

**FOR DEBATE AND GUIDANCE**

FIRST ITEM ON THE AGENDA

The sectoral dimension of the ILO's work: Update of sectoral aspects regarding the global economic crisis**Introduction**

1. The 98th Session (June 2009) of the International Labour Conference called for the implementation of a Global Jobs Pact to place employment and labour market issues, together with social protection and respect for workers' rights, at the heart of stimulus packages and other relevant national policies to confront the crisis. The ILO's expertise has been recognized as central to give effect to the recommendations of the Pact in a number of areas, including gathering and dissemination of information; monitoring and assessment of policy actions taken by constituents; social and economic analysis and research; and strengthening country-level diagnostic and policy advisory capacity. This paper outlines the sectoral activities undertaken since March 2009 as part of the ILO response to the global economic crisis and the priorities outlined in the Pact.
2. The paper also provides an overview of recent developments at sectoral level, including a follow-up on ILO activities in the construction, financial services and automotive industry sectors; information and analysis of sectors recently affected by the crisis such as the textile and clothing industry and civil aviation; and highlights and findings of a comprehensive review of sector-specific stimulus packages and policy responses adopted in over 62 countries. The paper concludes by pointing to future orientations for action.

Recent developments

3. While the global economy has shown some signs of recovery, labour market conditions are expected to remain difficult. Employment continued to decline in most OECD countries and some emerging economies (see table 1). Around 7.4 million jobs were lost in March 2009 compared to March 2008. Lay-offs were widespread across the major economic sectors. Jobs fell significantly in the manufacturing industry (4.4 million), construction (1.7 million) and in wholesale and retail trade (1.1 million). While many lost employment in the private sector, the public sector added almost 626,000 jobs over the same period.

Table 1. Employment in major economic sectors (selected economies,* in thousands)

	March 2008	March 2009	Employment change
Total economy ^{1**}	629 222.2	621 823.4	-7 398.7
Agriculture, forestry and fishing ²	39 454.8	38 756.3	-698.5
Manufacturing ³	83 604.4	79 199.6	-4 404.7
Construction ⁴	42 535.7	40 791.4	-1 744.3
Wholesale and retail trade ⁵	98 207.5	97 063.2	-1 144.2
Hotels and restaurants ⁶	37 632.2	37 262.9	-369.3
Transport, storage and communications ⁷	29 887.4	29 929.5	42.1
Public administration ⁸	39 269.9	39 895.5	625.6

* Selected countries include: Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Japan, Latvia, Lithuania, Macau (China), Malaysia, Mexico, New Zealand, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Taiwan (China), Thailand, Turkey, United Kingdom and United States.

** Total economy reflects aggregate figures including all those sectors not presented in the table; employment count for Australia measured in February.

¹ Does not include Macau (China) and Taiwan (China). ² Does not include Australia, Brazil, Canada, Macau (China), South Africa and Turkey; only includes agriculture data for Chile, Japan, Malaysia and Thailand. ³ Does not include Australia, Brazil and Turkey.

⁴ Does not include Australia and Turkey. ⁵ Does not include Australia, Colombia and Turkey. ⁶ Does not include Australia, Brazil, Chile, Colombia, South Africa and Turkey. ⁷ Does not include Australia, Brazil and Turkey. ⁸ Does not include Australia, Brazil, Colombia, New Zealand, South Africa and Turkey.

Note: The data shown are those available to the ILO in August 2009. Data are based on national definitions and have not been adjusted or altered by the ILO in any way.

Source: National labour force surveys and official estimates of each country; data for European Union (EU) countries are provided by Eurostat.

4. The numbers of jobs lost may be greater if temporary agency workers and those on outsource and subcontract terms in supply chains are included. Although there are no official estimates, some analysts consider that the economic crisis has led to large cuts in the use of temporary agency workers. For instance, in some EU countries the contraction in employment of temporary workers might be up to 40 per cent in industries such as manufacturing and construction. ¹ Temporary agency workers are often the first to lose their jobs.
5. The impact of the crisis was particularly severe in the manufacturing sector. In March 2009 compared to March 2008, the situation deteriorated significantly in Macau, China (-28.7 per cent), the Baltic States (-14 per cent average), Spain (-14.1 per cent), Canada (-10.5 per cent) and the United States (-9.9 per cent); nor was it better in New Zealand or South Africa where jobs in the sector declined 7 and 5 per cent respectively (see figure 1). The decline in employment in Europe is considerably higher than the 0.9 per cent average yearly decrease registered in the industry between 2000 and 2008. ² In most of the countries the largest lay-offs occurred in the last quarter of 2008 and the first quarter of 2009. This negative trend remains in the second quarter of 2009 with significant job losses in the United States (-427,000), Japan (-380,000), Mexico (-156,200) and Spain (-101,900). ³ No industry is immune to job cuts, but most are concentrated within the

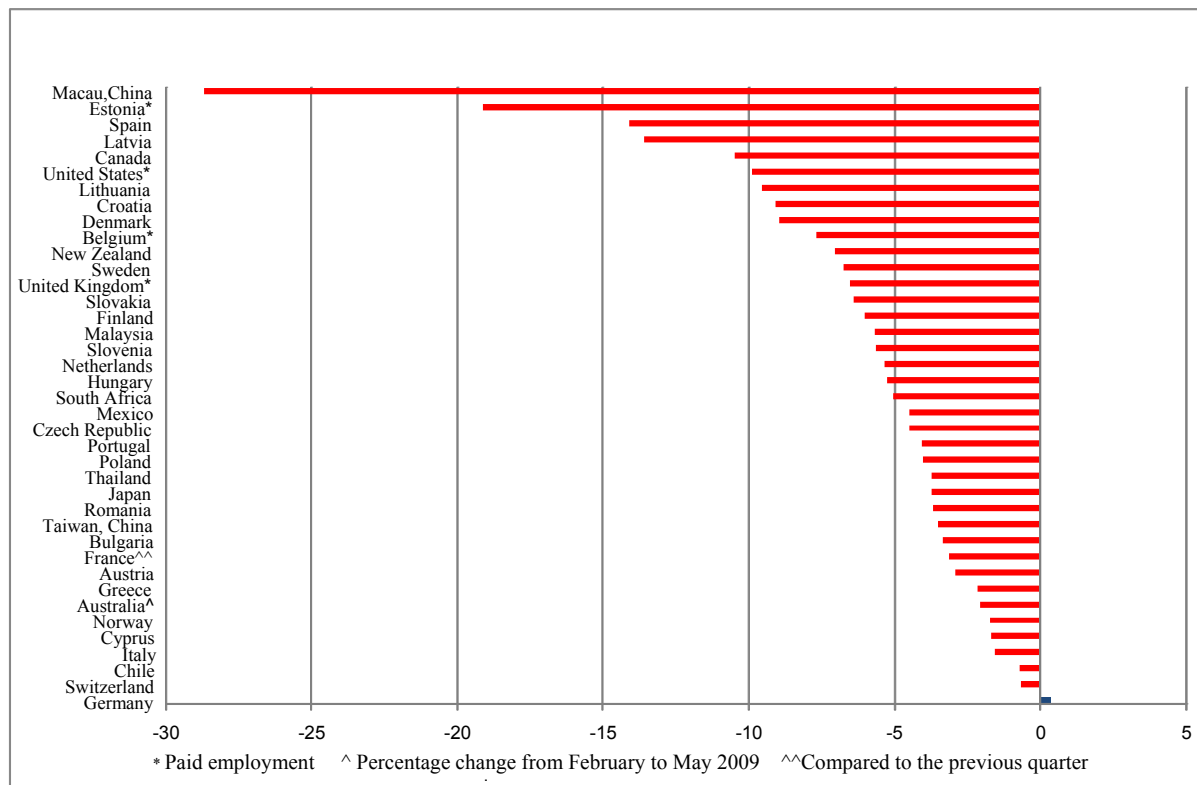
¹ ILO: *Private employment agencies, temporary agency workers and their contribution to the labour market*, Issues paper for discussion at the Workshop to Promote Ratification of the Private Employment Agencies Convention, October 2009.

