

## The London Jobs Conference 2009 – Chair’s Report

### Summary

- a. The London Jobs Conference on 24 March 2009 gathered experts from across the G20 countries. The Conference shared best practice in employment policy and agreed priorities to support the Leaders at the London Summit of G20 countries on stability, growth and jobs. The Conference received two background presentations from the ILO and OECD. Discussion in three working groups focused on the following issues: **real help now to get people into productive employment; real help now to support the most vulnerable; and jobs and skills for now and the future.**
- b. We face the greatest economic upheaval since the 1930s – a truly global crisis, and one with a tremendous human cost. World unemployment increased by 11 million last year to 190 million, and the ILO estimate it could rise by a further 40 million by the end of 2009.<sup>1</sup> This is a personal crisis for millions of people and their families – 53 million people worldwide are forecast to fall into poverty in 2009 alone.<sup>2</sup> Young people, women and vulnerable groups including migrant workers may be especially affected.
- c. The significant fiscal, monetary and financial actions taken over the last year by the G20 and other countries directly support growth and jobs. Acting together strengthens the impact: the IMF estimates that around one third of the growth benefits from individual countries' fiscal action are felt in other countries.<sup>3</sup>
- d. The governments of the G20 countries have a responsibility to help people and their families through the difficult times of the recession: helping the unemployed to find work; combating poverty and promoting an early return to growth and rising employment into the future.
- e. This means getting the fundamentals right through stable macroeconomic policies, well-functioning financial markets, and a commitment to share the benefits of trade. Protectionism, instead of saving jobs, tends to worsen the crisis and damage job growth. Governments should address employment as a major goal in their crisis-response and recovery policies.

The Jobs Conference proposed the following **three priorities** for G20 governments:

- helping people back into work to avoid the scars of long term unemployment. Governments can help with active labour market policies and through policies to maintain or increase labour demand;
- supporting the disadvantaged and vulnerable groups through social protection policies, linked to employment measures and, where appropriate, development assistance;
- developing effective and targeted education and skills policies to support employability both for existing labour market conditions as well as jobs for the future, including green jobs and new technology services.

- f. A coordinated response is needed but each country’s economic, social and labour market conditions and institutions are different. Countries and international organisations should continue to work together, combining resources to share lessons, and draw up more detailed recommendations for their labour market and social protection policies in both the short term and long term.

<sup>1</sup> ILO: The financial and economic crisis, March 2009

<sup>2</sup> World Bank

<sup>3</sup> IMF: Group of Twenty – Meeting of the Ministers and Central Bank Governors, March 2009

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### The Jobs Conference

1. As part of the preparations for the Summit of G20 countries, labour market experts from the G20 countries met in London on 24 March 2009 with representatives of international organisations. The Conference shared analysis of labour market trends and examples of best practice in employment policy and identified a number of **priorities** to support G20 governments in their response to the current global downturn.

### Labour market evidence and analysis

2. The OECD and the ILO gave analytical presentations setting out the impact of the crisis on jobs.
3. The global economy is under severe pressure. The IMF predicts that world output will fall by between 0.5% and 1% in 2009 - the biggest annual fall in output for over 60 years. All economies are affected by this and many are suffering a significant slowdown in industrial output<sup>4</sup>.
4. These falling growth rates affect labour markets. Around the world, some 3 billion people are in employment and nearly 200 million are unemployed. After falling for four consecutive years, the rate of unemployment rose by 0.3% to 6.0% in 2008 - equivalent to an increase of 11 million people out of work<sup>5</sup>. Unemployment could rise by a further 40 million by the end of 2009<sup>6</sup>.
5. Unemployment has a human as well as an economic cost. Those who lose their jobs can experience a sharp drop in family income and millions more feel less secure. Women and vulnerable groups including migrant workers may be particularly affected. Young people in both developed and developing economies already face challenges. Between 1997 and 2007 youth unemployment rose by 8 million<sup>7</sup>. Women, particularly in developing countries, may be in jobs which are affected more significantly by the global crisis.
6. Among the OECD countries, the impact has been significant with a fall in employment in 2008 of some 2.9 million in the US and 0.64 million in Japan. Many European countries have experienced smaller, but still significant, reductions.
7. Emerging economies and developing countries are also feeling the impact on their labour markets. The ILO suggests that vulnerable employment<sup>8</sup> might increase by some 25 million between 2007 and 2009.
8. Social protection to alleviate the hardship felt by the people caught up in the global downturn varies significantly across countries. The IMF shows that social spending as a share of GDP is as high as 14% in advanced economies, and can be as low as 2 to 3% in Asia, the Middle East and sub-Saharan Africa. In many emerging economies, as much employment is in the informal economy, the majority of workers do not contribute to basic social security coverage, including

