

Responding to the jobs crisis through an inclusive approach

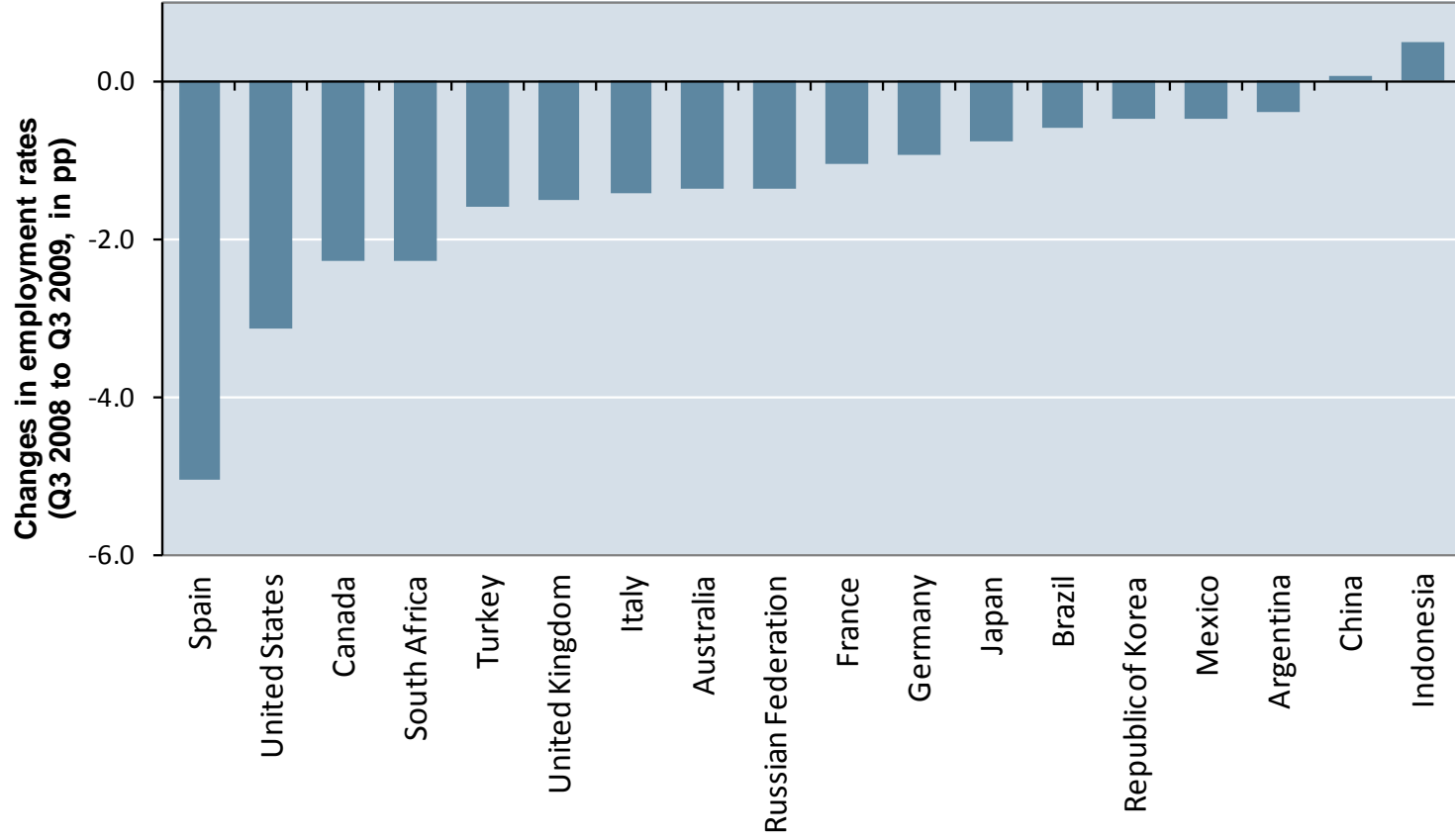
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Outline of presentation

- What is the evidence?
- How to implement an inclusive approach in countries like Spain? 2 key priorities
- How to make it happen?

Employment rates declined significantly...