² Eurostat: "Specialisations within EU manufacturing", *Statistics in Focus*, Issue No. 62/2009.

³ National labour force surveys and official estimates of each country.

durable goods industry such as motor vehicles and parts; fabricated metal products; computer and electronic products; and textiles and garments. The following section indicates that employment in textiles and garments is affected mostly in Eastern European countries and some developing economies.

Figure 1. Employment in manufacturing (percentage change, March 2008–March 2009)

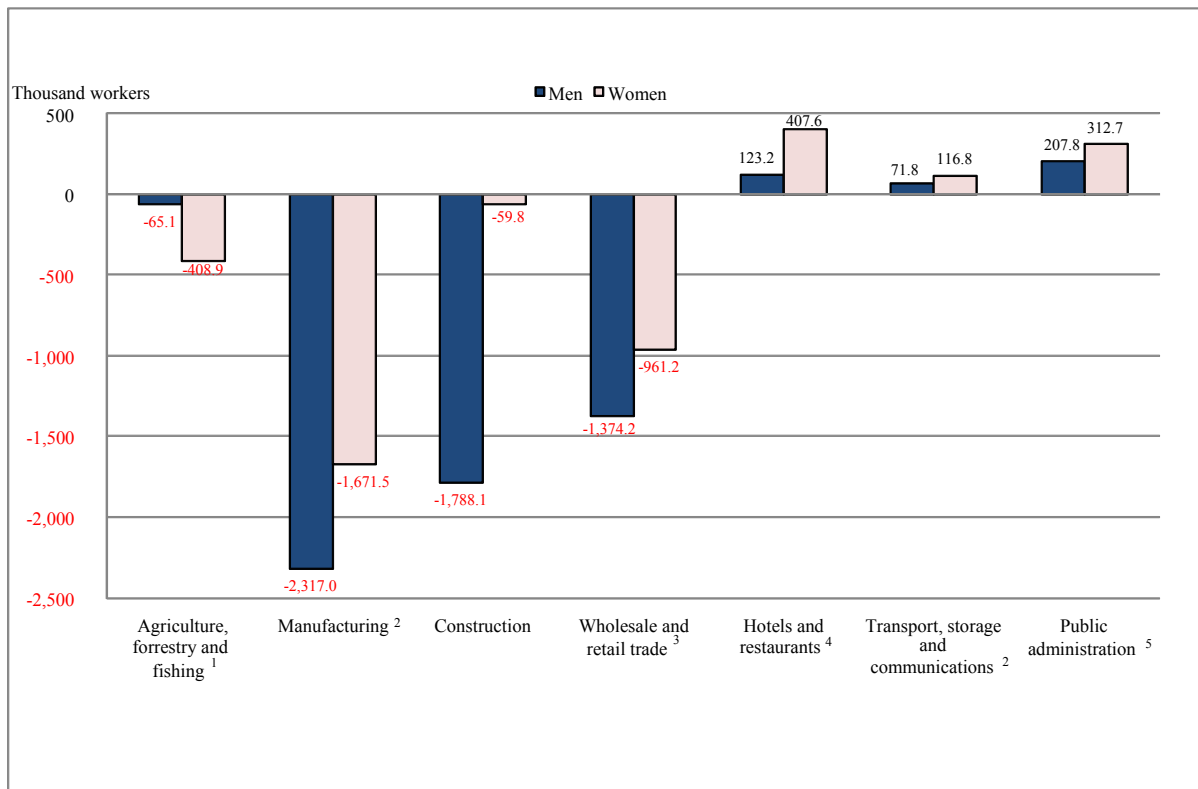


Source: National labour force surveys and official estimates of each country; data for European Union countries are provided by Eurostat.

6. Job losses have been unequally distributed across different segments of the labour force. According to the available sex segregated data, male workers appear to have suffered the most from unemployment across the main economic activities. In March 2009, compared to March 2008, the jobs decline for men was more significant than for women in sectors such as construction and manufacturing (see figure 2). These changes have been more noticeable in some countries than in others. For instance, the construction sector in Spain lost 670,000 male jobs compared to 22,100 female jobs; in Japan men lost 170,000 jobs while women lost 40,000 jobs in the same sector over the same period.⁴ Even in sectors dominated by female workers, such as wholesale and retail trade, men lost more jobs than women (see figure 2).

⁴ National labour force surveys and official estimates of each country.

Figure 2. Employment change by sex from first quarter 2008 to first quarter 2009 in major economic sectors (selected economies)*



* Selected economies include: Australia, Austria, Belgium, Brazil, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Hungary, Iceland, Italy, Japan, Latvia, Lithuania, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, South Africa, Spain, Switzerland, Taiwan (China), Thailand, United Kingdom and United States.

¹ Does not include Brazil and United States. ² Does not include Brazil. ³ Does not include Brazil and United Kingdom. ⁴ Does not include Brazil, South Africa and United States. ⁵ Does not include Brazil, Mexico, New Zealand, South Africa and United States.

Note: The data shown are those available to the ILO in August 2009. Data are based on national definitions and have not been adjusted or altered by the ILO in any way.

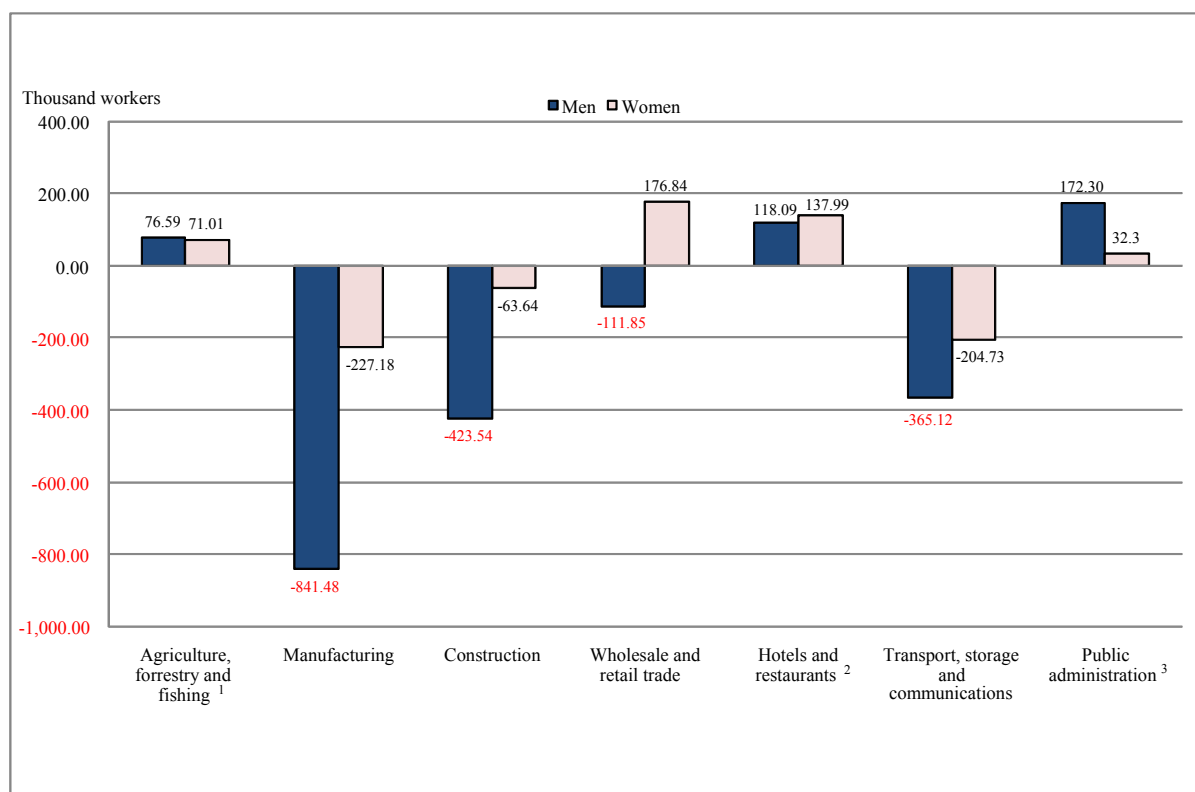
Source: National labour force surveys and official estimates of each country; data for EU countries are provided by Eurostat.

