

World of Work Report 2010

from one crisis to the next?

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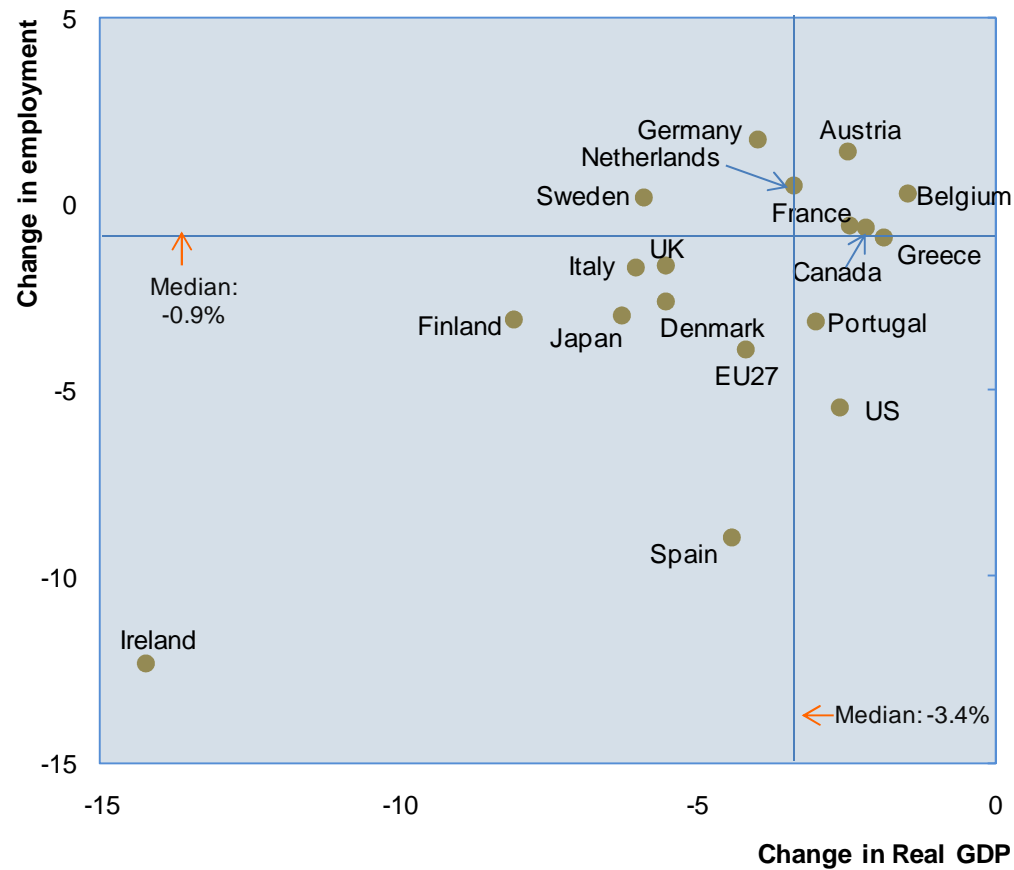
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Outline of presentation

- Job-centered measures at start of crisis: they worked!
- Situation still fragile
- Moving forward