...but it could have been worse –less employment fall than GDP fall

Change in employment and GDP from peak to trough (per cent)

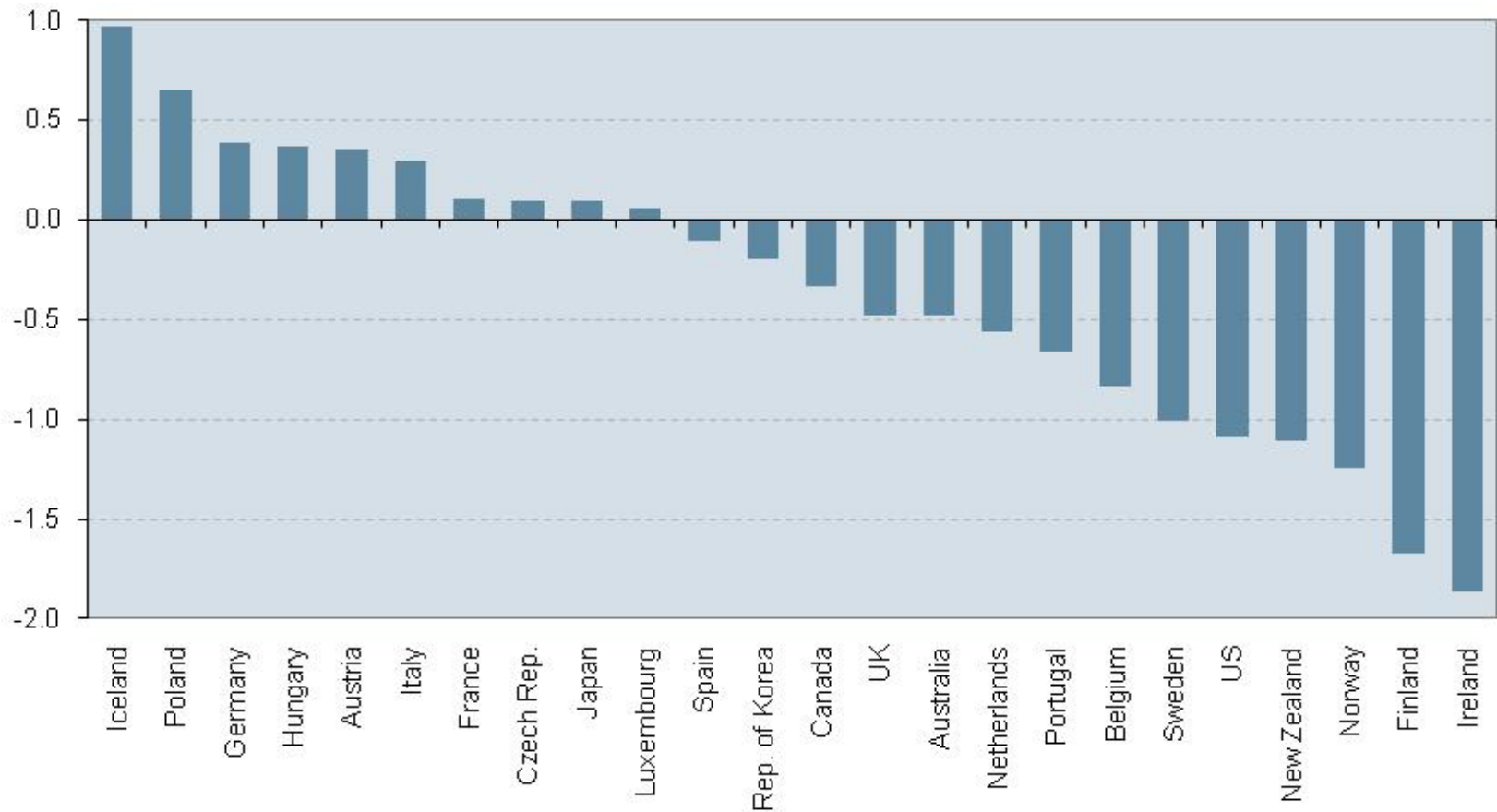


Different unemployment outcomes, for broadly similar falls in GDP

- Limited increase in unemployment:
 - Austria, Germany, Netherlands
 - Inclusive approach worked! (but with right macro settings)*
 - Also in Italy, Japan & Korea (wage flexibility)
- Strong increase in unemployment in:
 - Ireland, Spain, US