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<sup>4</sup> IMF: World Economic Output Update, January 2009

<sup>5</sup> ILO: Global Employment Trends, January 2009

<sup>6</sup> ILO: The financial and economic crisis, March 2009

<sup>7</sup> ILO: Global Employment Trends for Youth, October 2008

<sup>8</sup> Ibid. Vulnerable employment is measured by own account workers and contributing family workers.

unemployment benefits. The World Bank forecasts that the crisis could push a further 53 million people into poverty in 2009, equivalent to a daily income of under \$2. This in turn will cause people to sell the assets on which their livelihoods depend, withdraw their children from school, and suffer malnutrition.

9. Experience suggests that even during recovery after a recession it can take several years for employment to return to levels prior to the recession. The OECD and the ILO put forward possible responses included considering the OECD Jobs Strategy and the ILO's Global Jobs Pact.

### **Getting the economic conditions right**

*We must get the fundamentals right: a stable macro-economy with open and well-functioning financial markets*

10. The governments of the G20 countries have a responsibility to help people through the difficult times of the recession, helping the unemployed to find work and promoting an early return to growth and rising employment.
11. This means getting the fundamentals right through stable macroeconomic policies, well-functioning financial markets, and a commitment to share the benefits of trade. Each country will have different economic priorities, but there is general agreement that the fundamental requirement for employment growth has to be a stable macro economy with well functioning financial, product and labour markets. These create the right conditions for expansion of economic activity, productivity and trade.
12. G20 governments have put in place substantial fiscal, monetary and financial measures to support their economies and restore growth. The exceptional fiscal stimulus measures announced so far amount to a stimulus of 1.8% of G20 GDP in 2009 and 1.3% in 2010. The IMF estimates that the impact will be to increase output by 2 percentage points and to save or create 19 million jobs<sup>9</sup>. Acting together strengthens the impact: the IMF estimates that around one third of the growth benefit derived from fiscal action taken by individual countries is experienced outside those countries.
13. Promoting employment also means promoting effective labour market policies in which employers are encouraged to hire people. It is also important for the unemployed and the underemployed to be supported through employment agencies and incentives for employees to seek work and increase employability.

### **Priorities for employment**

14. The Jobs Conference proposed the following **three priorities** for G20 governments:
  - helping people back into work to avoid the scars of long term unemployment. Governments can help with active labour market policies and through policies to maintain or increase labour demand;
  - supporting the disadvantaged and vulnerable groups through social protection policies, linked to employment measures and, where appropriate, development assistance;

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<sup>9</sup> IMF: Group of Twenty – Meeting of the Ministers and Central Bank Governors, March 2009

- developing effective and targeted education and skills policies to support employability both for existing labour market conditions as well as jobs for the future, including green jobs and new technology services.

