



SECOND ITEM ON THE AGENDA

**Policy responses to address the
employment and social consequences
of the events of 11 September 2001**

1. The events of 11 September 2001 impacted on the lives of thousands of working people and their families. Many of the over 3,000 who died were workers, either involved in rescue efforts, in offices or on aeroplanes. They came from more than 80 countries.
2. The terrorist attacks on the United States had a profound impact on the world of work. This paper looks at both the immediate effects and the repercussions, given the global economic context at that time. The paper then examines policy responses to address the employment and social consequences of 11 September 2001.

1. Immediate impact

3. The 11 September attacks were an immediate setback for decent work. Many workers lost their jobs. In the United States alone the airline industry announced some 95,000 job cuts in the months following the attacks. The aircraft manufacturer, Boeing, announced that it would be cutting up to 30,000 jobs before end-2002. On the conservative side it is estimated that 1.64 million jobs would be lost by end-2002 in metropolitan areas across the United States.¹ Internationally, employment in civil aviation, hotels, tourism, catering, entertainment and the retail and wholesale trade was significantly affected by a sharp decline in consumer confidence and a heightened sense of insecurity. In civil aviation, the effects of the attacks compounded difficulties already being experienced. Significant job cuts have been announced across the world (see table 1). The employment effects of the cyclical downturn combined with the effects of 11 September are estimated to have resulted in the loss of approximately 400,000 jobs worldwide and are affecting all segments of the air transport industry – airlines, airports, air navigation services,

¹ Research report, *The impact of September 11 on U.S. metropolitan economies*, Milken Institute, Jan. 2002.

equipment manufacturers, catering companies, parking and car rental facilities.² Of the 207 million people employed in travel and tourism worldwide, the World Travel and Tourism Council (WTTC) estimated in October 2001 that 8.8 million workers would lose their jobs.³

4. Women are likely to have been more affected by the impact on employment than men. First, many of the affected industries employ a larger share of women in those categories of employment that will shed the most jobs. For example, women make up the majority of flight attendants and occupy most of the lower paid jobs in the hotel and tourism industries. Second, as women are more likely to be employed on a precarious basis, they will be first in line to lose their jobs.
5. The attacks of 11 September also impacted on the safety, security and general well-being of workers. Higher levels of anxiety and stress were intensified by the fear of more attacks, insecurity about the war against terrorism and fear that the economic downturn would now be deeper and longer lasting.

2. Unfolding repercussions for decent work

6. Even before 11 September, there had been concerns regarding a worldwide economic slowdown. The events of that day inflicted a severe shock on the United States economy. Given the increased global integration of economies and the fact that the United States had been a major engine of growth for the global economy during the last decade, the shock waves quickly reverberated through an already ailing global economy, which, at that time, was experiencing a synchronized slowdown in growth in most major regions, a significant decline in trade growth and a fall in commodity prices. The events of 11 September contributed to a sharp decline in confidence around the globe. Investor sentiment was particularly vulnerable to an unexpected negative shock and investor risk appetite plummeted.
7. Most growth forecasts were revised downwards immediately after the attacks, and prospects of recovery were postponed until later in 2002.⁴ From initial figures it is clear that the effects of the downturn are unevenly distributed, with developing economies being hit on several fronts. Weaker external demand is affecting the trade-reliant economies of Asia and Central America. Many developing countries, particularly those in Latin America, have experienced rapid deterioration in financing conditions. Exporters of primary commodities – some of the poorest countries in the world – have been

² Chairperson's summary, Tripartite Meeting on Civil Aviation: Social and Safety Consequences of the Crisis Subsequent to 11 September 2001, Geneva, 21-25 January 2002. <http://www.ilo.org/public/english/dialogue/sector/techmeet/tmica02/summary/i.htm>

³ WTTC estimate based on 10 per cent reduction in the volume of business. It includes both direct and indirect employment losses. Since October 2001, business decline has not been as drastic as anticipated and estimated employment losses may not reach this figure.

⁴ For example, the IMF revised its forecasts for world output growth down from 3.2 per cent in May 2001 to 2.6 per cent in October 2001 and to 2.4 per cent in December 2001. These estimates are valued at purchasing power parities (PPPs). PPPs are currency conversion rates that both convert to a common currency and equalize the purchasing power of different currencies.

significantly affected by the further weakening of commodity prices.⁵ The economic outlook for 2002 remains very uncertain (see table 2).