7. During the second quarter of 2009 male employment continued to decline while female workers were losing jobs in the same sectors at a slower pace (see figure 3). All these trends should be analysed with caution as they represent a limited number of developed economies and do not capture the dynamics in specific subsectors. For example, evidence from Japan, Thailand and South Africa shows that within manufacturing the impact of lay-offs was greater for female than for male workers.⁵
8. Conventional wisdom suggests that within industries the employment of female workers may be exposed to greater cyclical effects than the employment of male workers.⁶ It seems that in the current economic crisis the main reason why male workers have been more affected is because the recession is more severe in sectors where the participation of the male workforce is larger.

⁵ According to official estimates, female jobs in Japan in manufacturing declined by 270,000 compared to 150,000 male jobs; in Thailand, women lost 151,810 jobs while men lost 63,950 jobs; and in South Africa, 56,000 female workers lost jobs and male workers 49,000.

⁶ Shin, D.: "Gender and industry differences in employment cyclicality: Evidence over the post-war period", *Economic Inquiry*, Oxford University Press, Vol. 38(4), Oct. 2000, pp. 641–50.

Figure 3. Employment change by sex from first quarter to second quarter 2009 in major economic sectors (selected economies)*



*Selected economies include: Australia, Japan, Mexico, New Zealand, Portugal, South Africa, Spain, Taiwan (China) and United States.

¹ Does not include United States. ² Does not include South Africa and United States. ³ Does not include Mexico, New Zealand, South Africa and United States.

Note: The data shown are those available to the ILO in August 2009. Data are based on national definitions and have not been adjusted or altered by the ILO in any way.

Source: National labour force surveys and official estimates of each country; data for EU countries are provided by Eurostat.

9. The deterioration of working conditions is as significant as job losses. Changes in working conditions such as reductions in working hours, pay freezes or pay cuts and reduced health or pension benefits have been widespread across sectors. For instance, in March 2009, compared to March 2008, there was an important reduction in the average weekly working hours in sectors such as transport, storage and communications (-0.64), construction (-0.49), and manufacturing (-0.48) (see table 2). These changes are more significant in specific countries and sectors. For example, in Canada the decline in the transport, storage and communications sector (-3.30) was higher than the average of the industry; and in Japan the decline was almost 4.73 in the manufacturing industry.⁷ Conversely, few countries reported, over the same period, extended working hours such as the United Kingdom in agriculture (+2.50) and Belgium in the hotel and restaurant services (+1.20).⁸ Special working hour schemes may have contributed to the prevention of further lay-offs; nevertheless they seem to have contributed less to improving real wages. In many but not all cases, changes in working conditions have been negotiated with the workers. However, part-time and non-permanent workers, in particular migrants, have been hardest hit by the crisis and most of the time are not represented in the workplace.

⁷ National labour force surveys and official estimates of each country.

⁸ *ibid.*

Table 2. Average weekly working hours in major economic sectors (selected economies)*

	March 2008	March 2009	Change in working hours
Total economy ^{1**}	42.18	41.90	-0.28
Agriculture, forestry and fishing ²	47.94	47.75	-0.19
Manufacturing ³	41.24	40.76	-0.48
Construction ³	42.79	42.30	-0.49
Wholesale and retail trade ⁴	41.51	41.23	-0.28
Hotels and restaurants ⁴	42.58	42.24	-0.34
Transport, storage and communications ⁴	42.50	41.86	-0.64
Public administration ⁵	39.50	39.40	-0.10

* Selected countries include: Austria, Belgium, Brazil, Bulgaria, Canada, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Turkey, United Kingdom and United States.

** Total economy reflects aggregate figures including all those sectors not presented in the table.

¹ Does not include Canada, Japan and United States. ² Does not include Brazil, Canada, France, Ireland, Japan, Turkey and United States. ³ Does not include Brazil, France, Ireland, Turkey and United States. ⁴ Does not include Brazil, France, Ireland and Turkey. ⁵ Does not include Brazil, France, Ireland, Japan, Turkey and United States.

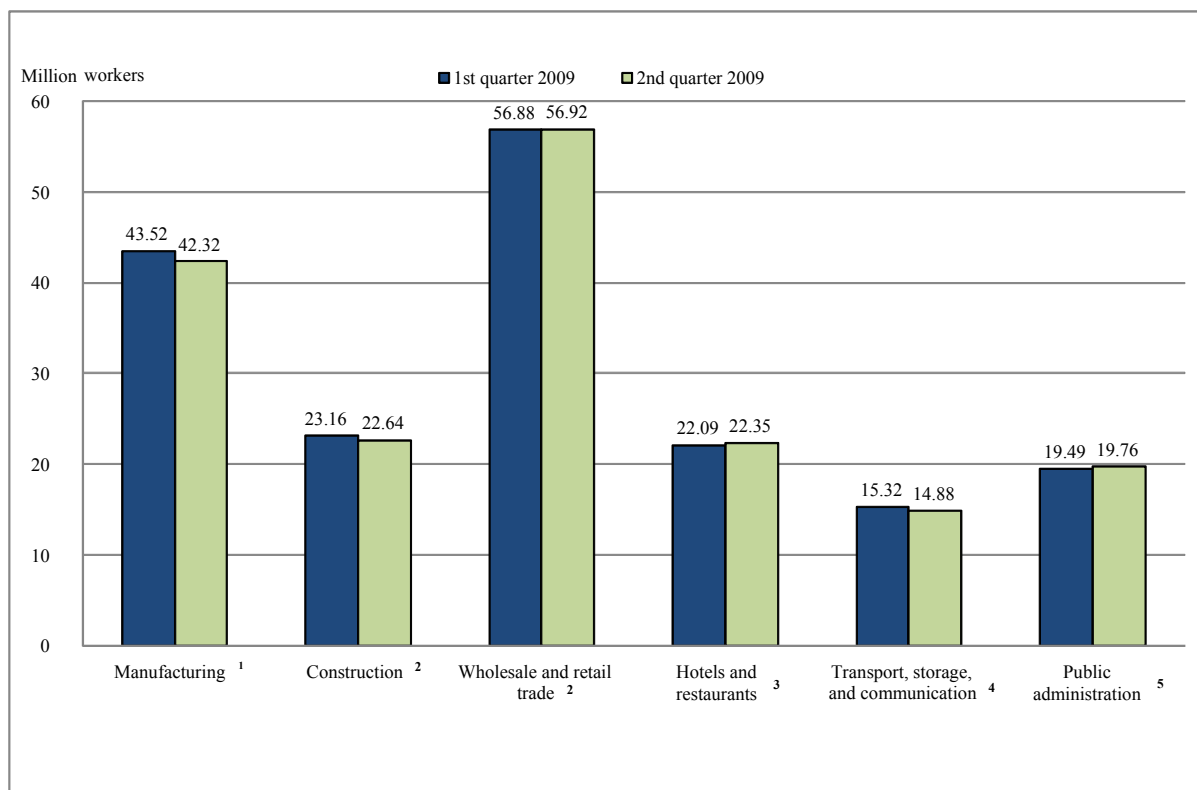
Note: The data shown are those available to the ILO in August 2009. Data are based on national definitions and have not been adjusted or altered by the ILO in any way.

Source: National labour force surveys and official estimates of each country; data for EU countries provided by Eurostat.