### **Help now to get people into productive employment**

*We must maintain and strengthen policies that get people into jobs and improve their skills*

#### **Key points from the Working Group:**

- **maintaining or developing labour market institutions and spending that delivers active labour market policies to prevent unemployment.**
- **ensuring the optimal design of fiscal stimuli packages.**
- **working to reduce non-wage labour costs – for example, by temporarily deferring or reducing employers’ social security contributions.**
- **looking at alternatives to redundancy – for example, to combine short time working and work-sharing with training.**
- **monitoring and sharing labour market policy developments in response to the crisis.**
- **exploiting labour market dynamics.**
- **focusing action on those furthest from the labour market and disadvantaged.**
- **focusing on training and skills for employment.**

### **Summary of Working Group Discussions**

15. The labour market is dynamic and even when the numbers of unemployed are high, there are still substantial flows into work. That is why helping and encouraging the unemployed in active job search is at the core of effective labour market policy. However, those who are out of work can be at a disadvantage in pursuing the job opportunities that arise, because they may lack the necessary skills and experience. Building the capacity of Public Employment Services capable of delivering active labour market policy was viewed by many countries as a key priority.
16. So there is a particular responsibility on governments to help people to avoid long term unemployment, investing in the support and training to improve the chances of finding work. With rising unemployment, resources for effective active labour market policies need to be scaled up and sustained to meet demand. Appropriate investment in training during the downturn may well have longer term positive impacts, especially for younger people. There is significant evidence that policy focused on these areas makes a real difference. It is important to work with specific sectors on future skill requirements in response to economic change.
17. Long term unemployment or underemployment, and the impact this has on both men and women is a key issue for all countries to tackle. Reducing the labour supply is not an effective option. Evidence shows that reducing the labour supply by early retirement schemes and exemptions from job search for the older unemployed may undermine labour supply.
18. In countries where formal employment markets are less extensive, governments should look to reform domestic food, fuel and micro-finance markets to make a real difference to the lives of their people and to ease the costs of doing business for the many small informal enterprises in which most people are employed.

19. A number of countries are deferring Employer Social Security Contributions (National Insurance contributions) or other employer non-wage labour costs. This both encourages companies to maintain employment levels and provides firms in difficulties with assistance with cashflow at a time when credit may be difficult to obtain, even for viable firms. Some countries are subsidising work-sharing schemes when combined with training, in some cases making training a requirement. Such proposals, which combine an element of fiscal stimulus with support to employment, are worth consideration.
20. In Korea, actions taken include intensive employment assistance with vocational counselling; individual action plans; expansion of training; and use of specialised agencies to support re-employment.

### **Help now to support the most vulnerable**

*We must increase social protection and opportunities for the most vulnerable to help make global recovery sustainable*

#### **Key points from the Working Group:**

- **an emphasis on employment as the key way out of poverty.**
- **the importance of provision of benefits to protect the poor.**
- **linking social protection to labour market measures, for example, by encouraging job search.**
- **learning from each other and exchanging best practice, particularly in a recession.**
- **implementation of measures to increase employment, for example, through public works, support for self employment, and for part time working.**
- **the importance of training and education, including in basic skills.**
- **delivery through partnerships with the private and voluntary sectors.**
- **use of development assistance to help poor countries provide social protection, to expand and develop provision.**

### **Summary of Working Group Discussions**

21. Providing support to the most vulnerable through social protection and access to productive and sustainable employment can be mutually reinforcing strategies. Social protection has economic benefits in terms of providing automatic (and hence timely) fiscal stabilisers and smoothing consumption. Social protection is an investment in sustainable socially based development, not a cost factor. A global recovery will not be sustainable unless it benefits the poorest and provides them with opportunities to escape poverty.
22. Protection for the poorest is also important to ensure that people who lose employment income are able to support themselves and their families and avoid long term poverty. Responses will depend on individual countries' circumstances: in many countries, this may well involve non-labour market measures such as protecting expenditure that extend access to quality public health and education services and school feeding programmes, as well as inclusive markets and participation in employment.
23. Recent history in many G20 countries shows us that a downturn can be an occasion to reassess social protection systems to ensure that they are efficient,

effective and helping the most vulnerable and to develop such systems where they do not exist. However, this should not divert attention from using whatever effective systems already exist to deliver quickly to those in need.

