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In reply please quote:
Circular N° 47(2009)

**To all affiliated organisations
To all Global Union Federations and TUAC**

For information:

**To all General Council Members
To all Women's Committee Members
To all Youth Committee Members**

GO/EB/ESP

20 August 2009

The ILO Global Jobs Pact and the global economic and financial crisis

Dear Friends,

Further to ITUC Circular No. 37 (2009) I am writing to highlight the importance of the ILO Global Jobs Pact, particularly given its advocacy of a strong trade union role in all efforts to design and implement national responses to the global economic and financial crisis. This circular therefore aims at providing concrete guidance on how to use and advocate the various aspects of the Pact.

The ILO Global Jobs Pact (GJP) was negotiated by Governments, Workers and Employers during the June 2009 ILO International Labour Conference and was adopted formally on the 19th of June. It provides a framework for a comprehensive tripartite response to the crisis with the objective of maintaining and creating employment. The GJP is based upon the Decent Work Agenda and the 2008 Social Justice Declaration and therefore the four pillars of Decent Work form the basis for the actions proposed in the GJP. The Pact can be found at: http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_108456.pdf and a copy is attached.

Beyond immediate employment challenges the GJP recognises that the current social and economic crisis has profound structural causes, and that without addressing these any recovery stands to be temporary with a serious risk of a recurrence of similar crises in the future. Such structural issues require reform of the global economic and financial system and a more equitable distribution of income within societies.

The GJP emphasises the need for social dialogue, and therefore the first step in its implementation needs to be tripartite discussion of its role in national responses to the crisis. We would therefore urge you to use the GJP as a basis for discussions with your government and employers when analysing the impacts of the crisis and in discussing possible responses. The GJP can be used to support the establishment of a tripartite



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consultation process or mechanism. Such a consultation process also requires the participation of all relevant ministries dealing in one way or another with the crisis so as to ensure policy coherence in the responses to it.

The GJP clearly identifies the lack of aggregate demand as one of the main causes and risks of the deepening employment crisis, and provides a number of policy tools to increase aggregate demand and combat wage deflation. These policies advocated in the GJP for immediate action include, in particular:

- ***boosting effective demand, including through the use of stimulus packages.*** Currently many resources are being allocated to bailing out the financial system alone, but it is important that stimulus packages contribute to the creation of decent employment (such as public job creation schemes, increasing investment in infrastructure, research and development, public services and “green” production and services) or directly lead to maintaining or increasing demand by providing unemployment benefits, or partial unemployment benefits in the case of reduced working time schemes.
- ***maintaining wage levels and avoiding deflationary wage spirals.*** Wage reductions will lead to lower aggregate demand, which has to be avoided in order to prevent the crisis getting worse. In order to prevent deflationary wage spirals affiliates can use tripartite social dialogue to set out the risks of deflation; undertake collective bargaining to counter deflation; contribute to setting of minimum living wages so as to build a minimum wage floor into the system; and work to narrow the gender pay gap.
- ***keeping people in jobs*** has to be a key priority, at the same time as any reduced working time and wages must be compensated with partial unemployment benefits so as to maintain aggregate demand. Reduced working time arrangements could also be used to provide training and skills development.
- ***expanding social protection.*** Both as an immediate response and in order to provide automatic stabilisers for the future a basic social protection floor needs to be built everywhere, and where such a floor already exists social security coverage should be extended. Indeed, the GJP’s call for a basic social floor and the extension of social security for all is a major step forward in advancing these trade union priorities; in your demands, it would be important to ensure as a minimum that all people are protected against health, unemployment, old age and disability risks, and that child benefits are provided. It is important to include temporary and non-regular workers in such schemes.
- ***old-age security.*** As pension funds have suffered losses in some countries, measures by governments are required to ensure minimum benefit guarantees, as well as for safeguards to be built into current and future schemes to ensure better protection of workers’ savings.