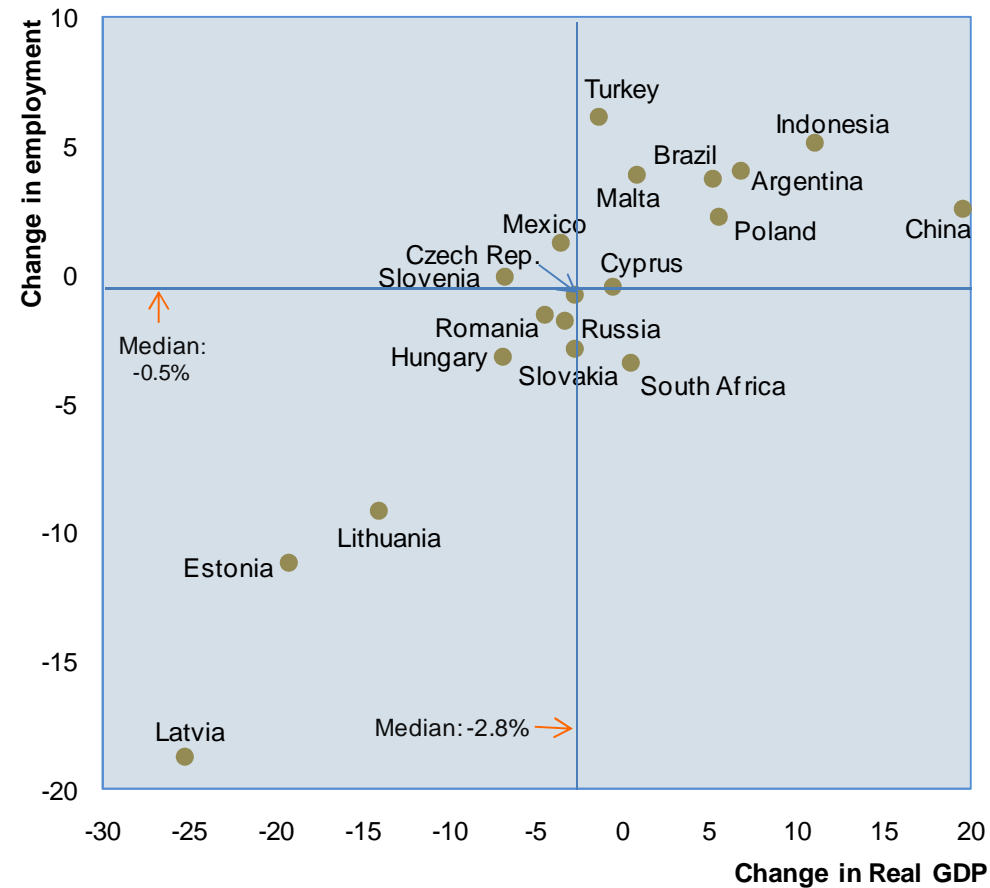
A. Job-centered policies: employment fell less than GDP compared to previous crises...

Change in employment and GDP from Q4 2009 to Q4 2007 (per cent)



... including in middle-income economies

Change in employment and GDP from Q4 2009 to Q4 2007 (per cent)



Employment was taken into account at start of crisis: Global Jobs Pact

- Credit to sustainable enterprises and existing viable jobs (Germany, Argentina)
- Job-centered demand stimulus
 - Strengthened social protection (Brazil, China, India, Angola)
 - Extension of unemployment benefits, active labour policies (EU, US, Japan)
 - Support to minimum wages (Brazil, Korea)
 - Employment-friendly infrastructure (Egypt)
- Counterproductive measures were relatively limited, initially
 - Labour deregulation, wage deflation, trade protectionism