Huge risk: long term unemployment and exit from labour market

Percentage point change in labour force participation rates, 2008 Q4 - 2009 Q4



- Now is the time for active labour market policies, consistent with adequate benefits
 - Density of contact between Public Employment Services and clients (UK)
 - Recruitment of qualified PES staff
 - Motivation effects for clients (Denmark)
 - Motivation for PES: especially in decentralised (Canada, Switzerland)

Promoting job creation as the economy recovers

- Well-designed labour regulations
 - Reducing duality via social dialogue: the case of Austria
 - Making dismissal process more predictable (Netherlands)
 - Penalising unfair/discriminatory dismissal (UK post 1997)

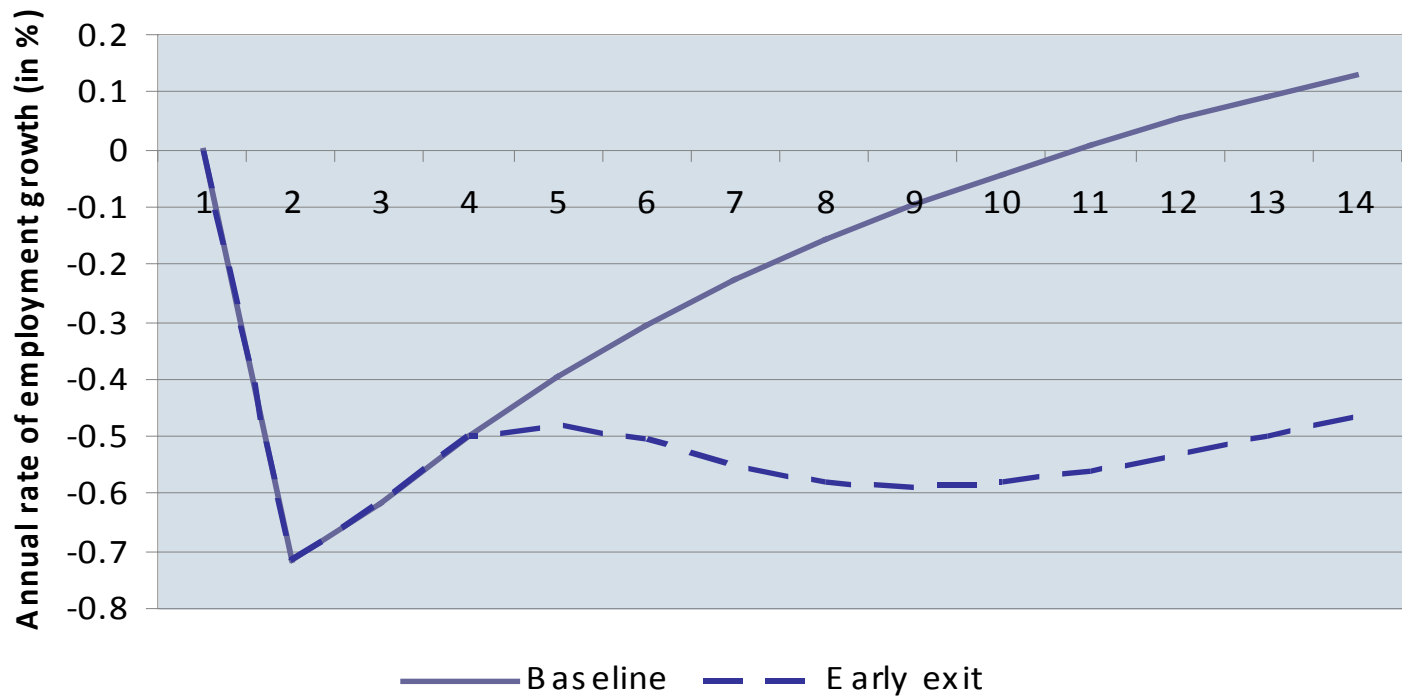
How to make it happen? 1) Careful exit from fiscal stimulus

Public Debt (% of GDP)

