



Summary of the High-Level Panel, 12 June 2012

Looking forward: Lessons from the crisis in the framework of the Global Jobs Pact

1. The panel, moderated by Ms Ritula Shah, BBC journalist and news presenter, included Mr Wang Xiaochu, Vice Minister, Ministry of Human Resources and Social Security, China; Ms Evelyn Matthei, Minister of Labour and Social Security, Chile; Mr Bill Shorten, Minister for Financial Services and Superannuation and Minister for Employment and Workplace Relations, Australia; Mr Alexander Shokhin, President of the Russian Union of Industrialists and Entrepreneurs, Russian Federation; Professor Haroon Borat, Member, Economic Advisory Panel for the Ministry of Economic Development, Adviser to Minister of Finance, South Africa; and Mr Luc Cortebeek, Worker Vice-Chairperson, ILO Governing Body, Honorary President, Confederation of Christian Trade Unions (ACV-CSC), Belgium, ITUC Deputy President. Panellists were asked to address key issues such as coordination between labour, employment and economic policies, improvement of the quality of employment growth, and expectations with respect to future support from the ILO.
2. The moderator kicked off the discussion by asking Mr Wang Xiaochu how China was tackling its job challenge in the context of a slowing global environment. He described how China, a developing country with the largest population in the world and a 764 million labour force, had handled the employment challenges throughout the crisis while maintaining a high growth rate. The Chinese Government adopted a prioritized employment strategy for its economic and social development, keeping a balance between trade and industrial development. Public employment services were strengthened, providing information and welfare positions for young people. Free business start-up services and enterprise “fair recruitment programmes” were initiated. Overall, 12.1 million jobs were created in 2011 alone, allowing 5.3 million unemployed people and 8.1 million underemployed people to find a job. A social insurance law was enacted, expanding the security system with special provisions for the disadvantaged and older people, and 1.3 billion people (the whole Chinese population) were covered by a medical insurance through an institutional framework. The minimum wage system was improved and collective bargaining and social dialogue were reinforced at national and local levels. Human resources, he said, were the key resource for social development. Over 22 million workers benefited from recently established programmes of education, vocational training and skills upgrading.
3. Turning to the next speaker, Ms Shah said that Chile had been a very successful economy and asked Ms Matthei whether employment and labour market policies could bring down

the high inequalities registered in recent OECD statistics. As a small country, open to international trade, Chile was particularly vulnerable to financial markets and the global crisis. Following previous crises in 1974, 1982 and 1997, which left the country with high unemployment, a great deal of debt and with no counter-cyclical policies in place, Chile adopted an institutional culture of saving and “spending less”. Active fiscal monetary policies had been pivotal for the Government to counteract the effects of the 2008 crisis. In addition, proactive job creation and preservation policies were adopted, with public and private employment subsidy programmes which helped preserve employment through reduced wages and working time. She said that Chile needed to invest strongly in human capital – workers’ training, education and programmes for young people – in order to increase the minimum wage and remain competitive on the international markets.

4. Australia had introduced a Jobs and Training Compact as one element of the wider effort to tackle the employment challenge. The moderator asked Mr Shorten what should be done to ensure that skills development could most effectively support effective employment policies, particularly for young people. Australia came out of the crisis in a relatively stronger situation compared to many other countries, GDP grew by 8 per cent, unemployment remained at a stable 5 per cent and over 800,000 new jobs were created. Unemployment among youth, indigenous and older workers, as well as for long-term unemployed people and women re-entering the labour market, remained a problem. In order to tackle youth unemployment, the Government promoted a three-pronged national policy: young people could not leave school before they turned 16, every person between 16 and 24 had to be in either education, training or a job, and all those receiving income support or youth allowance were supposed to undertake some form of education or training.
5. Ms Shah asked Mr Shokhin how the Russian objective of creating 25 million high-productivity jobs by 2020 could be achieved. Mr Shokhin explained that challenges were to be found not only in creating new jobs, but also in improving the quality of existing ones by making them more productive, better paid and environmentally cleaner and safer jobs, both in the new economic sectors and in the more traditional ones, such as mining, the oil and gas sectors or agriculture. To this effect, investment incentives for technological renewal, tax breaks and penalties for poor working conditions needed to be introduced. He noted that, contrary to the first phase of the crisis, the Government needed to maintain resource allocations in a way that would not diminish the social obligations. As to unemployment figures, Mr Shokhin pointed to a rather insignificant increase from 6.5 per cent to 8.7 per cent since 2009, whereas GDP fell by 8 per cent and industrial production by 9 per cent. As he explained, the figures indicated that employers chose not to cut their workforce but retain their qualified workers, pointing at the persisting problem of un- or low-qualified labour. He further stressed that job supply in the Russian Federation was unlikely to match the qualifications of the over 90 per cent of students continuing, or intending to continue, their university studies and, while the 25 million jobs by 2020 was rather an ambitious objective, it had to take into account the increasing social tension in the country.
6. Ms Shah asked Professor Haroon Borat how South Africa was going to tackle its enormous employment challenge. In response, Professor Borat noted that South Africa had been among the countries with the highest unemployment rates, at 25 per cent since 1994 (not including discouraged jobseekers). Professor Borat explained that South Africa had experienced positive growth for the past 18 years and was still in the middle-income country growth trap, with insufficient economic leverage to tackle the issue of formal unemployment. Looking into active labour market policy options, he referred to supply-side measures, such as replacement services, public-private partnerships, wage and transport subsidies, as being particularly important in the context of South Africa. However, to overcome the challenge of the middle-income country growth trap,