10. While job losses continue to be reported during the second quarter of 2009, it seems that in the last six months the rate has slowed moderately in some countries and sectors. For instance, in the United States the average monthly job loss for May through July 2009 (331,000) was about half the average decline for November 2008 through April 2009 (645,000).⁹ Similarly, some sectors such as wholesale and retail trade or hotels and restaurants are beginning to show some resilience (see figure 4). While temporary workers were often the first to lose their jobs, it seems they will also be the first to be rehired as the economy begins to recover. For instance, in Canada and the United States employment rose mainly in part-time positions in the second quarter of 2009.¹⁰ In spite of this, some analysts are already expressing concerns about the potential implications for decent work with the creation of rather vulnerable and non-regular forms of work. Nonetheless, there are signs that the severity of the crisis is bottoming and that the global stimulus efforts are beginning to take effect. These trends should be analysed with caution however as they may be reversed as a result of high market volatility and the erratic behaviour of the economy as a whole. Production activity and exports have increased modestly, but their levels remain well below their peak. In this context, the labour market outlook remains unclear and employment and wages could stay low for some time.

⁹ Bureau of Labor Statistics, US Department of Labor.

¹⁰ National labour force surveys and official estimates of each country.

Figure 4. Employment in major economic sectors (selected economies)*

* Selected economies include: Australia, Brazil, Canada, Japan, Mexico, New Zealand, Portugal, South Africa, Spain, Taiwan (China), United Kingdom and United States.

¹ Does not include Brazil. ² Does not include United Kingdom. ³ Does not include Brazil, South Africa and United Kingdom. ⁴ Does not include Brazil and United Kingdom. ⁵ Does not include Brazil, New Zealand, South Africa and United Kingdom.

Note: The data shown are those available to the ILO in August 2009. Data are based on national definitions and have not been adjusted or altered by the ILO in any way.

Source: National labour force surveys and official estimates of each country; data for EU countries are provided by Eurostat.

Update on the financial services, automotive and construction sectors ¹¹

- 11.** The labour conditions in the financial services, automotive and construction industries continue to be challenging. In the automotive sector the changes in employment have been dramatic in the United States, less so in Europe. In the United States motor vehicles and parts manufacturing employed 30 per cent (623,000) fewer people in June 2009 than in June 2008. In car and parts dealers the drop was over 10 per cent. ¹² In Europe the job losses peaked in the fourth quarter of 2008 (around 32,000), but decreased for the first quarter of 2009 (16,000). ¹³ Suppliers have been especially hard hit by the crisis. Of 5,000 suppliers in Europe, 200 had filed for bankruptcy between December 2008 and July 2009.

¹¹ Detailed analysis of the impact of the global economic crisis in the automotive, construction and financial industries can be found in documents GB.304/STM/2/2 and GDFFSW/2009.

¹² Bureau of Labor Statistics, US Department of Labor.

¹³ European Restructuring Monitor, 2009.

12. In the financial services sector major worldwide mass job cuts announced by banks, investment funds and insurers totalled more than 385,000 by the end of June 2009.¹⁴ However, the actual number of jobs lost during that period is much higher, when lay-offs from firms that provide subcontracting services to financial institutions and employment losses linked to the bankruptcy and cessation of business of a multitude of small financial firms are included. While most analysts consider that this wave of large-scale financial sector lay-offs may be over, they do not foresee any significant pickup in hiring, at least for the next year. The situation will nevertheless vary across business lines, with modest recruitment in such investment banking functions as equities, fixed income and commodities trading, balanced by job losses or employment stagnation in traditional business and consumer loan departments.
13. In the construction sector jobs have continued to decline. In March 2009, compared to March 2008, the largest lay-offs occurred in the United States (873,000), Spain (700,000) and Japan (200,000).¹⁵ These global figures may increase further when information from large emerging economies such as China and India becomes available. The negative trend continued throughout the second quarter of 2009 (see figure 3).
14. Policy measures and incentives in the automotive, construction and financial industries seem to have some effects on the stabilization of these sectors. Since the crisis began, a wide range of instruments has been adopted in various countries to stimulate demand and maintain company solvency and liquidity as well as employment.¹⁶ More than for any other sector, government support for the financial sector worldwide has been massive, wide-ranging and sustained, reflecting the recognition that economic recovery is conditional on financial institutions' effective resumption of their traditional credit intermediation role. Government measures have included capital injection; purchase of illiquid assets or those whose current market prices are at substantial discounts to their book values; lending by governments and central banks; guarantees of assets and debt issuance and, in some cases, outright nationalization of failing institutions. Similarly, governments introduced a significant number of large infrastructure and construction programmes as part of their stimulus packages. These initiatives, once implemented, are expected to make a significant contribution to the recovery of the sector and positively impact on employment. In the automotive industry, many countries introduced schemes to encourage consumers to buy new cars. Such schemes were particularly successful in Germany and in the United States. The latter country also provided direct support to two domestic companies as well as suppliers with recovery programmes amounting to nearly US\$40 billion. The two companies concerned (General Motors and Chrysler) are undergoing major restructuring. In Europe the loans from the European Investment Bank to the automotive industry will amount to nearly €7 billion. Sales figures from June show a marked recovery in Europe where year-to-year registrations increased by 2.4 per cent. China and India also reported sustained growth over the same period.¹⁷ Still, recovery of the industry is not anticipated to occur before 2011 and will not be uniform across the regions or the industry.

¹⁴ <http://reuters.com/article/privateEquityFinancialServicesAndRealEstate/idUSFINJOBS20090624>.

¹⁵ National labour force surveys and official estimates of each country.

¹⁶ See section "Review of sector-specific policy responses" below.

¹⁷ Economist Intelligence Unit.

Recent ILO responses ¹⁸

15. Since the crisis began, an immediate priority for the Office has been the promotion of social dialogue as a means to bring together the key players of the real economy to develop strategies to counter the recession. This section reports on the activities organized by the Office in the financial services, construction and automotives sectors and summarizes some of the results and follow-up actions.
16. Following an urgent request from the sectoral social partners in October 2008, the Office organized a Global Dialogue Forum on 24–25 February 2009 to assess the impact of the crisis on finance sector workers and to propose measures to alleviate and mitigate its effects. As part of its follow-up to the Forum, the Office helped organize a national tripartite workshop in Sao Paulo, Brazil, to review the findings of a rapid assessment study on the impact of the crisis on the country's finance sector and to propose a social dialogue-based response to mitigate its effects. A similar exercise is planned for November this year in the United Republic of Tanzania. The Workshop will bring together tripartite delegations from Egypt, Kenya, Nigeria, South Africa and the United Republic of Tanzania to examine, on the basis of studies currently under way in those countries, the effects of the crisis on finance workers with a view to proposing appropriate strategies for their alleviation.
17. In February 2009, the ILO organized a Global Dialogue Forum on Decent Work in Local Government Procurement for Infrastructure Provision. The topic was timely as many governments have recently launched stimulus packages to help address the economic crisis and many of these focus on the construction sector. A large percentage of investment in construction is from the public sector and a significant share of the construction labour force is engaged in activities commissioned through procurement. Public procurement policies provide an important avenue for ensuring decent work in the construction sector, provided public authorities select enterprises which provide a competitive price while respecting labour standards. Forum participants highlighted the need for capacity building to ensure sound implementation of legislation and good contract compliance. These are important outcomes in order to secure decent work standards in the procurement contracts of crisis response packages.
18. On 20–21 May 2009 the Office and the International Institute for Labour Studies jointly organized a research roundtable on the automotive industry. This event brought together more than 20 experts from universities, international organizations and policy think tanks with employer and worker experts to discuss the current situation and the future of the automotive industry. An immediate result was the establishment of a knowledge network aimed at improving collaboration on the automotive industry within the Office and with external experts. The ILO Action Programme on Transport Equipment Manufacturing was reoriented to take account of the crisis. An Asian regional workshop on the automotive industry will discuss the crisis as well as the Global Jobs Pact in December this year.