	<u>2007</u>	<u>2009</u>
G20	62.0	75.1
US	61.8	83.9
Euro-zone	70.9	81.8

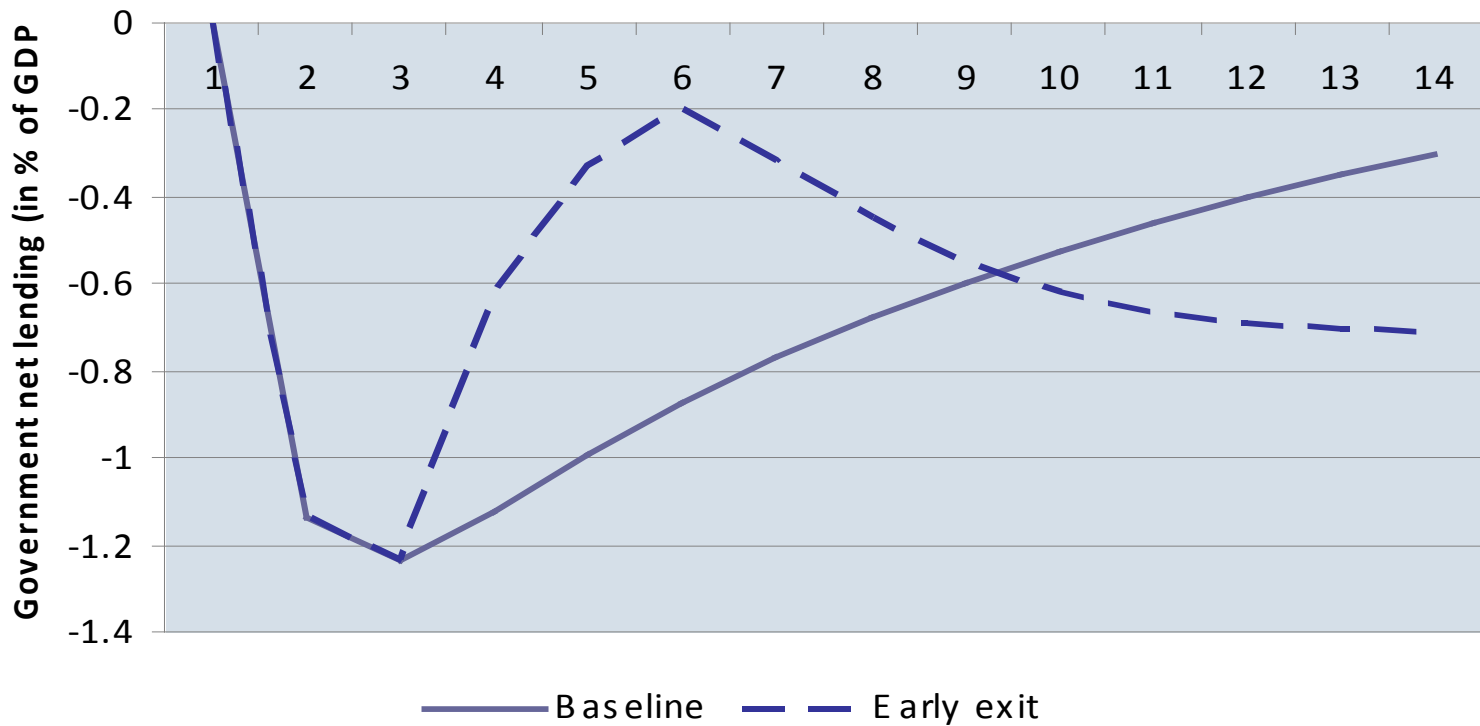
Early exit would hit employment significantly...

evolution of employment between 2009 (year 1) and 2020 (year 12)



...while being expensive to public purse over the longer run

evolution of fiscal deficits between 2009 (year 1) and 2020 (year12)