B. Global crisis not over yet

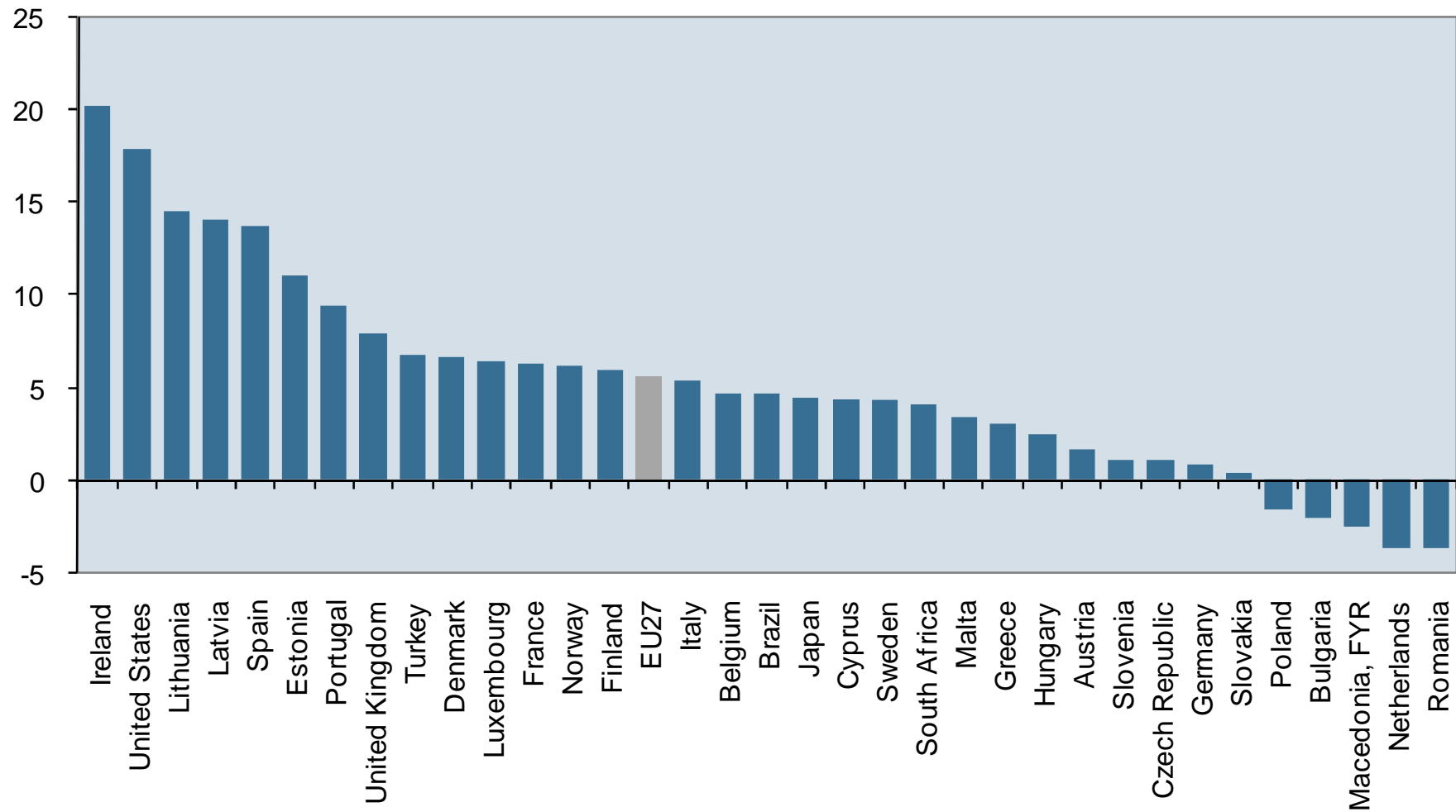
- Drivers of world growth weak
 - Subdued private consumption (employment situation, sluggish wages)
 - Private Investment affected by uncertainty, deleveraging, financial turmoil
 - Fiscal policy under growing constraint
- => Risk of competitiveness approaches (currency 'wars'? wage/social policy to support exports? Protectionist solutions?)**

Change in wage share in trade surplus and deficit countries (1995–2000 and 2000–05)



Risk of long-term labour market recession...

Change in the incidence of long-term unemployment
(Q1 2010 – Q1 2009, in pp.)



Risks with respect to social cohesion...