Analysis of the textile and civil aviation sectors

19. As the economic crisis evolved other sectors, such as textile and civil aviation, were particularly hit in the first quarter of 2009. The World Bank's initial identification of countries highly exposed to the poverty effects of the crisis included a number of countries such as Bangladesh, Cambodia, India, Indonesia, Lesotho, Pakistan, and Viet Nam, where

¹⁸ Office activities regarding the Tripartite Technical Workshop on the Impact of the Food Price Crisis on Decent Work and its follow-up are reported in GB.306/STM/2/3.

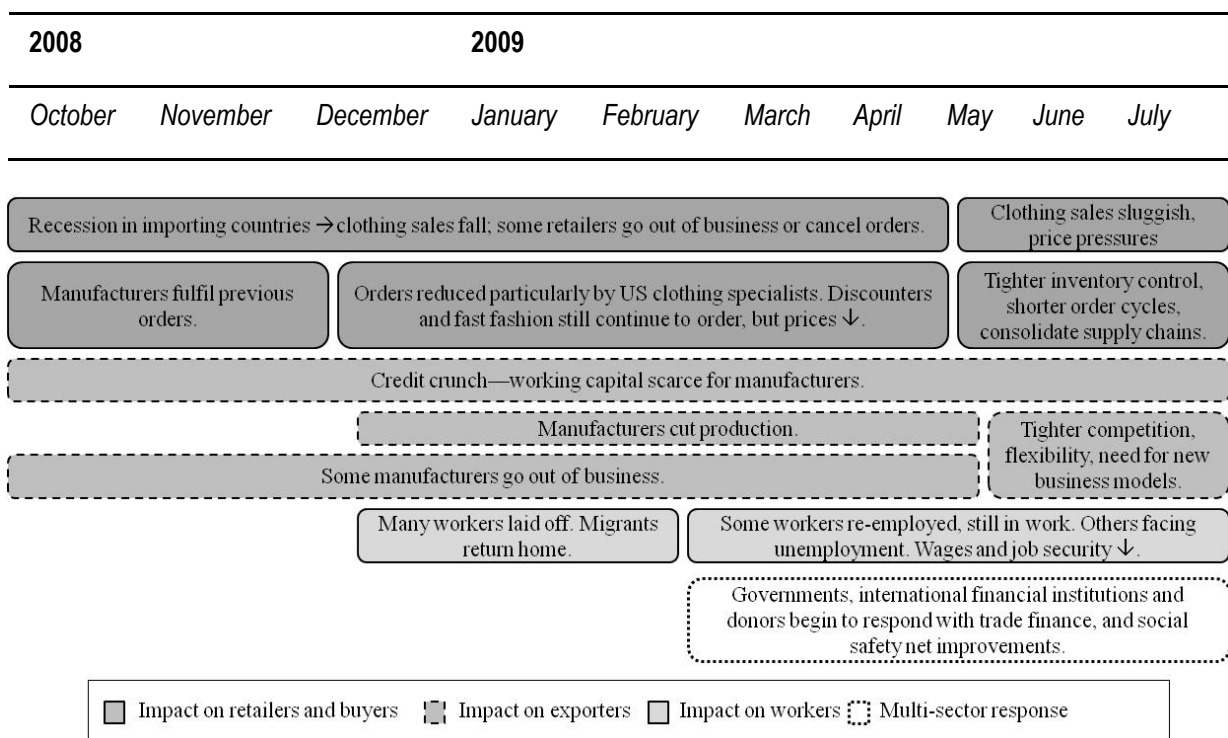
apparel and footwear exports are a major contributor to the economy.¹⁹ Similarly, recent information from the International Air Transport Association (IATA) and other relevant sources confirm that the global financial crisis has severely impacted airlines and airline workers around the world. This section provides an overview of recent labour market developments in these sectors, analysis of specific labour issues, and possible policy implications for constituents and the ILO.

Textile and clothing industry

Impacts of the crisis on an industry in transition²⁰

20. Many vulnerable developing world garment manufacturers disappeared during the first phase of the recession. The current phase is marked by continued uncertainty, sluggish sales, shorter order times, price pressure and continued consolidation. For some countries the recession has accelerated the end of apparel and textiles as a major sector in their economy. Others face the choice between a continued race to the bottom or a decent work future for the sector.

Figure 5. Evolution of the financial crisis in the textile and clothing sector



¹⁹ World Bank: *The global economic crisis: Assessing vulnerability with a poverty lens*, Policy Note, Washington, DC, 2009.

²⁰ This section is based on the findings of the study “Implications of the global financial and economic crisis on the textile and clothing sector” commissioned by the Office. The document will be published as a working paper.

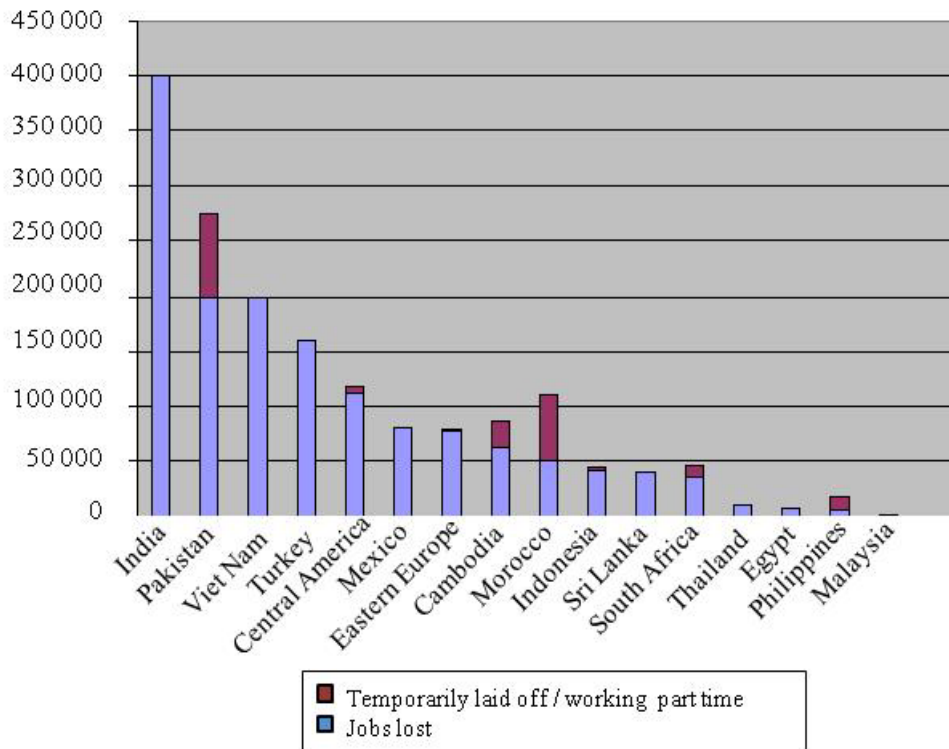
21. The industry is facing falling sales and orders in North American, EU and Japanese markets. Many retailers have responded by cutting inventories, which means that following an initial time lag, orders for apparel are falling faster than retail sales. Overall, the global garment trade fell by 0.5 per cent in 2008, and imports are continuing to fall – with trade values dropping faster than volumes. In the first three months of this year, exports to the United States fell by almost 10 per cent in value and 5 per cent in volume compared to the same time last year, effectively erasing all of the post-quota growth in trade. In general, the post-Multi-Fibre Arrangement²¹ picture of winners and losers has remained the same. China, the main Asian exporter, and Honduras have increased market share while other Central American exporters, Cambodia, Africa and Central European exporters lost market share. While US imports from the top five Asian exporters (China, Viet Nam, Indonesia, India and Bangladesh) are robust or recovering, imports from other countries are showing an accelerating decline (30 per cent down by May 2009). However, even those countries that are maintaining their export volumes are experiencing declines in pricing.
22. The recession is not so much changing the nature of the apparel industry as accelerating existing structural trends, in particular: extreme vulnerability of apparel manufacturing businesses based on low margins and high risks; consolidation of supply chains, making it harder for small countries and small producers to remain viable in the global apparel market;²² price pressures and vulnerable labour conditions, particularly in the low-value added segments; and lack of long-term vision and supporting data in the industry that makes it difficult to secure viable supply chains, competitive industries and decent work.²³
23. While exact numbers remain disputed, it is clear that there have been widespread job losses in the industry since the crisis hit. According to the International Textile, Garment, and Leather Workers' Federation (ITGLWF) some 8,000 textile, clothing and footwear production units in emerging economies have closed since June 2008 with more than 11 million jobs lost, and a further 3 million workers on part time, out of a globally estimated apparel and textiles workforce of 60 million (see figure 6). Trade unions, NGOs, manufacturers' associations, buyers and local media have all reported factory closures and lay-offs, in some cases without notice, leaving workers short of back wages and severance pay.
24. With so much difficulty in determining the extent of job losses it is hard to assess the extent to which job losses and closures are resulting in cyclical, structural or frictional unemployment. Anecdotal evidence points to each of these factors at play, with employers even reporting hiring difficulties in some Asian countries. The recession's biggest losers have been those countries that were already struggling to maintain competitiveness, such as suppliers in Central America, Eastern and Central Europe and Pakistan. Job losses in these countries are likely to be the result of a combination of cyclical and structural unemployment, as factories were already closing or contracting before the recession.

