

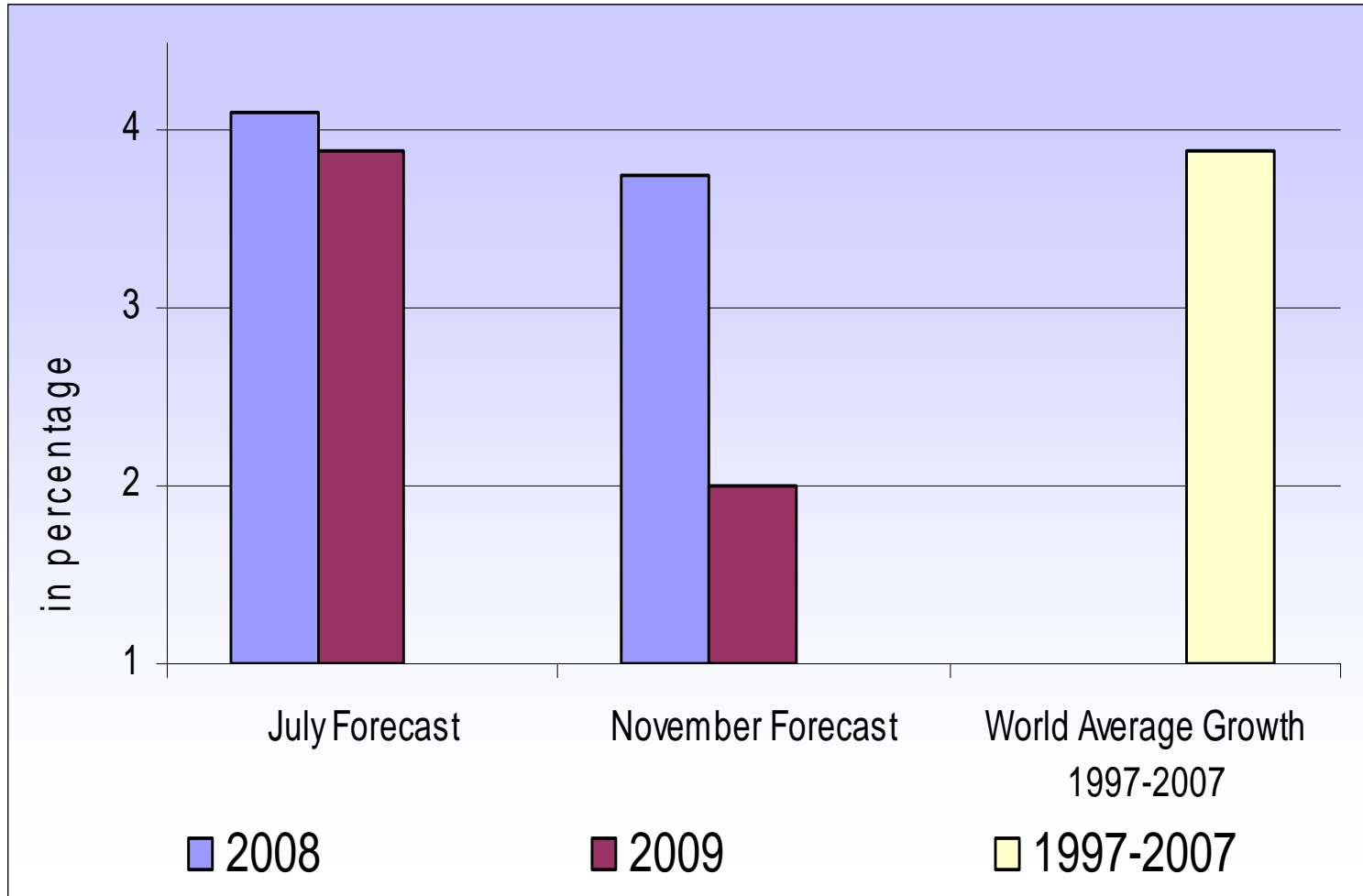
Economic crisis and jobs



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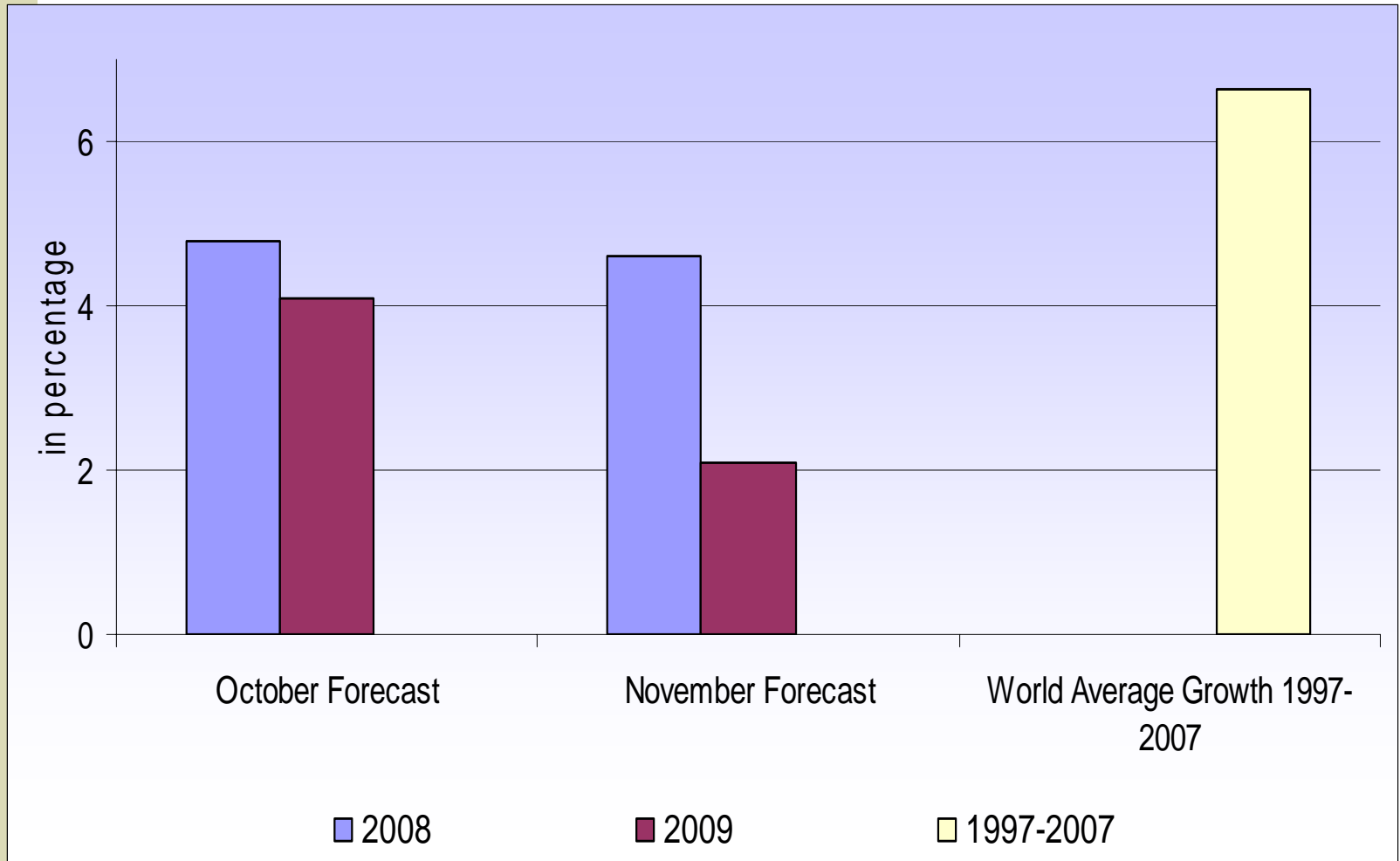
The financial crisis has turned into an economic crisis...

Figure 1. World GDP Growth Forecast



... including a spectacular slowdown in world trade

Figure 2. World Trade Growth Forecast



2009: sharp rises in unemployment and working poverty

Unemployment is on the rise since early 2008...

- US unemployment rate increased from 5% in early 2008 to 6.5% in October
- Euro-area unemployment rate rose from 6.9% to 7.7% over past 2 months

... and may increase much faster in 2009, according to ILO:

- 20 million more unemployed in 2009;
- 100 million more working poor (less than 2\$ a day).

Biggest risk in developed countries: long-term unemployment

- Hard to obtain new jobs for long-term unemployed (may slow recovery);
- Crisis will lead to more social hardship than the early 1990s recession (large segments of society are more fragile than ever in recent history).