Type of exit makes a difference

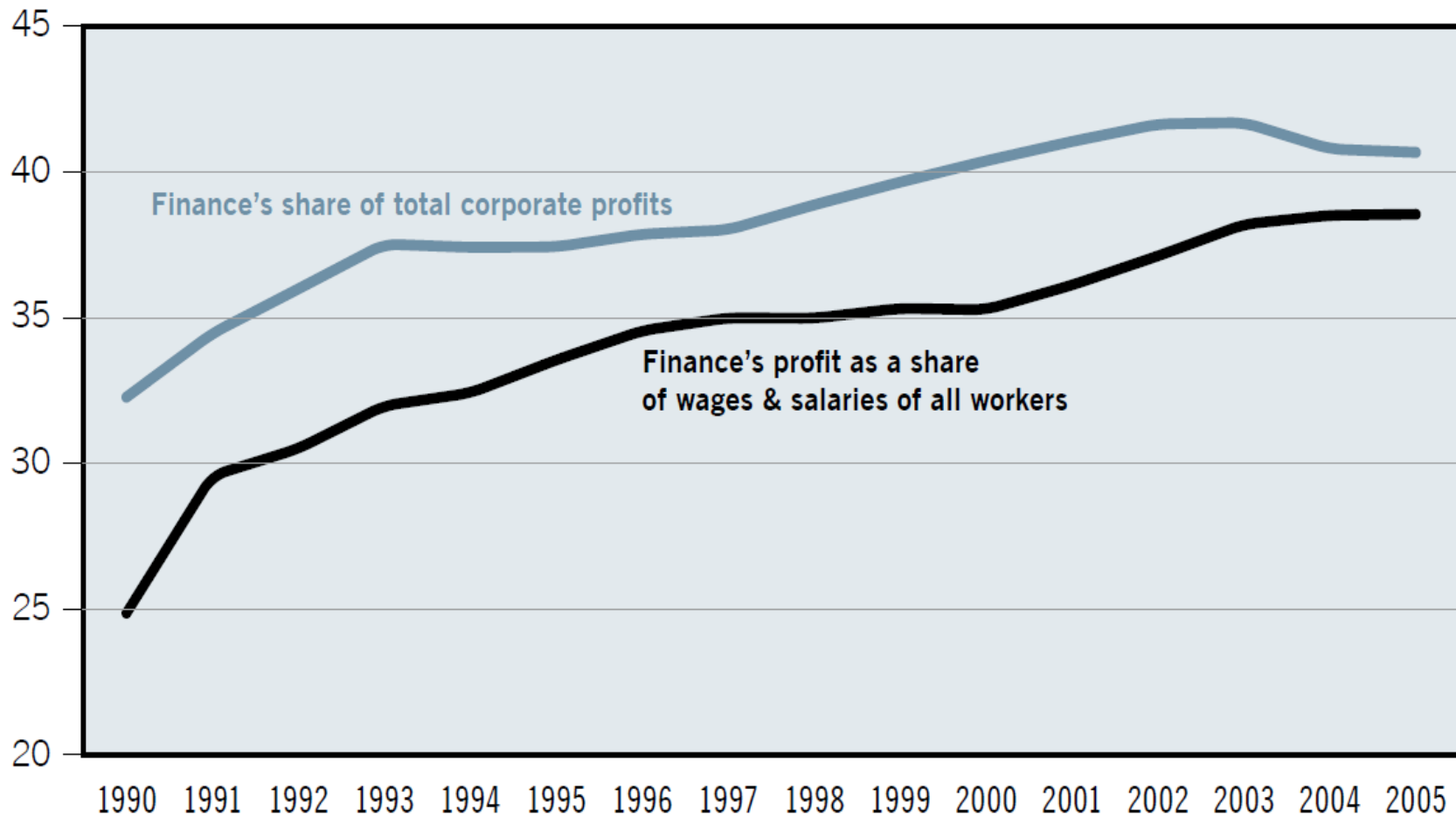
- Some revenue measures can be used:
 - Green taxes
 - Fight against tax competition and evasion, more progressive taxation
- Some programmes have strong job multiplier, for limited budget cost: PES interventions (but less need now for infrastructure programmes)

2) The approach has to be seen as fair

- Coherent and balanced package of reforms
 - Reform of the financial system important on its own and also for fairness reasons
 - Activation-cum-labour regulations
 - Addressing growing income inequality

More and more profits accrue to the financial sector, affecting real investment, wages and job stability

Profits of the financial sector in advanced economies



Final remarks

- Job-centered recovery crucial, through inclusive approach (not “deregulation” mantra)
- Fiscal space limited, but careful exit needed to avoid prolonged jobs crisis
- The less financial reform, the less the room for supporting jobs and the economy

Thank you for your attention

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