

## **EMPLOYMENT, PRODUCTION AND AGGREGATE DEMAND**

33. The intertwined impact of the financial turmoil on decreased consumer and business confidence as well as exports, is ultimately a downward spiral typical of a sustained recession, with less spending and less earning both domestically and internationally feeding back into each other, impacting severely on jobs and incomes. .

34. This calls for urgent action by governments to launch countercyclical measures in the form of fiscal stimulus packages to break out of this vicious circle. Government spending is the most effective way to boost employment, production and aggregate demand given an environment where, unless the right measures are taken, 50 million additional job losses are estimated as a result of the current crisis by the end of 2009 as compared to the end of 2007. Strengthening domestic demand is vital in the face of declining external demand and well-designed fiscal policy appears to be the most viable option.

35. In the current context of decreasing investment and production, rising unemployment as well as wage cuts and loss of income, the nature and content of fiscal stimulus packages becomes extremely important, if we are to reactivate production, prevent poverty from increasing further and protect the most vulnerable who commonly bear the brunt of such crises. Expansive fiscal stimulus should be sufficiently large, targeted and sustained. Government investment should go first and foremost into those areas that are employment-intensive and should actively support the integration of jobless into the labour market through active labour market programmes such as employment subsidies, job-search assistance and training. This is the most direct way to ensure that aggregate demand does not erode any further.

36. Tailored interventions are required in different sectors of economic activity. In each of them, reactivation can give preference to employment intensive activities, including infrastructure, provision of services and new products being boosted through stimulus packages and fiscal policies. It is vital to secure investment in agriculture, in rural infrastructure, research and extension services to ensure sustainable global food security and alleviate poverty. Manufacturing, housing and related infrastructure are a key engine out of this crisis, with multiplier effects on job creation, particularly in developing countries. Investment in social infrastructure can counter the weakening of services which have been hit hard in terms of jobs and incomes, while at the same time help create and maintain the social protection that is more necessary than ever. The impact of in-

creased unemployment on the ability to pay for education, health care and other social services can be alleviated through temporary employment schemes.

37. Business and investors must be encouraged and supported to redirect their entrepreneurial efforts towards new productive and innovative undertakings, in particular through small enterprises. Incentives to retain workers and create new jobs could be preferably used for greening the economy thus protecting at the same time the environment and people.



## A GLOBAL JOBS PACT

*Boosting employment, production, investment and aggregate demand, and promoting decent work for all.*

A Global Jobs Pact is needed to revive the economy and tackle the looming job and social crises. Emphasis on jobs comes from evidence that it will not be possible to reactivate the economy in a sustainable manner unless greater emphasis is placed on Decent Work for women and men. Countries are striving for what is embodied in the ILO's Decent Work Agenda, which has become even more relevant and urgent in response to the crisis. The crisis is an opportunity to promote innovative patterns of inclusive and job-rich growth. The four pillars of the agenda – employment and enterprise development, social protection, rights at work and social dialogue – can and should be usefully mainstreamed in every response to the crisis, adapting them to specific situations in countries at all levels of development. To help developing countries cope with the crisis, a counter-cyclical global jobs fund could be established. A Global Jobs Pact would comprise a vision and a set of principles and an integrated policy package covering the various dimensions of the Decent Work Agenda. It is to be submitted to the International Labour Conference in June 2009 to governments, employers and workers, and to the international multilateral system for endorsement and cooperation. ■

*Lead Agency*

**ILO**

*Cooperating Agencies*

**IMF**

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