Furthermore, the response has to address the root causes of the crisis. Vested interests will certainly defend the current system, but a sustainable and fair global economy is only possible if thorough systemic changes are made. In particular emphasis is given in the GJP to:

- the important role of the state, the need for which is demonstrated clearly by the failings that led to the crisis as well as through the important role taken by governments in the various responses. This is essential in order to restrain the excesses and inherent instabilities of unregulated free markets as well as to ensure an equitable distribution of costs and benefits and achieve good working conditions and adequate incomes for all. The GJP recognises this important role for the state, which in the case of developing countries also means a role for the state in the development process. Affiliates can play an important role in promoting the role, responsibility and transparency of the state in response to the crisis and beyond.
- the need to reduce inequity and to provide adequate resources for social protection.
- transformation to a green, sustainable economy with green jobs.
- a financial sector at the service of the real economy. We encourage you to use the GJP in order engage in tripartite discussions about how to make the financial sector accountable and responsive to the real economy. This will require the regulation of the financial sector, transparency, proper taxation, and incentives for investments in productive capacities rather than speculation.
- a rethinking of the export led growth model which has led to vulnerability of economies and workers and to specialisation in low value added production in many developing countries; instead, a domestic growth-led strategy is needed, based on domestic consumption and diversified and value added domestic production and industrialisation to boost local demand and development. The GJP clearly states that “varying development levels of countries must be taken into account in lifting barriers to domestic and foreign markets” and therefore liberalisation of trade needs to be undertaken carefully and respecting development levels and policy space needs. At the same time a new development model requires affordable access for developing countries to green technology to build industries for the future.
- multidimensional programmes to realise decent work and development in least developed countries (LDCs). This recognition has to be materialised through tripartite demands for assistance for such comprehensive programmes, which affiliates in LDCs can propose.
- upholding commitments made at the international level such as development assistance, budgetary assistance for developing countries for social protection and countercyclical spending, reinforced commitment to the MDGs and no further accumulation of debt.

The crisis risks eroding workers’ rights and labour standards. In particular freedom of association, the right to organise and the right to collective bargaining need to be upheld and reinforced. Affiliates should therefore push in particular for measures to promote respect of these fundamental standards as a core part of the crisis response. We would also urge affiliates to use the ILO Decent Work Country Programme (DWCP), if there is one in your country, to reassess the priorities of these programmes so as to respond to the crisis by using the different elements of the GJP as highlighted in this circular, and to put more pressure on governments to change towards a more sustainable economic model and

to include the respect for freedom of association and the right to collective bargaining as a basis for all programmes.

In addition, the GJP includes a set of labour standards that are particularly relevant in times of crisis and which merit ratification and implementation. This set of standards relates to employment policy, wages, social security, the employment relationship, the termination of employment, labour administration and inspection, migrant workers, labour conditions on public contracts, occupational safety and health, working hours and social dialogue mechanisms. We would highly recommend that you promote the ratification and implementation of these standards which you can find listed in Annex 1, including by using the mechanisms provided for in Convention No. 144 for those countries having ratified it¹. The GJP further advocates a strengthening of labour inspection.

The Global Jobs Pact recommends the use of the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) to respond to the crisis. This would entail engaging with MNEs to ensure socially responsible practices, decent work in supply chains, transfer of technology to developing countries and respect for freedom of association and collective bargaining.

In light of the importance of the GJP we would recommend that you disseminate and promote its use widely, including in fora with other stakeholders such as NGOs, country offices of international organisations, and, where relevant, “one UN” programmes and initiatives.

We hope the above provide some useful tools for the crisis response in your country. Please keep us informed of any trade union actions related to the GJP and to the crisis in general.

Yours sincerely,

General Secretary

Encl.

¹ Article 5 c) of Convention 144 calls on member states in consultation with workers’ and employers’ organisations to examine at appropriate intervals un-ratified Conventions and Recommendations to which effect has not yet been given and to consider what measures might be taken to promote their ratification and implementation as appropriate.