	% of countries out of the total sample	% change in unemployment rate compared to countries that did not show deterioration (Q1 2008 – Q1 2010)
Declining perception of standard of living/quality of life	75.6	2.8
Lower confidence in government	50.0	2.7
Lower job satisfaction	67.6	3.5
Increased perception of unfairness	55.4	1.5

C. Moving forward:

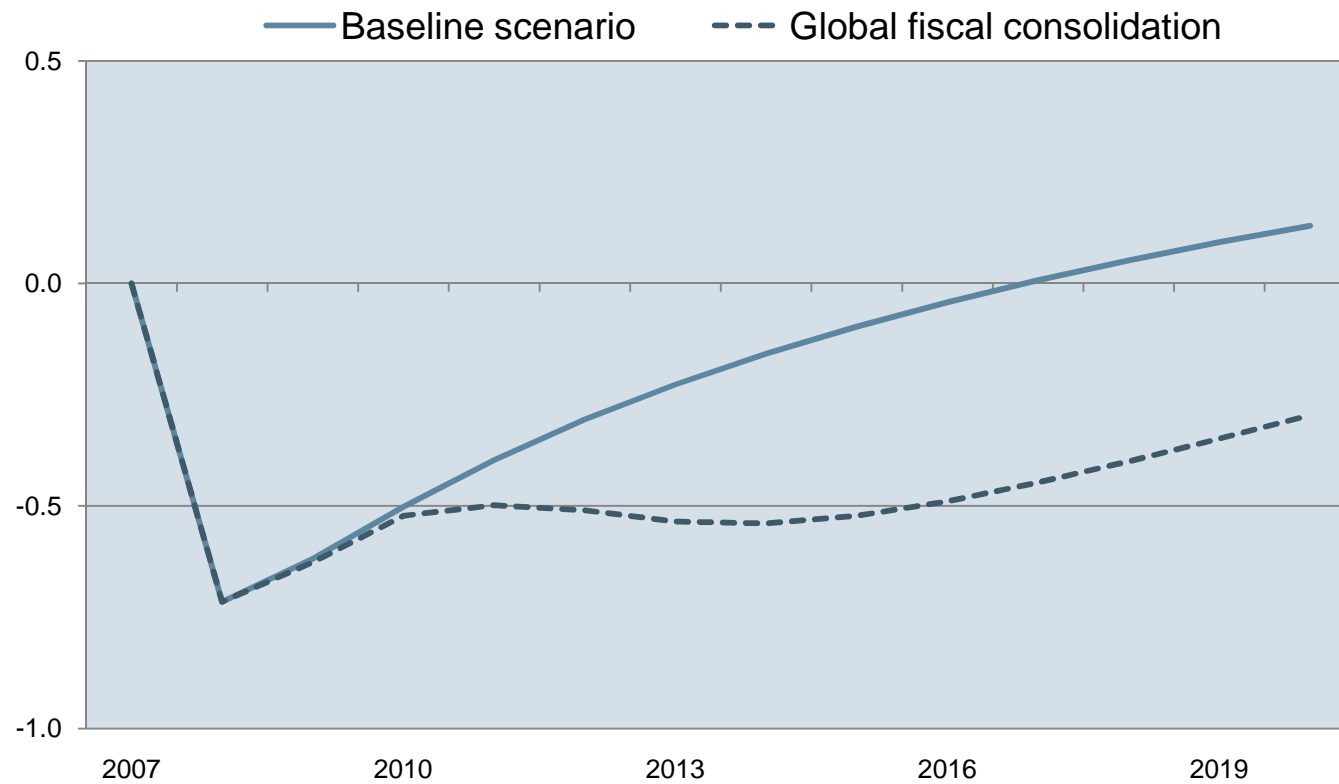
1) Promoting employment while meeting fiscal goals

Public debt as % of GDP

	2007	2009	2010
Advanced G20	77.9	96.9	104.4
Emerging G20	37.3	37.4	37.0
United States	62.1	83.2	92.6