8. While much is unclear, it is a fact that the aftermath of 11 September worsened what was already a weakening growth picture. Across the world, the effect of this slowdown has been to adversely affect decent work, both by driving people out of jobs and by affecting the working environment. Estimates of the employment consequences of the global economic slowdown differ depending on the growth estimate used. The Office now estimates that there will be about 30 million less jobs in 2001.⁶ This figure represents both layoffs and potential job opportunities that will no longer be created. And as seen in the past, one of the consequences of a sharp downturn in economic activities in many countries, particularly in developing countries, is a shift to inferior jobs in the informal economy and an increase in poverty, unrelieved by social protection. The most vulnerable are those workers in developing countries with precarious jobs in sectors such as tourism, where there is no protection to cushion the shock. But the impact on poverty and insecurity is clearly much more widespread, thereby constituting a setback for progress on global social priorities.

3. Policy responses

9. The events of 11 September struck at a time when countries were already struggling to deal with a backlog of and, in many places, growing unemployment, underemployment and widespread poverty. Given the magnitude of the employment deficit and feelings of insecurity in the workplace and in the minds of entrepreneurs and investors, there is a strong case for policies to stimulate higher rates of growth in the global economy in a way which is consistent with the aim of achieving decent work for all women and men.

3.1 Addressing the goals of decent work post-11 September

10. The Decent Work Agenda provides an integrated framework for developing the policy responses needed to address the employment and social consequences of 11 September.

(a) *Social dialogue*

11. Social dialogue at this juncture provides an essential means through which to promote democratic processes that search for appropriate ways to deal with the negative impact of the events and restore economic and social stability.

⁵ IMF: *World Economic Outlook*, Dec. 2001.

⁶ This figure has been revised from the 24 million less jobs cited in the Global Employment Agenda, 15 Dec. 2001. It is based on an exercise that assumes an employment elasticity of 0.5 per cent in respect of output growth and a UN estimate of 1.3 per cent GDP growth for 2001. There is a great deal of variation in such estimates, depending on the methodology applied. For example using an employment elasticity of 0.63, and a slightly different methodology, it has been estimated that 61 million jobs will be lost (representing formal and informal jobs and jobs where workers will now be underemployed), of which 22 million are attributed to the effect of 11 September alone. See Rizwan Islam: *Employment and policy implications of the global employment slowdown 2001: Responding with a social focus*. Issues in employment and poverty, Discussion paper 2.

- At a global level, the ILO, together with its tripartite constituency, immediately initiated *two tripartite emergency meetings* to look at the social consequences of 11 September in the civil aviation and hotel and tourism sectors. Social dialogue in these meetings helped to generate a number of immediate proposals for strategic responses by governments, the social partners and the ILO.⁷ In the hotel and tourism sector, for example, recommendations included encouraging ongoing social dialogue among the social partners at national and local levels to mitigate the negative effects of the crisis and promote tourism in general; responding to approaches by the social partners to initiate temporary measures to reduce costs during the crisis period, for example reviewing *tourism-related* taxation; allocating funding to assist the sector and its workers who suffer temporary or permanent loss of employment as a result of the downturn; approaching the international financial institutions for resources – action to be supported by the ILO.
- A Tripartite Meeting on Civil Aviation: Social and Safety Consequences of the Crisis Subsequent to 11 September 2001 was held at the ILO from 21 to 25 January 2002. The Meeting enabled governments, employers and workers to assess the extent and consequences of the crisis facing the industry and to develop appropriate responses.⁸ Some 200 delegates representing governments, airlines, trade unions and industry experts agreed that a critical element for recovery was the restoration of consumer confidence. A number of important recommendations arose from the Meeting. These included recommendations concerning security measures, occupational health and the training of all safety- and security-sensitive aviation occupations.⁹
- In dealing with the employment crisis in companies, alternatives to redundancies such as job sharing, recruitment freezes, voluntary retirement and the introduction of overtime bans could be explored through social dialogue. Innovative solutions may be found which might otherwise not have emerged. The civil aviation industry abounds with examples of firms that have been able to respond to the crisis and avert job losses through social dialogue. Air Canada, for example, has reached an agreement with its flight attendants, represented by the Canadian Union of Public Employees (CUPE) on a voluntary work share programme that will save jobs. Continental Airlines, which announced 12,000 job losses, expects to lower that number to about 3,500 as workers opt for early retirement or leaves of absence (during which they are able to work for another company while retaining some benefits from Continental for as long as a year).¹⁰
- Social dialogue on macroeconomic responses is also an important means to secure the necessary commitment of the social partners to adjustment. This will not only ease the implementation of policy but can also promote transparency and good governance. Social dialogue can be an important means through which to secure the