In developing countries: poverty targets significantly delayed



1. Need for a fiscal stimulus package

- **Financial rescue measures are crucial, but won't be enough, because they will take time to operate and channels of transmission of monetary policy have been weakened**
- **Crisis has gained its own dynamics and is globalised**
- **So fiscal measures are needed**



2. What type of fiscal policy? Key criteria:

- **Acting quickly**

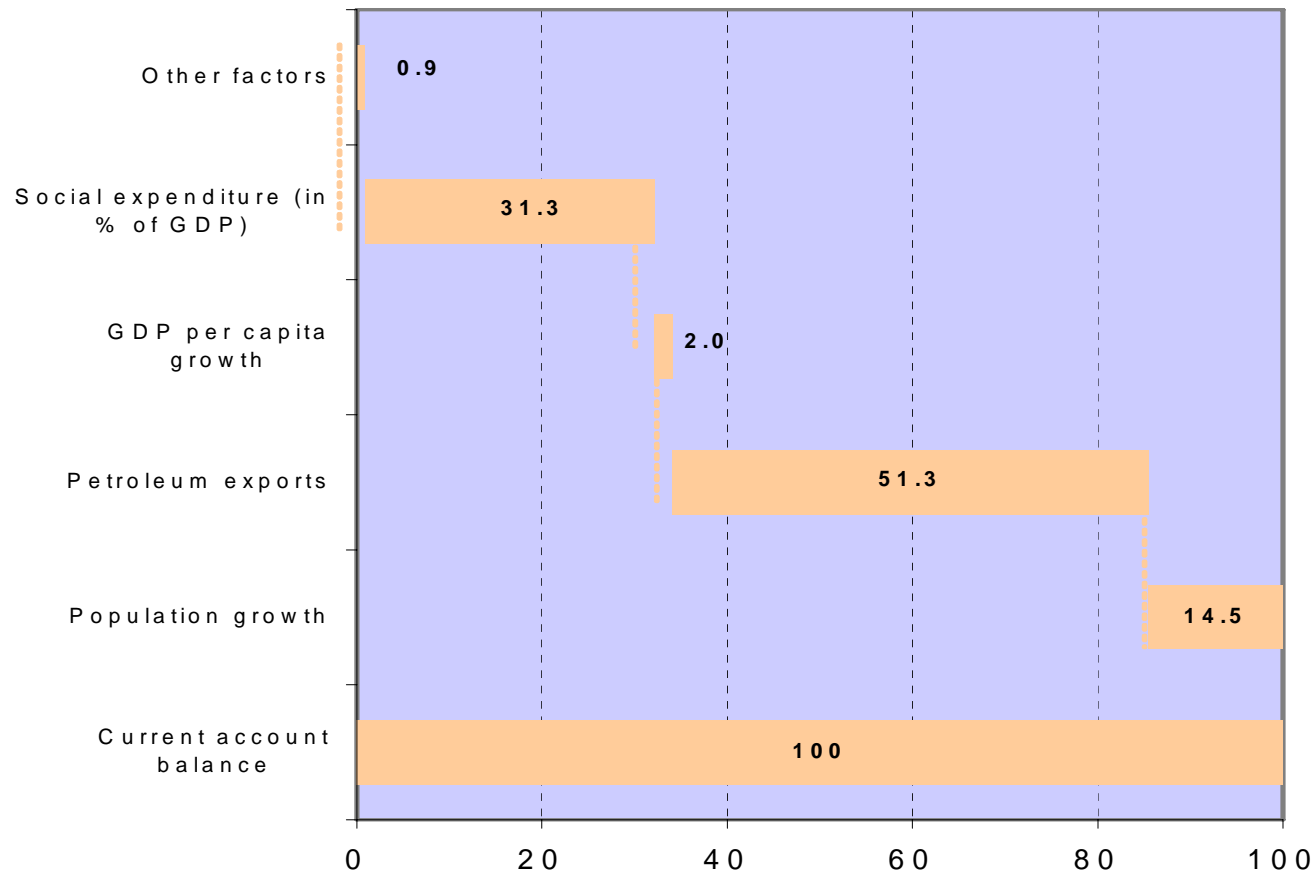
- **Confidence effects can be devastating**
- **Long-term unemployment needs to be prevented**
- **Spill-overs into developing countries**
- **Demands for trade protectionism may arise**
- **Acting quickly will be less costly!**

- Moving in a coordinated manner
 - Isolated measures will be less effective...
 - ...and may not yield enough confidence effects vis-à-vis international action
 - International coordination will reduce risk of free-riding

- Supporting spending and jobseekers
 - Lower VAT, cuts in employee social contributions
 - Easier access to credit for small businesses
 - Faster completion of infrastructure projects, faster social housing
 - Activation programmes for unemployed
 - Employment guarantee schemes
 - Social protection in high-saving emerging economies
 - Adapt size and nature of measures to country position

