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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 19<sup>th</sup> 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](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 it<sup>1</sup>. 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.

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<sup>1</sup> 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.

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**RECOVERING FROM THE CRISIS:  
A GLOBAL JOBS PACT**



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The General Conference of the International Labour Organization,

Having heard the Heads of State, Vice-Presidents, Prime Ministers and all other participants in the ILO Summit on the Global Jobs Crisis,

Having received the proposal made by the Conference Committee of the Whole on Crisis Responses,

Considering the important role that the Governing Body and the International Labour Office have in the implementation of resolutions adopted by the Conference,

Having in mind the Decent Work Agenda and the Declaration on Social Justice for a Fair Globalization as ways of dealing with the social dimension of globalization,

adopts, this nineteenth day of June of the year two thousand and nine, the following resolution.

## **Recovering from the crisis: A Global Jobs Pact**

### **I. A decent work response to the crisis**

1. The global economic crisis and its aftermath mean the world faces the prospect of a prolonged increase in unemployment, deepening poverty and inequality. Employment has usually only recovered several years after economic recovery. In some countries, the simple recovery of previous employment levels will not be enough to contribute effectively to strong economies, and to achieve decent work for women and men.
2. Enterprises and employment are being lost. Addressing this situation must be part of any comprehensive response.
3. The world must do better.
4. There is a need for coordinated global policy options in order to strengthen national and international efforts centred around jobs, sustainable enterprises, quality public services, protecting people whilst safeguarding rights and promoting voice and participation.
5. This will contribute to economic revitalization, fair globalization, prosperity and social justice.
6. The world should look different after the crisis.
7. Our response should contribute to a fair globalization, a greener economy and development that more effectively creates jobs and sustainable enterprises, respects workers' rights, promotes gender equality, protects vulnerable people, assists countries in the provision of quality public services and enables countries to achieve the Millennium Development Goals.
8. Governments and workers' and employers' organizations commit to work together to contribute to the success of the Global Jobs Pact. The International Labour Organization's (ILO's) Decent Work Agenda forms the framework for this response.

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## **II. Principles for promoting recovery and development**

9. Action must be guided by the Decent Work Agenda and commitments made by the ILO and its constituents in the 2008 Declaration on Social Justice for a Fair Globalization. We set out here a framework for the period ahead and a resource of practical policies for the multilateral system, governments, workers and employers. It ensures linkages between social progress and economic development and involves the following principles:
- (1) devoting priority attention to protecting and growing employment through sustainable enterprises, quality public services and building adequate social protection for all as part of ongoing international and national action to aid recovery and development. The measures should be implemented quickly in a coordinated manner;
  - (2) enhancing support to vulnerable women and men hit hard by the crisis including youth at risk, low-wage, low-skilled, informal economy and migrant workers;
  - (3) focusing on measures to maintain employment and facilitate transitions from one job to another as well as to support access to the labour market for those without a job;
  - (4) establishing or strengthening effective public employment services and other labour market institutions;
  - (5) increasing equal access and opportunities for skills development, quality training and education to prepare for recovery;
  - (6) avoiding protectionist solutions as well as the damaging consequences of deflationary wage spirals and worsening working conditions;
  - (7) promoting core labour standards and other international labour standards that support the economic and jobs recovery and reduce gender inequality;
  - (8) engaging in social dialogue, such as tripartism and collective bargaining between employers and workers as constructive processes to maximize the impact of crisis responses to the needs of the real economy;
  - (9) ensuring that short-term actions are coherent with economic, social and environmental sustainability;
  - (10) ensuring synergies between the State and the market and effective and efficient regulation of market economies including a legal and regulatory environment which enables enterprise creation, sustainable enterprises and promotes employment generation across sectors; and
  - (11) the ILO, engaging with other international agencies, international financial institutions and developed countries to strengthen policy coherence and to deepen development assistance and support for least developed, developing and transition countries with restricted fiscal and policy space to respond to the crisis.

## **III. Decent work responses**

10. The above principles set the general framework within which each country can formulate a policy package specific to its situation and priorities. They equally should inform and support action by the multilateral institutions. Set out below are some specific policy options.