⁷ Informal Tripartite Meeting on Hotel and Tourism: Social impacts of Events Subsequent to 11 September 2001 (25-26 October 2001), <http://ilo.org/public/english/dialogue/sector/techmeet/imhct01/index.htm>; Think Tank on the Impact of the 11 September events for Civil Aviation (29-30 October 2001), <http://ilo.org/public/english/dialogue/sector/techmeet/imica01/index.htm>

⁸ <http://ilo.org/public/english/dialogue/sector/techmeet/tmica02/index.htm>

⁹ Final Chairperson's summary, Tripartite Meeting on Civil Aviation: Social and Safety Consequences of the Crisis Subsequent to 11 September 2001, Geneva, 21-25 January 2002.

¹⁰ Issues paper: Tripartite Meeting on Civil Aviation: Social and Safety Consequences of the Crisis Subsequent to 11 September 2001. See <http://ilo.org/public/english/dialogue/sector/techmeet/tmica02/index.htm>

most equitable outcomes and help contain the risks of macroeconomic and social instability.

(b) Employment

12. The Global Employment Agenda sets out a framework for successful employment strategies at a national level and through a global alliance for employment. These need to be pursued with vigour. At the same time, there are specific policy measures that are urgently required to address the consequences of 11 September, limit the employment losses and maximize new employment opportunities.

- The full potential of measures aimed at stimulating domestic demand and developing internal markets needs to be exploited. Government expenditures should give priority to quick-disbursing programmes with a high impact on job creation for the most needy; adopt measures to support entrepreneurial initiatives; create a supportive environment for small firms to thrive; and increase domestic consumption by measures targeted at those sectors or groups most likely to create multiplier effects. Corporate tax breaks may be helpful but are likely to only have medium-term to longer term effects. Consideration may also need to be given to extending credit lines or providing recovery packages to enterprises facing temporary difficulties so that valuable productive capacity is not lost. These measures need to be well targeted for maximum employment retention. In addition, governments may want to consider specific emergency measures for workers who have lost their jobs in sectors directly affected by 11 September.
- Urgent attention needs to be given to ensuring that unemployment insurance compensation schemes and re-employment services are accessible and effective. Investment in job training and retraining programmes is an important component of efforts to prevent potential job losses and assist workers who have lost their jobs to be re-employed. In civil aviation, for example, additional investment in technology, training and retraining can ensure highly trained and well-motivated staff, contribute to the improvement of safety, help restore passenger confidence and security, and create new work opportunities.¹¹ Specific attention should be given to targeting policies at women, because of the risk that they will be particularly disadvantaged, as noted above.

(c) Social protection

13. Since 11 September, the world has faced a global tidal wave of insecurity. This is also an issue being dealt with elsewhere on the agenda of the Committee on Employment and Social Policy.¹² However, economic space does exist to extend social protection and address concerns related to workplace safety. The IMF has itself noted that “economic fundamentals in many countries have in many respects improved in recent years and, from an economic perspective this leaves the world somewhat less vulnerable than it might

¹¹ As discussed during the Think Tank on the Impact of the 11 September events for Civil Aviation, 29-30 October 2001, <http://ilo.org/public/english/dialogue/sector/techmeet/imica01/index.htm>

¹² See item on “Effect given to the conclusions of the general discussion on social security at the 89th (2001) Session of the International Labour Conference”.

otherwise be".¹³ Priority should be given to using this space to provide social security and leave *workers and their families* less vulnerable.