24. For those without the means to implement fiscal action, it is important that International Financial Institutions lending to developing countries should support appropriate counter-cyclical policies. For countries lacking appropriate social safety nets, the international community should facilitate protection for the poorest through existing international aid mechanisms and institutions. Consideration should be given to ideas contained in proposed new vehicles such as the Vulnerability Financing Facility, which is being developed and which is supported by some members of the G20.
25. By working on the principle that employment is the best tool for social inclusion and introducing a labour market observatory to monitor developments closely, Argentina is building on the valuable lessons from their 2001-02 crisis to expand their social assistance programmes. By similarly building support based on the evidence of what works, Mexico's Progressa programme now helps 25 million people, providing cash transfers for poor families to help them access health and education services. Turkey has taken some measures to increase female and youth employment through reductions in non-wage costs.

### **Jobs and skills for now and the future**

*We must invest in our people to make a reality of our common goal of a sustainable, energy efficient economy of the future*

#### **Key points from the Working Group:**

- **the risk of de-skilling during a recession with high future cost of long-term unemployment - recovery will be delayed without the right skills.**
- **investing in skills. For the short term, raising employability in the recession. For the longer term, preparing for the jobs of the future.**
- **investing in skills in ways that enable people to stay connected to the labour market, and to adapt to changing economic conditions.**
- **upgrading skills at all levels, including high level and generic and basic skills.**
- **the need to invest in skills is a challenge for all sectors and skill levels.**
- **considering and responding to the implications of a green economy - not just for new jobs in new sectors, but across the wider economy and labour market.**
- **the importance of working internationally to ensure we share experience of what works in different conditions in what is a global laboratory.**

### **Summary of Working Group Discussions**

26. Sustainable jobs for the future depend on investment in people and skills. People are the key resource of countries and their skills will be critical to the recovery. Delegates recognised that their people and economy benefit from wide access to quality training and education. These increase productivity and help people to find sustainable employment.
27. Countries have varying skills profiles and sectoral distribution of employment - but there is an overall need to improve the capacity for anticipating future jobs and skills, to better match the supply of skills with labour market needs.

28. It is important to recognise the risk that extended periods out of work can reduce the skills that individuals have already built up, which further impacts on their attachment to the labour market.
29. It is vital that employers are fully engaged with this agenda. In a number of countries, stronger links are being forged between employers and education and skills providers. These ensure that individuals develop the skills and attributes to take up the new jobs that continue to be created. Particular attention should be paid to the small business sector, which is such a vital area of employment growth, but which can have problems accessing resources for training.
30. Countries are taking a range of other measures. For example, Canada is improving the skills of its people through new incentives in training for those affected by the downturn, supporting work sharing arrangements to retain skills of those currently employed and pursuing industry sector partnerships to identify future skills requirements.
31. The importance of employment growth and demand for new skills in the fast developing new and emerging sectors of the economy was recognised. This included opportunities presented by transition to a low carbon, more energy efficient economy as well as developments in, for example, ICT and digital services. However, it was stressed that employment and skills priorities could vary from country to country depending on national and sectoral economic and labour market conditions.

## **Conclusion**

32. Representatives of the G20 countries agreed that it was vital that the London Summit sent a strong message to the people of our countries that all our actions – fiscal, monetary and financial – are directed at the ultimate goals of stability, growth and jobs. In addition, the conference identified a number of areas where labour market and social protection policies could be strengthened; doing so would not only mitigate the impact of the crisis on individuals and families, but would make the economic downturn shorter and would strengthen the recovery and make it more sustainable.
33. While labour market policies must respond to the situations of individual countries, countries and international organisations should continue to work together, combining resources to share lessons and draw up more detailed recommendations for their labour market and social protection policies in both the short term and long term. Within the G20 process and through the responsible international organisations we should continue to monitor labour market policy responses and their impact, so that countries can share best practice. Only by working together will we mitigate the impacts of this downturn and ensure sustainable recovery.