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## **Accelerating employment creation, jobs recovery and sustaining enterprises**

- 11.** To limit the risk of long-term unemployment and increased informality which are difficult to reverse, we need to support job creation and help people into work. To achieve this, we agree to put the aim of full and productive employment and decent work at the heart of the crisis responses. These responses may include:
- (1) boosting effective demand and helping maintain wage levels including via macroeconomic stimulus packages;
  - (2) helping jobseekers by:
    - (i) implementing effective, properly targeted active labour market policies;
    - (ii) enhancing the competence and increasing resources available to public employment services so that jobseekers receive adequate support and, where they are working with private employment agencies, ensuring that quality services are provided and rights respected; and
    - (iii) implementing vocational and entrepreneurial skills programmes for paid and self-employment;
  - (3) investing in workers' skills development, skills upgrading and re-skilling to improve employability, in particular for those having lost or at risk of losing their job and vulnerable groups;
  - (4) limiting or avoiding job losses and supporting enterprises in retaining their workforce through well-designed schemes implemented through social dialogue and collective bargaining. These could include work-sharing and partial unemployment benefits;
  - (5) supporting job creation across sectors of the economy, recognizing the multiplier effect of targeted efforts;
  - (6) recognizing the contribution of small and medium-sized enterprises (SMEs) and micro-enterprises to job creation, and promoting measures, including access to affordable credit, that would ensure a favourable environment for their development;
  - (7) recognizing that cooperatives provide jobs in our communities from very small businesses to large multinationals and tailoring support for them according to their needs;
  - (8) using public employment guarantee schemes for temporary employment, emergency public works programmes and other direct job creation schemes which are well targeted, and include the informal economy;
  - (9) implementing a supportive regulatory environment conducive to job creation through sustainable enterprise creation and development; and
  - (10) increasing investment in infrastructure, research and development, public services and "green" production and services as important tools for creating jobs and stimulating sustained economic activity.

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## **Building social protection systems and protecting people**

**12.** Sustainable social protection systems to assist the vulnerable can prevent increased poverty, address social hardship, while also helping to stabilize the economy and maintain and promote employability. In developing countries, social protection systems can also alleviate poverty and contribute to national economic and social development. In a crisis situation, short-term measures to assist the most vulnerable may be appropriate.

- (1) Countries should give consideration, as appropriate, to the following:
  - (i) introducing cash transfer schemes for the poor to meet their immediate needs and to alleviate poverty;
  - (ii) building adequate social protection for all, drawing on a basic social protection floor including: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor;
  - (iii) extending the duration and coverage of unemployment benefits (hand in hand with relevant measures to create adequate work incentives recognizing the current realities of national labour markets);
  - (iv) ensuring that the long-term unemployed stay connected to the labour market through, for example, skills development for employability;
  - (v) providing minimum benefit guarantees in countries where pension or health funds may no longer be adequately funded to ensure workers are adequately protected and considering how to better protect workers' savings in future scheme design; and
  - (vi) providing adequate coverage for temporary and non-regular workers.
- (2) All countries should, through a combination of income support, skills development and enforcement of rights to equality and non-discrimination, help vulnerable groups most hard hit by the crisis.
- (3) In order to avoid deflationary wage spirals, the following options should be a guide:
  - social dialogue;
  - collective bargaining;
  - statutory or negotiated minimum wages.

Minimum wages should be regularly reviewed and adapted.

Governments as employers and procurers should respect and promote negotiated wage rates.

Narrowing the gender pay gap must be an integrated part of these efforts.

**13.** Countries that have strong and efficiently run social protection systems have a valuable inbuilt mechanism to stabilize their economies and address the social impact of the crisis. These countries may need to reinforce existing social protection systems. For other countries, the priority is to meet urgent needs, while building the foundation for stronger and more effective systems.

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## **Strengthening respect for international labour standards**

14. International labour standards create a basis for and support rights at work and contribute to building a culture of social dialogue particularly useful in times of crisis. In order to prevent a downward spiral in labour conditions and build the recovery, it is especially important to recognize that:
- (1) Respect for fundamental principles and rights at work is critical for human dignity. It is also critical for recovery and development. Consequently, increase:
    - (i) vigilance to achieve the elimination and prevention of an increase in forms of forced labour, child labour and discrimination at work; and
    - (ii) respect for freedom of association, the right to organize and the effective recognition of the right to collective bargaining as enabling mechanisms to productive social dialogue in times of increased social tension, in both the formal and informal economies.
  - (2) A number of international labour Conventions and Recommendations, in addition to the fundamental Conventions, are relevant. These include ILO instruments concerning 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.
  - (3) The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy is an important and useful tool for all enterprises, including those in supply chains, for responding to the crisis in a socially responsible manner.

## **Social dialogue: Bargaining collectively, identifying priorities, stimulating action**

15. Especially in times of heightened social tension, strengthened respect for, and use of, mechanisms of social dialogue, including collective bargaining, where appropriate at all levels, is vital.
16. Social dialogue is an invaluable mechanism for the design of policies to fit national priorities. Furthermore, it is a strong basis for building the commitment of employers and workers to the joint action with governments needed to overcome the crisis and for a sustainable recovery. Successfully concluded, it inspires confidence in the results achieved.
17. Strengthening capacities for labour administration and labour inspection is an important element in inclusive action on worker protection, social security, labour market policies and social dialogue.