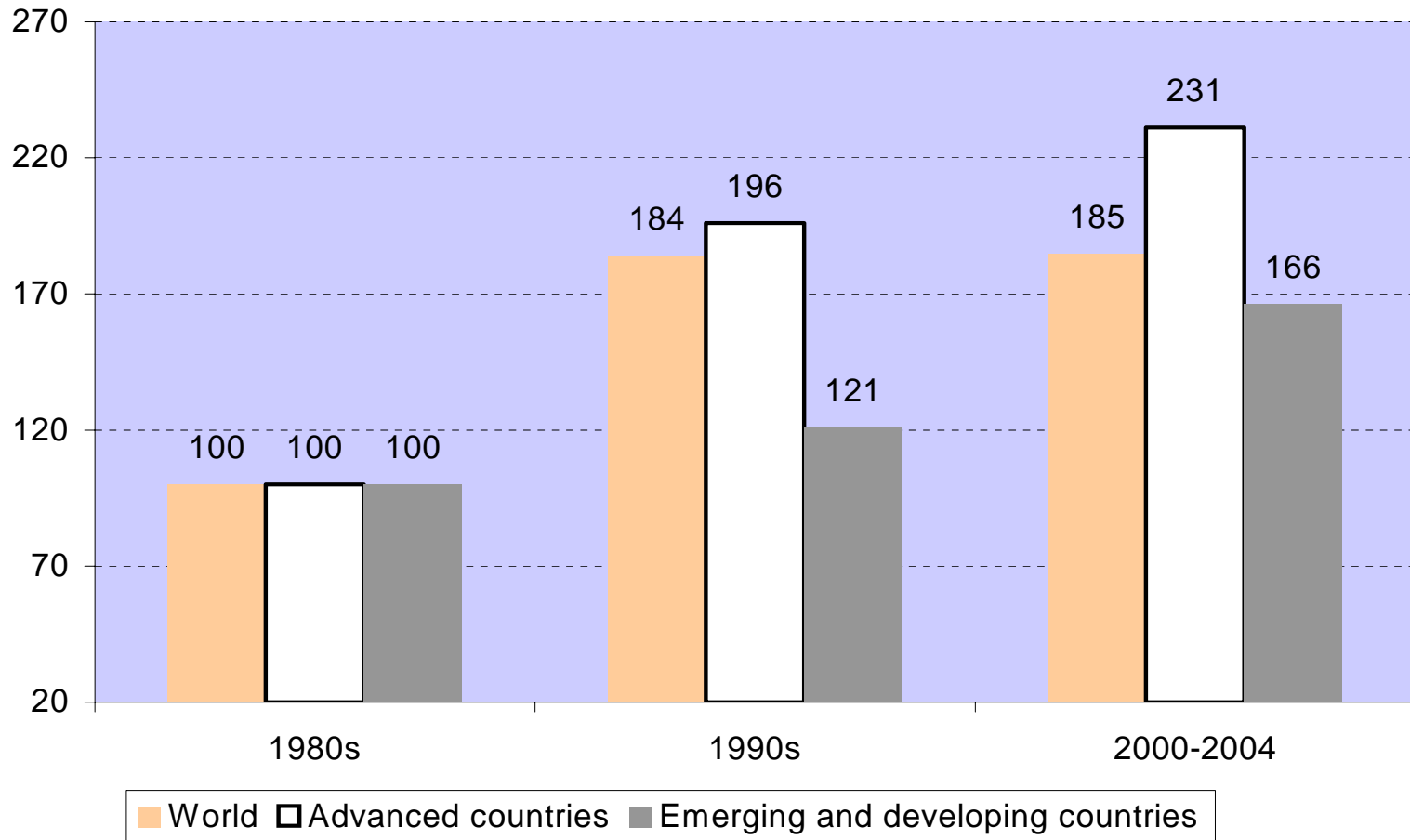
How to boost jobs – what fiscal policy package?

- Tackling root causes of the crisis:
 - Imbalances between countries
(contributions to current account imbalances)



– Imbalances within countries

Income inequalities are on the rise worldwide, 1980 - 2004



Role of green jobs as part of the stimulus package

- 1. Possible levers (consistent with 4 key criteria)**
 - **Faster completion of “green” infrastructure projects**
 - **Social housing with energy-efficient construction**
 - **Public works’ programmes**
 - **Support automobile sector conditional on moving towards clean technology**

2. Potential bottlenecks

- **Speed for launching green infrastructure projects**
 - **Availability of clean technology**
 - **Availability of skilled personnel**
 - **Possible tradeoffs with financial and social priorities**
- => Need to be innovative to overcome these bottlenecks.**