²¹ Quota system that governed the trade rules in textiles and clothing in place until 2005.

²² MFA Forum, Buyers' Survey.

²³ *ibid.*

Figure 6. Reported job losses in the textiles and clothing sector



Note: Not including China, where 10 million apparel and textile workers are reported to have lost jobs.

Source: Based on figures from the ITGLWF.

25. The social impacts of the downturn are likely to be pernicious and long-lived. Labour market informalization and large-scale reverse migration from urban to rural areas trap people in negative cycles of poverty and asset and skills loss.²⁴ For those that remain employed within the industry, the value of their job is decreasing as factories cut bonuses and overtime. Growth at the bottom end of the market means that saved and created jobs are likely to be those which do not offer decent work. The crisis is worsening labour relations in many countries.

Towards a sustainable recovery: Promoting good practice

26. Initial responses by governments and industry associations have focused on addressing short-term priorities for struggling industries rather than workers' vulnerability. Key areas have been credit and trade finance, tax cuts, rebate and subsidies, and cost-cutting measures. According to the ITGLWF, the various stimulus packages currently being rolled out need to be increased and better targeted, putting emphasis on the retention and creation of decent jobs. Some governments have already begun addressing not only enterprise vulnerability, but also worker vulnerability. Nevertheless most of the impacts of the crisis on workers remain unaddressed.
27. The crisis has also accentuated the importance of building trust and collaborative solutions up and down supply chains. In this context, the following practices are worth noting:

²⁴ Emmett, B.: *Women workers pay the price for the global economic crisis*, Oxfam GB, 2009.

- Some international buyers are taking action to ensure that closures and retrenchments in their supply chains occur in line with the law and good practice. In Honduras, Malaysia and Bangladesh disputes over unpaid severance have been resolved following the intervention of key customers. In some cases buyers have agreed to pay such severances directly to workers. Leading brands have also begun evaluating necessary shifts in supply chain strategy that focus on a broader geographic distribution of consumption, the need for a more skilled workforce to deliver critical gains in productivity, and innovations in environmental sustainability.
- Some governments are promoting training programmes and social safety nets. For example in Morocco, the textile employers' association and the Government have signed a training agreement for retrenched workers using state aid, while at the same time investing in training for productivity and creativity of companies.
- Many development agencies, donors and NGOs are already active in promoting decent work and competitiveness in the industry.²⁵ Many of these initiatives are reassessing their strategies in light of the challenges of the recession. The ILO Better Work Programme, in partnership with the International Finance Corporation (IFC) and clothing brands and manufacturers, is expanding its country operations and considering how to incorporate support for improved environmental management into its activities. Multi-sector initiatives such as the Fair Labor Association (FLA), Ethical Trading Initiative (ETI) and MFA Forum²⁶ have adopted guidelines on "responsible transitions" to ensure that the impact of supply chain consolidation on workers is addressed.

Bringing the Global Jobs Pact into action in the textile and clothing industry

28. While responses to the crisis are being developed, these need to be better oriented towards social dimensions and a longer term vision of decent work in the industry. Governments have committed to cooperating with workers' and employers' organizations to address the immediate impacts of the crisis and to shape a sustainable recovery of the sector. Research undertaken by the MFA Forum at the end of 2008 concluded that, while governments, manufacturers' associations, trade unions, donors and multi-stakeholder initiatives are beginning to consider the implications of the crisis on the long-term sustainable development of the industry, overall collaboration is lacking. The Global Jobs Pact lays out a vision around which such collaboration could be mobilized. It provides an important platform for the effective recovery of the industry if policy measures in the sector embrace: incorporation of decent work considerations in macroeconomic stimulus packages; implementation of short-term measures to assist the most affected textile and clothing workers; development of sustainable social protection systems; investment in skills development; job loss limitation with solutions developed through social dialogue; support to job creation through socially responsible restructuring policies; and access to credit and a favourable environment for sustainable enterprises, in particular for small and medium-sized enterprises.

²⁵ Andrieu, J.B., Bell, S., Gibbons, S. and Newitt, K.: "Bilateral relations and cooperation activities in the area of employment and decent work between EU Member States or relevant international organizations, on the one hand, and selected emerging economies, neighbourhood countries and strategic partners of the EU on the other", Ergon Associates.

²⁶ The MFA Forum is an open multi-stakeholder network promoting social responsibility and responsible competitiveness in national garment industries. Participants include clothing manufacturers and buyers, trade unions (ITGLWF), NGOs, exporting and importing countries, and international institutions such as the ILO and the World Bank.

29. In this context, the Office took the following concrete initiatives. In Cambodia, the Better Work Programme will assist constituents through: rapid assessments to track the effects of the crisis on laid-off workers and develop meaningful response mechanisms; assistance in the responsible management of lay-offs; support for confidence building in the industry; and promotion of targeted skills training. In Romania, social dialogue will be promoted to analyse which elements of the Global Jobs Pact could be integrated in a sector recovery strategy.
30. The Sustainable Apparel and Footwear Initiative (SAFI), led by the MFA Forum, is an example well aligned with the principles of the Global Jobs Pact. This initiative has decent work as its mainstay and encourages the payment of a living wage as a tool to stimulate domestic consumption. It promotes mechanisms to deliver urgent credit and finance coupled with raising labour standards, combining short-term stabilization efforts with measures designed to prepare the industry for recovery and to boost competitiveness such as support for training instead of redundancies to keep workforces intact and use downtime to boost productivity and skills. In those locations where survival of the industry is not possible, the initiative plans for a responsible transition with displaced workers receiving their full legal entitlement to all outstanding wages, pensions and severance, access to jobs banks and retraining underpinned by government-provided safety nets. The ILO and social partners are fully associated to this initiative.