- Those suffering layoffs or living and working in the informal economy are in urgent need of proper social protection mechanisms and social safety nets. The Asian financial crisis showed that in the absence of social protection, many more people joined the ranks of the poor than would have been the case had there been adequate social safety nets. Heightened volatility in the global economy provides a strong reason for reinforcing social protection mechanisms. This should be accorded priority as governments increase public spending. The social consequences of 11 September will be significantly cushioned in those countries that have safety nets in place, such as countries in Europe.
- Without the existence of emergency procedures and other workplace safety measures, many more workers would have lost their lives on 11 September. However, security and workplace safety concerns have subsequently been raised for workers working in the media, postal workers, firefighters and other emergency personnel. In addition, many workplaces in the New York area were exposed to asbestos immediately after the collapse of the Twin Towers. The clearance and safe disposal of the debris pose additional health risks. Workplace health, safety and security measures need to be reinforced in the aftermath of 11 September.
- Occupational health and safety at the workplace is necessary, but not entirely sufficient, to address post-11 September workplace security issues. Additional attention needs to be given by States, enterprises and the ILO to sectors and facilities that would represent a threat if attacked, such as nuclear and electric generators. The use of chemicals or potentially dangerous substances, could also provide any potential threat to public health.

(d) Promoting labour standards

14. The current uncertainties are a further reason to promote a work environment in which fundamental principles and rights at work and other rights are fully respected. Respect for fairness and the rule of law in the context of work is an essential foundation for all efforts to help mitigate the human and social consequences of 11 September.

- International labour standards have for over 80 years been devised to enhance social justice and social peace, facilitate the resolution of disputes and expand democratic and participatory attitudes. They provide signposts for the high road to development. Their ongoing application ensures that work-related protection and benefits for workers and employers, and for the unemployed, remain constant during times of insecurity and falling incomes as at any other time, thus providing a foundation for long-term security.
- One of the negative outcomes of 11 September may be an increase in religious, ethnic and racial discrimination in the workplace. Migrant workers may face increased discrimination. Care should be taken to ensure that adequate protection is given in line with the principles and provisions of the Discrimination Convention (Employment and Occupation), 1958 (No. 111).

¹³ IMF: *World Economic Outlook*, Dec. 2001.

- One of the difficulties, given the nature of the threat, will be to balance security and privacy concerns. Workplace privacy may be overlooked as a result of increased security concerns. It may be important to recall some of the principles set out in the ILO code of practice on the protection of workers' personal data, which was developed by a Meeting of Experts in 1996. This code seeks to balance strategic security concerns with workers' privacy and ensure that the processing of personal data does not result in discrimination.

3.2 A coordinated global policy response

15. Prospects for economic recovery remain uncertain. Given the increased integration of the global economy, the challenge of how best to arrest the downturn and support sustained recovery is a global problem, and global problems require global solutions. One such solution is a balanced and coordinated policy response that aims to explore all potential avenues for delivering adequate global demand, to more adequately integrate economic and social goals and to restore investor confidence. The latter is critical since greater risk aversion on the part of investors will not only lower potential growth in industrialized countries but also lead to lower private financial flows to developing countries – thus squeezing an important source of growth for those countries. There is a need for a stimulus package which encompasses all regions of the world economy. Key actors such as the IMF have also noted the need for a greater degree of coordination to ensure adequate global demand.¹⁴
16. One of the biggest dangers would be to apply expansionary policies in the industrialized world and yet continue with more austerity and restrictive structural adjustment in the developing world. First, depending on circumstances, this may in any case not be the best economic and social policy to follow.¹⁵ Indeed the IMF has itself issued a word of caution in respect of policy-making given the uncertainty of the global economic outlook.¹⁶ Second, as has been seen in developing countries which are on the brink of a financial crisis, there is little if any political space for further belt-tightening. Instead, the highest achievable levels of real economic activity, productive enterprise and employment must be preserved. This is vital for minimizing the social costs and immediately boosting the prospects for sustained recovery in the global economy. Global concerted action is needed in respect of developing countries, given their particular vulnerability.
17. Some of the elements of a global stimulus package would be as follows:
 - (a) *Global macroeconomic policy coordination* to ensure that all countries with the capacity to do so pursue expansionary policies to maintain the highest levels of

¹⁴ “Directors believe that the primary challenge ahead is how best to support the prospects for recovery and to limit the risks attendant on a deeper and longer downturn. Given the synchronicity of the slowdown, policies in both advanced and developing countries must be viewed in a global perspective to ensure that there is adequate global demand”, in *World Economic Outlook*, op. cit., Dec. 2001.

¹⁵ See J. Stiglitz: “Employment, social justice and societal well-being”. Keynote speech to the ILO Global Employment Forum, Nov. 2001, Geneva.

