



OPEN LETTER TO THE G20 LEADERS PITTSBURGH, 24 – 25 SEPTEMBER 2009

Geneva, 21 September, 2009

Ladies and Gentlemen,

Ahead of the Pittsburgh summit this week, allow me, on behalf of the global employer community represented by the International Organisation of Employers (IOE), to convey some key messages which we feel are necessary to ensure an effective path to enterprise recovery and labour market confidence.

Business has experienced the painful consequences of the financial crisis, a crisis which had its origins in failures of governance, inadequate regulatory structures and a culture of short-term thinking. The IOE, the world's largest business network with 148 national employers' organizations representing millions of enterprises globally, has responded both in terms of policy advocacy and leadership.

In its **Lisbon Statement** of February 2009, the IOE set out the policy framework needed to overcome the crisis. Throughout its membership, the organisation has consistently advocated sustainable policies and measures to restore confidence and bolster private sector activity; championed open and informed debate; and worked assiduously to rebuild trust in business through a vigorous insistence on the ethical conduct of enterprises. The IOE has strongly promoted fundamental principles and rights at work everywhere.

Now, one year on from the start of the crisis, there are positive signs of a return to growth. Stock markets have risen and a measure of confidence is returning to enterprise and consumer behaviour.

However, there is a danger of prematurely declaring the patient better. Public spending has largely driven these promising gains. In contrast, the private sector is still struggling, with recent increased activity primarily consisting of inventory rebuilding, rather than strong private consumption and investment. Current growth projections will not be enough to significantly reduce unemployment.

We are at a critical juncture in this crisis. Timid policy now - or worse, an assumption that growth and employment will return unaided - could jeopardise recovery.

The challenge before the G20 is to continue with the bold approach taken to date, in particular focusing energies on reinvigorating the private sector and consequently shortening the traditional time lag associated with recovery in labour markets. It is vitally important to get the economic framework conditions right for business. The IOE therefore urges the G20 to consider accelerated action in five areas.

First, continue efforts to create financial systems grounded in responsible and sustainable practices that meet the needs of enterprises in the real economy. The current crisis has taught us that only with appropriate, not necessarily more, regulation can financial markets fulfil their task of providing stability and liquidity to business.

Second, vigorously promote regulatory environments conducive to sustainable enterprises, reduce excessive administrative costs and red tape, stimulate entrepreneurship and competitiveness, as well as provide access to lending facilities. In short, make it easier to do business

Third, make the needs of SMEs a policy priority. Their dynamism and greater flexibility often go hand in hand with weaker financial and management structures, making them particularly vulnerable in the current downturn. Providing SMEs with greater access to affordable credit, and reducing their compliance and cost burden, are vital to recovery plans.

Fourth, be more robust in the defence of an open trading environment. Creeping protectionism is a latent threat to an enterprise-led recovery. The collapse in global trade has been dramatic and its recovery is dependent on genuine political will to maintain an open trading environment.

Fifth, ensure that labour market legislation and institutions can effectively facilitate a transition from recession to recovery. The crisis has reinforced our belief that policy makers need to focus on protecting 'employment' rather than 'jobs'. Protecting employment requires labour market institutions to provide flexibility that enables employers and employees to implement fair and creative measures to maintain employment levels.

These elements, which we feel are vital to ensuring a smooth transition from crisis to recovery, form part of the **Global Jobs Pact** which was developed at the International Labour Conference in June of this year by employers, workers and governments. The Pact is a rich resource of practical measures to assist countries in formulating policy to meet their national needs. The IOE is urging the International Labour Organization to promote the Pact through the multilateral system and to use it as a basis for cooperation with its sister organisations and donor governments.

Collective and concerted action has averted global economic collapse in the short term. Sustainable recovery will depend on continuing in this vein.

Yours sincerely,



Wiseman Lumkile NKUHLU
President