Civil aviation

The impact of the crisis in a troubled industry²⁷

31. The impact of the crisis on the industry has already eclipsed that of the attacks on the World Trade Center in September 2001. The global economic impact of civil aviation is estimated to be around US\$3.5 trillion, equivalent to 7.5 per cent of world GDP.²⁸ Revenues fell by 7 per cent post-2001 whereas the anticipated decline in 2009 is 15 per cent.²⁹ The synergy between the global economy and demand for air transportation means that in any economic downturn, civil aviation will suffer – and suffer more than most. Demand for air transport is pro-cyclical. That is, air traffic generally expands (contracts) with increased (reduced) economic growth, but at a much faster rate than the general economy. Data published by IATA, comparing demand in June 2009 and June 2008, indicate changes in demand for passenger and freight traffic in most geographical regions, although some differences have been recorded between regions. Demand in the Asia-Pacific region appears to have been hardest hit. Revenue passenger kilometres (RPK) in the region were 14.5 per cent lower in June 2009 than in June 2008. RPKs in North America were 6.7 per cent lower and in Europe 7.1 per cent lower. RPK growth was recorded in the Middle East (with a 12.9 per cent increase). Data for Latin America and Africa indicate drops of 4.7 per cent and 5.9 per cent respectively. Demand for air freight dropped in all regions. These estimates indicate that no region will be immune to the crisis, even though the effects will be differentiated. They also suggest that the current situation is

²⁷ This section is based on the findings of the study “The impact of the financial crisis on labour in the civil aviation industry” commissioned by the Office. The research was conducted this year using secondary source data and primary data collected by way of interviews and a survey directed to trade unions and civil aviation company management. The document will be published as a working paper.

²⁸ Data from ATAG: *The economic and social benefits of air transport 2008*, Geneva, 2006.

²⁹ According to IATA’s Director-General.

set to exacerbate the dire economic conditions faced by airlines in 2008.³⁰ Airline share prices in December 2008 had fallen to levels almost 60 per cent lower than at the start of 2008. Industry losses for that year were around US\$5 billion.

32. While the global financial crisis has affected virtually all industrial sectors, the impact on the international civil aviation labour market is especially severe. The industry supports 31.9 million jobs globally; in 2006 it created 5.5 million jobs directly (with 4.7 million people employed by airlines and airports and around 800,000 employed in the civil aerospace sector) and a further 6.3 million jobs via the purchases of goods and services in the air transport supply chain; 2.9 million jobs are created by the spending of employees; and 17.1 million jobs are created through air transport's 'catalytic' impact on tourism. The crisis has resulted in job-reduction programmes and changes in working conditions. Between May 2008 and May 2009, jobs were cut at several of the US major airlines (see table 3). In Europe, an airline based in the United Kingdom, XL Airways (employing around 1,700 staff), and Russian carrier Dalavia (employing around 2,800 staff), ceased operations. Other carriers such as Aer Lingus, Air France–KLM and Scandinavian Air Services have announced job-reduction programmes (of 1,500, 3,000 and 9,000 jobs respectively). In the Asia–Pacific region, the Australian airlines Qantas and Virgin Blue have announced 1,750 and 400 job losses respectively, while Air New Zealand plans to retrench 200 jobs. Cabin crews were the group hardest hit by the crisis.

Table 3. Initial and actual job reductions among US major, larger low-cost and regional carriers

Carrier	Initial lay-offs announced in 2008	Actual FTE* headcount differential (May 2008 to May 2009)	
		Total	% of workforce
Southwest	n.a.	1 500	4.4
American Eagle	n.a.	(500)	(5.8)
Continental	3 000	(1 500)	(4.1)
US Airways	1 700	(1 900)	(5.8)
Delta	4 000	(3 300)	(6.9)
Northwest	2 500	(4 300)	(14.7)
American Airlines	7 000	(4 900)	(6.6)
United Airlines	7 000	(6 600)	(12.6)

* FTE (full-time equivalent employees) include all employees, with two part-time employees included as one full-time employee.

Source: US Bureau of Transport Statistics.

33. The impact of the global financial crisis on working and employment conditions has been immediate and significant but also extremely varied. Trade unions representing airline employees indicate that the most common responses are recruitment freezes and cost-cutting measures, such as reduced working time, to avoid enforced lay-offs.³¹ For example, Lufthansa has reduced the hours of 2,600 air freight division employees. Pay freezes have been implemented at Singapore Airlines, British Airways, BMI and Virgin. Most commonly, workers have been offered unpaid leave and, in some cases, work without pay. For instance, Air India introduced measures to allow 15,000 employees to

³⁰ For example, there were 13 US airline bankruptcies in 2008.

³¹ Respondents to an ILO survey indicated that voluntary redundancy, non-renewal of temporary contracts, probationary staff not being transferred to full-time contracts, voluntary retirement and unpaid holiday leave were among the measures most frequently adopted by airline companies.

take leave without pay for three to five years. Similarly, Cathay Pacific encouraged 17,000 employees to take up to four weeks' holiday without pay; and Japan Airlines required 16,000 employees to take two months unpaid leave. British Airways suggested that employees work for one month without pay. Compulsory redundancy, and voluntary and compulsory furloughs were more likely to affect North American employees than their counterparts in either Europe or Asia-Pacific.

34. The situation for air navigation service providers (ANSPs) is especially important as many are prevented from holding financial reserves or obtaining commercial loans. With declines of up to 20 per cent in revenues, ANSPs face an unprecedented financial crisis. Moreover, it has been claimed that ANSPs were already operating with insufficient staff making a reduction in headcount difficult if not impossible. The Civil Air Navigation Services Organization (CANSO) claims that ANSPs have responded to the crisis by reducing staff overtime and external staff numbers; freezing pay; offering voluntary early retirement; and reducing training. Trade unions consider the latter may have implications for the general operations of air traffic management and the effective introduction of new technologies.
35. Whereas the human resource policies might not be intentionally discriminatory, restructuring policies may have a more detrimental impact on female workers. Despite the fact that human resource policies were applied equally, airline management recognizes the groups hardest hit by restructuring policies in response to the crisis have been cabin crews (and to a lesser extent customer service staff). Female workers dominate these occupations, comprising 80 per cent of the total US flight attendant workforce in 2001.

Alternative measures to deal with the crisis

36. There is clear evidence that social dialogue is an effective and preferred means to achieving a feasible and acceptable business model in the current aviation climate. The response of companies in the industry has ranged from the immediate and unilateral to the considered and consultative, with several airlines, particularly in the United States, moving quickly to reduce headcount while others have engaged workers in the restructuring process in order to arrive at a more innovative and socially acceptable strategy. For instance, several major US airlines have agreed with the Airline Pilots' Association (the trade union for US pilots) on a scheme whereby pilots would be allowed to take voluntary leave of absence during which they would maintain their benefits. In Europe, Air France-KLM have announced that the 3,000 job cuts required will be achieved through suspending hiring, not renewing temporary contracts and not replacing retiring members of staff, thus avoiding redundancies. In the United Kingdom, consultation between British Airways and the British Airline Pilots' Association (BALPA) has led to agreement over a cost reduction package that will save the airline £26 million per year. Similarly, Thomson Airways has engaged in elaborate discussion with BALPA in order to arrive at an agreement on a 5 per cent pay cut for pilots employed at the airline in order to save up to 100 pilot jobs.

The Global Jobs Pact: A recovery framework for civil aviation

37. The Global Jobs Pact offers a unique platform for socially responsible solutions and could pave the way for a better performing civil aviation sector. While every element of the Pact would, in different situations and circumstances, fit within a framework for a decent work response to this or any future crisis in civil aviation, two aspects are particularly relevant: investing in workers' skills development, skills upgrading and reskilling, and supporting enterprises in retaining their workforce through socially well-designed schemes.

38. Whether in good times or bad, enterprises in the civil aviation sector need to maintain their skill structure in sufficient numbers, so that they will be equipped with trained and qualified staff to conduct full-scale operations quickly and in compliance with the appropriate safety standards when the upturn in the economy occurs. In some areas, particularly in air traffic management, earlier crises created a deficit of trained personnel following substantial cuts in training budgets and the number of skilled personnel. It is estimated that there is currently a shortfall of about 5,000 air traffic controllers (per country the figure varies between 5 and 30 per cent of the needed staff). Once economies recover 1,500 controllers will be needed in Europe, some 1,900 in the United States and more than 1,700 in the Asia-Pacific region.
39. Human resources policies at the company level as well as government anti-crisis measures that encourage skills development and retraining programmes would be consistent with the Global Jobs Pact and could play a critical role in the recovery of the industry in the short term and ensure competitiveness in the long term.