Professor Borat stressed the need for fundamental changes including considerable institutional and regulatory reform, such as: improved efficiency of labour market institutions (i.e. labour courts and dispute resolution bodies); adjustments to the highly concentrated, vertically integrated and anti-competitive product markets by a more stringent competition policy that would allow small businesses and the informal sector to operate more freely; and making state procurement accessible for the informal sector as well.

7. Turning to Mr Cortebeeck, the moderator asked whether he thought it was possible to pursue both collective bargaining and positive employment policies, particularly in light of current problems in Europe. Mr Cortebeeck explained that while social dialogue had been effectively used during the first phase of the crisis and had a positive impact on the overall situation, the second phase – with growing demands from the EU for austerity and competitiveness policies – made recourse to social dialogue rather difficult. He noted that while Europe had always been an example for social policies, social dialogue was now proposed to be used only at enterprise level, and not at sectoral or inter-sectoral levels. In Belgium, the situation had worsened lately with reduced unemployment benefits and increasing poverty rates. And while the latest forecast of the Belgian National Bank indicated 0.6 per cent growth by the end of 2012, much remained to be done in terms of growing unemployment, especially among young people, which had risen to 30 per cent.
8. Opening the floor for discussion, the moderator questioned the panellists on how local level and national conditions and employment policies converged or diverged. In responding, Mr Shorten asserted that, in some Australian sectors, unemployment was very low, 3 per cent or even less, while in others it reached Eurozone levels. In terms of national policies, he said that the Government implemented a “share the profit” strategy, stipulating that royalties on business, large mining companies for example, could be used for education grants, registering small businesses, stimulating overall confidence and bringing surplus into the national budget. He went on to say that in Australia, despite having a large share of the population from immigration, workers’ mobility was low and not necessarily following labour market needs. There was therefore a need to provide incentives for those workers willing to move where the jobs were, such as: adequate childcare being subsidized up to 50 per cent, 40 hours day care granted for single parents, special support and care schemes for people with disabilities and so on. Mr Shokhin said that in the Russian Federation labour mobility was very low mainly due to housing constraints; only major companies and multinationals being in a position to offer their employees a real chance to move where the jobs were. The growing flow of workers, mostly unqualified or illegal, from the former Soviet Union countries, further complicated the situation.
9. Ms Shah asked Professor Borat if mobility could also be a solution to problems in South Africa. In his answer he stressed that the main challenge was bringing people to the cities in ways that enhanced access to decent work and facilitated job search, without spatially redistributing unemployed workers. In his view, transport subsidy was an example of an effective measure to facilitate job search and mobility.
10. Ms Shah then asked Mr Cortebeeck to comment on why more workers have not turned to trade unions given the current social environment. Mr Cortebeeck noted that while in Belgium trade unions retained a high level of membership both among employed and unemployed workers, internationally there had been no increase in membership levels and organization of workers, in general, had become a challenge. In order to achieve a good level of social dialogue, he said, there was a need for strong workers’ and employers’ organizations and for better respect for ILO Conventions Nos 87 and 98, as still in many countries organizing and establishing trade unions remained very difficult.