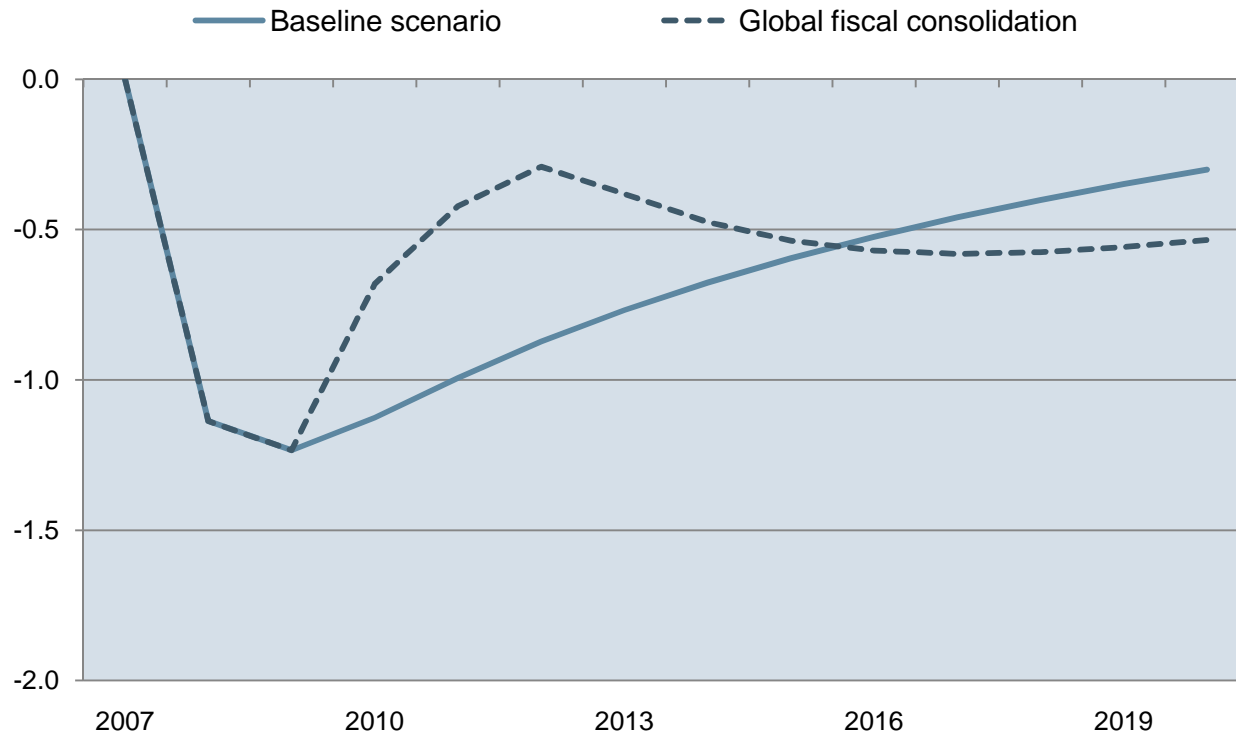
Fiscal austerity would hit employment significantly...

Employment growth under various scenarios



...while a job-centered approach – not expensive in short run – leads to lower deficits in longer run!

Government deficit under various scenarios



2) Rebalancing drivers of growth

Policy options for rebalancing the world economy (impact on unemployment by scenario)

	United States	China
Yuan appreciation	0.1	1.8
Asia rebalancing	-0.1	-1.4
Aggressive cut in US deficit	3.1	0.7

3) Financial reform to serve real economy

- Reform would increase policy space for recovery/decent-work oriented strategies...
- ... ease access to credit by viable enterprises...
- ... reduce volatility of capital flows, and thus limit the tendency to adopt export-oriented strategies and use “competitiveness” approaches

Some examples...

- Clearer separation between commercial banking and own-account banking
- Introduce a financial activities' tax
- Regulate international capital flows (Tobin's tax or other)
- De-link bonus pay from short-run gains
- Standardize financial products
- Limit and regulate the role of rating agencies

Final remarks

- Promoting job-centered recovery helps the economy and reduces risk of social unrest
- Need for policy coherence within countries
 - Macro and employment policy
- ... and among them
 - Avoid competitiveness approaches

“ A financial crisis bears striking similarities to medical illness. In both cases, finding a cure requires identifying and then treating the causes of the disease” (BIS Annual Report, 2009)

Thank you for your attention!

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