Review of sector-specific policy responses

40. The rapid deterioration of the global economy demanded a prompt and vigorous response by governments, enterprises and workers' organizations worldwide, aimed at mitigating and stimulating the recovery of the real economy and labour markets. A broad range of financial, fiscal and policy measures have been adopted since the crisis began and as it expands other initiatives are being considered. Most are either in progress or about to be implemented but little has been done to evaluate their effectiveness or impact. This section provides an overview of the findings of an analysis carried out by the Office to understand the nature of sector-specific measures in 62 countries.³² It provides an overall picture of the different means and instruments adopted in these countries to revitalize industries, deal with unemployment and protect workers.
41. Of the 246 sector-specific policy measures identified and analysed by the Office, 90 per cent were led by national, and in some cases, local governments. Although the different measures adopted may have involved a degree of negotiation, either with employers' or workers' organizations, only few had a bi- or tripartite character.
42. Measures aimed at boosting aggregate demand and revitalizing key industries surpassed those aimed at directly creating employment. Almost 53 per cent of the measures were designed to stimulate aggregate demand, recover specific industries and restore confidence in the financial markets. Employment-generation considerations in most of the cases were indirect and result rather from initiatives targeted to protect industries with a large labour force and a significant contribution to the GDP. Only 25.6 per cent of the measures aimed explicitly at creating employment, particularly in the construction sector as part of short-term public works and infrastructure schemes. According to the IMF, the expenditure measures for 2008–10 to support strategic or vulnerable sectors represents, in the G20 countries, only 0.02 per cent of GDP compared with 0.70 per cent in infrastructure (largely in transportation networks).

³² The measures reviewed in this section were announced by countries in late 2008 and the first semester of 2009.

43. The instruments adopted vary from country to country and from sector to sector. Governments implemented a broad range of instruments prioritizing monetary, fiscal and foreign trade policies to deal with the crisis (see table 4). A mix of measures designed to raise expenditure levels and to increase disposable income could be found in many countries. Temporary tax cuts targeted at imports and exports were introduced to benefit manufacturing and export-oriented industries. Relatively few active labour market policies (11 per cent) and social protection programmes (10.1 per cent) were identified at sectoral level. The size of the stimulus packages differs partly because of the difference that exists in terms of resource availability and partly because of the different impacts of the crisis on different sectors.

Table 4. Overview of sector-specific policy measures

Sectors	Policy measures						
	Financial	Fiscal	Trade	Employment	Active labour market	Social protection	Environment friendly
Agriculture/food	•	•	•	•	•	•	•
Automotive	•	•		•	•		•
Banking and finance	•				•		
Construction	•	•		•	•	•	•
Energy	•	•					•
Chemical	•				•		•
Education					•	•	
Fishing	•	•					
Forestry	•	•		•			•
Health						•	
Hotel and tourism	•	•	•	•	•		
Information technology	•						
Maritime	•	•					
Media and entertainment	•						
Mining	•						
Oil	•	•					
Public services				•	•		
Textile and clothing	•	•	•	•	•	•	
Transport		•		•	•		

Source: ILO: "Review of sector-specific stimulus packages and policy responses to the global economic crisis".

44. Preliminary analysis from some developed countries shows that the complex design and costly measures required are affecting the effectiveness of the stimulus packages. For instance of nearly €20 billion destined for public investment in Germany, only a trickle has ended up so far in infrastructure projects due to lengthy application and planning procedures. In the United Kingdom, six months after the Government launched new bail-out measures for banks and the economy, several of those efforts are languishing for lack of interested takers. In January, for example, the British Government created a guarantee programme meant to revive the market for asset-backed securities. The guarantees were made available in April, but since then, none of the major banks has issued a security with such a guarantee. Bankers say it is too expensive. In developing countries, such as South Africa, weak institutional capacity and the lack of coherence between the different

government departments responsible for implementing the anti-crisis plan have caused major delays to implementation.

45. Other countries observed more positive results. For instance, Australian government officials believe that the rise in consumer confidence is a tribute to the second round of stimulus payments. The number of businesses expecting improved sales rose from 34.1 to 48.1 per cent between April and July. China reported that urban employment rose by 1 million from January to May this year and Canada suggests that the 12 billion Canadian dollar investments in infrastructure will generate between 120,000 and 132,000 jobs. No official evaluations have been reported yet since in most cases the different stimulus packages and policy measures have only been recently adopted or are pending implementation. Also, not all of the policy measures were directly targeted to deal with unemployment and working conditions, so any consequences for the labour market should be analysed with caution.
46. Countries have to move from policy-driven recovery to self-sustaining growth. While the focus has initially been short term, there are two issues that will increasingly need the attention of policy-makers in the medium to long term: high levels of subsidies to certain industries and absence of clear exit strategies. Concerns have already been expressed about protectionism and market distortions. Therefore, governments need to exercise caution when considering the extension of sectoral recovery incentives. This may be a difficult call as governments risk undermining economic recovery if they withdraw stimulus spending too fast. The main question is whether the countries can sustain the recovery once the various domestic stimulus measures come to an end.
47. This crisis, and the manner in which the abovementioned issues will be addressed, would change the nature and character of many, if not all, of the economic sectors and industries. The immediate effects of the recession have caused an active but silent restructuring process across and within the industries. A new merger wave may be forming as the value of companies' shares is still relatively low. The economy is in transition and each sector's response to the stimulus measures, and the active engagement of the social partners in the design and implementation of those measures, will be critical not only in addressing the short-term challenges but also in shaping a socially, economically, environmentally and politically sustainable process of growth and recovery.
48. Despite all the economic packages and policy measures, there is a serious risk that higher structural unemployment, slower lending and weaker capitalization could cap the economy's growth potential. Sectoral recovery seems to be slow and in no case will resolve the structural problems such as high unemployment that existed before the crisis.

Forthcoming activities

49. In alignment with the priorities outlined in the Global Jobs Pact and in close coordination with the tripartite constituents, the Office will continue to promote and facilitate effective social dialogue at the sectoral level to maximize the effectiveness and impact of crisis responses. To this end, it will organize a series of national and regional tripartite events.
50. Another area emphasized by the social partners is the collection, analysis and dissemination of information. In this regard, the Office is already coordinating the updating of data disaggregated by sector on employment, working hours and wages to support the design of evidence-based policies. Initial information gathered since March 2009 has helped to provide empirical evidence for this paper and will support the preparation of in-depth analyses on the latest developments of other affected economic

sectors such as tourism and the public services (public administration, education and health). Those will be reported on at the next Governing Body session in March 2010.

51. The strengthening of country-level diagnostic and policy advisory capacity constitutes an immediate need in many member States. The Office has already initiated pilot experiences in this regard, particularly in the Americas where the ILO is providing technical assistance to the Government of Chile in developing a sectoral rapid assessment methodology to monitor the impact of the crisis in sectors such as construction, wholesale and retail, food and agriculture, and forestry. Because of the positive results, the experience will be extended to other sectors and countries of the Southern Cone.
52. The Office has also identified some structural and long-term aspects which require further research and attention. The knowledge of the impact of the crisis on the structure of global production systems and the way in which employment and working conditions may be reshaped will be critical to inform sectoral policy changes in the recovery process. Another topic to consider is the understanding of the distribution of the impacts of the crisis by gender, occupation, education and age. Qualitative case studies, in particular in developing countries, may help to overcome existing data constraints.
53. The monitoring of the implementation of stimulus packages and policy responses to the crisis at country level, as well as the assessment of their impact on employment and social protection at sectoral level, remains a critical task which could be a priority for the next biennium.

Geneva, 23 September 2009.

Submitted for debate and guidance.