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11. In reference to how worrisome the EU situation was for China, Mr Wang Xiaochu said that it was indeed a matter of concern in China, which was now deeply involved in international trade. He further explained that, while the level of exports had declined, it still accounted for a significant share in China's economy and the growth rate and performance of the export and import industries had a strong impact on employment.
 12. Referring to the 2008 crisis, Ms Matthei said that, in Chile, GDP dropped by 1 per cent while unemployment was kept relatively low at 6.5 per cent, mainly due to fiscal measures adopted by the Government. For illegal workers, the challenge was to grant and preserve their rights as workers and human beings.
 13. Mr Wang Xiaochu stressed that the high rate of growth registered in China, 10 per cent over the past 30 years, was neither sustainable nor feasible in the long term for such a large economy. Downsizing economic growth was feasible, but only if the overall quality of the economy was improved, by scaling up and improving the level of industrial development.
 14. Mr Bhorat drew attention to the special case of South Africa, where jobs were a basic necessity, especially for young people who had never been employed. The cost of providing decent work for the 4.5 million unemployed people proved to be too high in light of the levels of economic growth registered. He underlined that for his country, job creation came first as a priority, followed by incremental upgrade to formal decent work.
 15. Mr Cortebeek stressed the problem of precarious employment which had indeed become a growing problem in all regions of the world, not only for workers, but for governments and employers as well. He stressed that the focus should not only be on wages, but also on the quality of jobs and that employment had to go together with wages and social dialogue.
 16. In support of Mr Bhorat's comments, Ms Matthei recalled that when tackling the unemployment rates in Chile, which at one point were as high as 25 per cent, the initial objective was to create jobs, any jobs, and that it was only at a later stage that questions arose of how to produce better and productive jobs, required by export partners. To tackle this challenge, Chile has supplemented low wages with income subsidies and developed a system based on personal numbers to identify the poorest and provide them with negative income tax.
 17. A representative of the Dominican Republic emphasized that, in the aftermath of the global crisis, the rich and poor were speaking the same language in terms of the lack of jobs. She asked how the strategies of the twentieth century could be changed to match the challenges of the twenty-first century.
 18. In his response, Mr Shokhin noted that many developed and developing countries were having similar problems as production in many countries depended on the high level of production of either Germany or China which both had retained high growth rates. Referring to the role of the G20 and its upcoming meeting in Mexico, he stressed the importance of a harmonized action plan and coordinated implementation and emphasized the role of the ILO, as an institution based on social partnership that could make a significant contribution to the coordination of these efforts.
 19. Mr Shorten stressed that a society with pockets of disadvantaged groups, where women and men were not getting equal treatment in terms of employment and pay, where people with disabilities were treated as "second class" citizens, could not achieve its full potential. Mr Bhorat recalled that the consequences of the crisis were dealt with locally, and internal, country-specific architectures were needed in order to tackle future crises, whether financial, economic or environmental. Mr Cortebeek warned against the financial sector and rating agencies, which in his view, were taking over democratic countries and

governments. He went on to say that all countries were now providing examples of how the world is changing towards a worsening social situation. Ms Matthei recalled the Chilean experience, where the lessons learnt from the 1992 decoupling had proven relevant for the 2008 crisis, in terms of the need for fiscal responsibility and regulation of the financial sector. Both Mr Bhorat and Ms Matthei agreed that the situation in China remained a concern for the global economy, which would undoubtedly be affected by a potential reduction in Chinese growth, fuelled by a property bubble. Mr Shorten went on and called for fair and flexible labour market policies, increased productivity, and collaborative workplaces as part of the response to current challenges.

20. Bringing up the issue of youth employment raised by the moderator, Ms Matthei stated that youth unemployment was indeed an issue to be addressed firmly and seriously in Chile, where, having an unequal educational system, the Government was focusing strongly on strengthening education and training.
21. In the Russian Federation, youth unemployment was further complicated by the high level of education which provided both challenges and opportunities. Mr Shokhin asserted that vocational training and skills matching systems were needed to tackle this problem and discussed the planned restructuring of the vocational training system. In doing so, he emphasized the need for employers to get involved in the development of professional standards and vocational training.
22. Referring to the outcomes of the Committee on Youth Employment, Mr Cortebeeck said that alongside training, vocational training and education in general, investment and macroeconomic policies were crucial, as training in itself would not be sufficient to deal with the employment challenge.
23. Closing the debate, Ms Shah asked the panellists to elaborate on their expectations of the International Labour Organization. Mr Cortebeeck said that the ILO had an important role in the global context, especially by providing concrete good practice policies and employment strategies, acting as a guide for social partners and governments. Professor Bhorat stressed ILO's potential role in future crises, through country-specific interventions and concrete policy suggestions. Mr Shokhin invited participants to continue the debate during the international conference on decent work to be held in December in Moscow, when the Russian Federation will take over the G20 presidency. Mr Shorten called for ILO leadership in defining and furthering the understanding of what policies work in crisis, as countries tackle different aspects of the same challenges. He also reminded participants that establishing minimum standards for workers was not implying low expectations. Ms Matthei said that the ILO should seek to provide opportunities to learn about best practices and experiences in crisis: what worked, what did not and, most importantly, why.

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