs by launching the 'Green New Deal' called for by the United Nations Environment Program (UNEP).
- Combat the risk of wage deflation and reverse the growth of income inequality by extending the coverage of collective bargaining and strengthening wage-setting institutions so as to establish a decent floor under labor markets.
- Discourage companies from making workers redundant by helping businesses affected by temporary credit difficulties through, for example, support for short-time working schemes, which address temporary sales slumps by reducing the number of hours, rather than the number of workers.
- Focus on groups most affected by the crisis and take steps to eliminate the gender pay gap.
- Provide income support, in particular through expanded unemployment benefit schemes. Options include: increasing benefit levels; extending benefit duration; expanded coverage; and the introduction of temporary and short-term income compensation for workers not eligible for unemployment benefit.
- Ensure full respect of national and international standards on workers' rights regarding termination of employment.
- Address the problem of precarious work, which is affecting increasing numbers of workers and particularly women. Priority must be given to creating decent and skilled jobs, enhancing functional flexibility and giving workers a voice in managing change.
- Address the pension fund crisis by ensuring that employers take their fair share of the pension risk ... strengthening existing guarantee schemes ... and reforming pension fund investment regulation.

Beyond this the OECD must revise its own analysis and actions to ensure that the policies that led to this crisis are not repeated. A new model of global growth that is “Stronger, Cleaner and Fairer” requires a paradigm shift in our economic thinking.

When crises have occurred in the past, the OECD has been at the centre of the analysis and shifts in thinking that have led to policy changes. This most serious crisis of modern times must be matched by the most serious rethinking of policy. This is very different from that offered as “exit strategies.”

The strategy for achieving “Stronger, Cleaner and Fairer Global Economy” should seek a new balance between the economy and the environment ... between government and markets ... between finance and the real economy ... between the industrialized and developing countries ... and, not least, between workers and their employers.

TUAC and the global labor movement is ready to engage in such an endeavor – not just this afternoon but in the crucial months and years ahead.

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