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Responding to crisis with solidarity, decent work and social security
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The financial and economic crisis has multiple aspects of deep concern. Not only does the prospect of economic downturn threaten enterprises and employment, but also savings and investments devoted to pensions and other branches of social security systems.

Workers around the world are thus facing a double threat – the uncertainties as regards both their jobs and their social security, in both the short and the long term, as the revenue bases of their social security schemes are contracting. Meanwhile, entrepreneurs face the simultaneous shrinking of both business opportunities, the flow of investment capital from pension savings and a possible increase, sooner or later, of social security related contributions or taxes.

Governments around the world have acted swiftly in recognition of the need to stabilise financial markets. However, urgent “next step” is to address the parallel dangers to peoples’ social security and the viability of social security systems and their financing.

Some of the impacts to be expected on social security schemes are obvious, starting with demands on unemployment insurance and social assistance schemes which will be suffering like all other social security schemes from the double burden of declining tax or contribution income and increasing expenditure due to increasing numbers of beneficiaries. As the financial crisis turns into a full blown economic recession, health systems, unemployment benefit schemes as well as social assistance face immediate financing problems.

There will be increasing demands for allowing early retirement through existing or ad hoc arrangements and in that way limiting effects of job cuts on unemployment. This will place additional burdens on the finances of pension schemes – both those managed by social security institutions and occupational ones.

The impact of a market downturn such as we see at present falls mainly and heavily on the contributors and pensioners. What is needed is to restore solidarity-based minimum guarantees of pension amounts, in order to avoid losing ground both against existing poverty thresholds and against the rates of replacement income provided - guarantees which must be underwritten by the nation states.

What is also needed immediately is to protect the pension levels of people who are close to retirement. A minimum pension based on a reasonable minimum rate of return ought to be financed or guaranteed by the state.

It now seems inevitable that the current crisis will lead to deep and long lasting recession, resulting in increased unemployment. Policies are being put in place to combat this danger. However, if the rate and average duration of unemployment increases, the result will be a further reduction in the future incomes from pension schemes. And here again the need is seen to ensure strong minimum guarantees, protecting men but especially women, whose careers are typically shorter by reason of longer unemployment spells, family caring responsibilities, and maternity breaks.

This is the time to for a systematic overall reassessment of global pension policies. The ILO has a range of tools through which to address these needs, notably the social security standards formalized in the relevant Conventions which have been built up over many decades, and specify the way in which social security systems should provide such guarantees. It has never been more timely than now to refresh, to promote and to apply those principles. Appropriate guarantees can be applied to all types of pension schemes, and can be legislated by any government. As with the “bail-outs” now being organized for so many national financial systems the net real expenditure required for reinforcing social protection is unlikely remotely to approach the figures quoted. As a concrete suggestion in this environment, we would now promote the establishment of a global pension commission to review past policies and reforms, to analyze consequences of the crisis and to agree on medium- and long-term strategies.

It is well known that in such crisis situations the provision of social protection benefits is doubly valuable, not only helping to prevent individual men and women and their families from falling into deep poverty, but equally in helping to limit the fall in aggregate demand and so limiting the potential depth of recession and opening the way for recovery. That is why it is critically important that strengthening unemployment benefit and other social security schemes through widening the eligibility conditions, increasing benefit amounts or increasing budgetary allocations is included as part of the respective economic stimulus packages.

At the recent ILO 8th European Regional meeting, Juan Somavia, the Director General of the ILO, said in his opening speech: “there was already a crisis before the current financial and economic crisis”. ILO has started to sound alarms already years ago based on the findings of the World Commission on the Social Dimension of Globalization. As ILO’s Director General said:

“Globalization was operating in an ethical vacuum making it morally unacceptable and politically unsustainable. The economic upswing was not creating enough decent work. Inequalities within and between countries were widening. The role of markets were overvalued, the role of States undervalued and the dignity of work devalued”.

To strengthen national and international actions aimed at bringing fairness to globalization process, International Labour Conference adopted unanimously in June 2008 a Declaration on Social Justice for Fair Globalization.

The Declaration expresses the universality of the Decent Work Agenda: all Members of the Organization must pursue policies based on the strategic objectives – employment, social protection, social dialogue, and rights at work. At the same time, it stresses a holistic and integrated approach by recognizing that these objectives are

“inseparable, interrelated and mutually supportive”, ensuring the role of international labour standards as a useful means of achieving all of them.

The Declaration strongly reconfirms ILO values which in a nutshell can be expressed by a statement saying that labour is not a commodity and that poverty anywhere constitutes a danger to prosperity everywhere. It reconfirms that the ILO has the solemn obligation to further among the nations of the world programmes which will achieve the objectives of full employment and the raising of standards of living, a minimum living wage and the extension of social security measures to provide a basic income to all in need, along with all the other objectives set out in the Declaration of Philadelphia. It reminds that ILO has the responsibility to examine and consider all international economic and financial policies in the light of the fundamental objective of social justice.

Decent Work Agenda is summarized by the Declaration as follows:

- (i) promoting employment by creating a sustainable institutional and economic environment in which:
- (ii) developing and enhancing measures of social protection;
- (iii) promoting tripartite social dialogue as the most appropriate method for adapting the implementation of the strategic objectives to the needs and circumstances of each country; and
- (iv) respecting, promoting and realizing the fundamental principles and rights at work, noting:
 - that freedom of association and the effective recognition of the right to collective bargaining are particularly important to enable the attainment of the four strategic objectives; and
 - that the violation of fundamental principles and rights at work cannot be invoked or otherwise used as a legitimate comparative advantage and that labour standards should not be used for protectionist trade purposes.

Solidarity, social justice and decent work based on rights and democratic social dialogue – at both national and international level – are the keys to overcoming the current crisis. But they are also essential to ensure that the global economic system is fair – and thus sustainable. This is the path to follow.

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