## **IV. The way forward: Shaping a fair and sustainable globalization**

18. The above agenda closely interacts with other dimensions of globalization and requires policy coherence and international coordination. The ILO should collaborate fully with the United Nations and all relevant international organizations.

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19. The ILO welcomes the G20 invitation to the ILO, working with other relevant organizations, to assess the actions taken and those required for the future.
  20. We affirm our support to the ILO's role within the UN Chief Executives Board (CEB), which can help to create a favourable international environment for the mitigation of the crisis. We encourage the ILO to play a facilitating role to ensure effective and coherent implementation of social and economic policies in this respect.
  21. Cooperation is particularly important on the following issues:
    - (1) building a stronger, more globally consistent, supervisory and regulatory framework for the financial sector, so that it serves the real economy, promotes sustainable enterprises and decent work and better protects savings and pensions of people;
    - (2) promoting efficient and well-regulated trade and markets that benefit all and avoiding protectionism by countries. Varying development levels of countries must be taken into account in lifting barriers to domestic and foreign markets; and
    - (3) shifting to a low-carbon, environment-friendly economy that helps accelerate the jobs recovery, reduce social gaps and support development goals and realize decent work in the process.
  22. For many developing countries, especially the least developed, the global recession exacerbates large-scale structural unemployment, underemployment and poverty.

We recognize the need to:

- (1) give much greater priority to the generation of decent work opportunities with systematic, well-resourced, multidimensional programmes to realize decent work and development in the least developed countries;
- (2) promote the creation of employment and create new decent work opportunities through the promotion and development of sustainable enterprises;
- (3) provide vocational and technical training and entrepreneurial skills development especially for unemployed youth;
- (4) address informality to achieve the transition to formal employment;
- (5) recognize the value of agriculture in developing economies and the need for rural infrastructure, industry and employment;
- (6) enhance economic diversity by building capacity for value-added production and services to stimulate both domestic and external demand;
- (7) encourage the international community, including international financial institutions, to make available resources for countercyclical action in countries facing fiscal and policy constraints;
- (8) keep commitments to increased aid to prevent a serious setback to the Millennium Development Goals; and
- (9) urge the international community to provide development assistance, including budgetary support, to build up a basic social protection floor on a national basis.

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23. Governments should consider options such as minimum wages that can reduce poverty and inequity, increase demand and contribute to economic stability. The ILO's Minimum Wage Fixing Convention, 1970 (No. 131), can provide guidance in this respect.
  24. This current crisis should be viewed as an opportunity to shape new gender equality policy responses. Recovery packages during economic crises need to take into account the impact on women and men and integrate gender concerns in all measures. In discussions on recovery packages, both regarding their design and assessing their success, women must have an equal voice with men.
  25. Giving effect to the recommendations and policy options of the Global Jobs Pact requires consideration of financing. Developing countries that lack the fiscal space to adopt response and recovery policies require particular support. Donor countries and multilateral agencies are invited to consider providing funding, including existing crisis resources, for the implementation of these recommendations and policy options.

## V. ILO action

26. The ILO has recognized authority in key areas of importance to respond to the crisis and to promote economic and social development. The ILO's capacity for research and economic and social data analysis is important in this context. Its expertise should be at the centre of its work with governments, social partners and the multilateral system. It includes, but is not limited to:
  - employment generation;
  - social protection design and financing models;
  - active labour market programmes;
  - minimum wage setting mechanisms;
  - labour market institutions;
  - labour administration and labour inspection;
  - decent work programmes;
  - enterprise creation and development;
  - international labour standards – implementation and monitoring;
  - social dialogue;
  - data collection;
  - gender equality in the labour market;
  - workplace programmes on HIV/AIDS; and
  - labour migration.

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**27.** The following activities can only strengthen the practical work outlined above:

- improving countries' capacity to produce and use labour market information, including on wage trends, as a basis for informed policy decisions, and collect and analyse consistent data to help countries benchmark their progress;
- collecting and disseminating information on countries' crisis response and recovery packages;
- assessing the actions taken and those required for the future, working with other relevant organizations;
- strengthening partnerships with regional development banks and other international financial institutions;
- strengthening country-level diagnostic and policy advisory capacity; and
- prioritizing crisis response in Decent Work Country Programmes.

**28.** The ILO commits to allocating the necessary human and financial resources and working with other agencies to assist constituents who request such support to utilize the Global Jobs Pact. In doing so, the ILO will be guided by the 2008 Declaration on Social Justice for a Fair Globalization and accompanying resolution.