¹⁶ See IMF, “Policymaking under uncertainty”, in *World Economic Outlook*, Dec. 2001, pp. 9 and 10.

effective demand possible and preserve openness.¹⁷ Many industrialized countries adopted prompt counter-cyclical measures to support economic activity and welcomed New Year 2002 with brighter forecasts for recovery from the middle of 2002. However, there is still scope in parts of the industrialized world to ease monetary policy, employ fiscal policy to a greater extent and allow the automatic stabilizers to operate in full. Where economic fundamentals permit, developing and emerging economies should be encouraged to adopt expansionary policies. This will limit the downward pressures on trade and investment flows and advance the anticipated recovery of the world economy. The international financial institutions (IFI) have an important role to play in facilitating this coordinated response.

- (b) *Maximizing access to both public and external sources of financing* for developing and transition economies with weaker economic fundamentals and/or substantial external financing requirements to enable them to adopt counter-cyclical policies. There is an urgent need to provide temporary adjustment assistance by mobilizing all existing multilateral and bilateral facilities, such as the heavily indebted poor countries (HIPC) initiative, contingent credit lines, etc. Other mechanisms for funding need to be found to provide additional concession financing for the poorest countries. Official development assistance needs to be rapidly increased towards the United Nations target of 0.7 per cent of GNP. These measures need to be accompanied by proactive policies to help revive investor confidence and restore private financial flows to developing countries. This highlights the importance of reaching a global agreement on increased resource flows at the Financing for Development Conference in Monterrey, Mexico, which coincides with the present session of the Governing Body.
- (c) *Building integrated policy frameworks to advance both economic and social goals together in a sustainable manner.* All countries should commit themselves to sound economic governance that accords high priority to the goals of decent work. Any adjustment strategy needs to be focused not only on economic goals, but also on maximizing job creation and poverty relief. It needs to be carried out in a policy framework that provides adequate social protection, in which all categories of fundamental principles and rights at work are promoted and where social dialogue is the order of the day. In order to sustain the type of economic recovery that will simultaneously lead to the creation of employment and improvement of working conditions, a coordinated response to build the right policy architecture within the international system is also needed. Pressures are mounting that could limit the openness of economies. On the contrary, market access needs to be improved to stimulate global demand. The policy architecture for the global economy is inadequate to deal with the stresses and strains of today's world. The international community should be actively engaged in a coordinated integrated response to deal with issues such as the financial architecture, improved market access, the management of globalization and the development of integrated policy frameworks.

- 18.** The present challenge needs to be dealt with creatively and not in a piecemeal way. An inclusive and coordinated global policy response, responsive to the fears, insecurities and preoccupations of working people around the globe is required. In December 2001, Nobel Prize laureates issued a joint statement in Oslo, in which they warned that “the most profound danger to world peace in the coming years will stem not from the irrational acts

¹⁷ For an overview and assessment of policy responses taken to deal with the global economic slowdown see Rizwan Islam: *Employment and policy implications of the global employment slowdown 2001: Responding with a social focus*. Issues in employment and poverty, Discussion paper 2.

of States or individuals but from the legitimate demands of the world's dispossessed". The global economy needs to deliver for all its citizens. This requires a coordinated response within the international system to ensure that the right policy architecture is put in place.

- 19.** By simultaneously addressing all the dimensions of decent work, the policy response to 11 September can strengthen the links between restored global economic growth, the generation of decent livelihoods for all and the empowerment and transparency that respect for fundamental principles and rights at work bring. Policies to enhance social protection lend the security and social stability required in the present conjuncture. Social dialogue creates the inherent capacity to deal with economic shocks in a more equitable and creative way. Promoting social justice and open societies, where people live free from poverty and want, is an essential contribution to the global effort to attain universal and lasting peace.
- 20.** The Committee on Employment and Social Policy is invited to review the analysis of the economic and social consequences of the events of 11 September and the suggested policy responses in developing the Decent Work Agenda.

Geneva, 15 February 2002.

Table 1. Job cuts and capacity-reduction announcements since 11 September 2001

	Job cuts	Capacity reduction (%)
Europe		
Aer Lingus	2,500 (38%)	25
Air France	None announced	10
Alitalia	3,500 (15%)	13
bmi British Midland	600 (9%)	20
British Airways	7,000 (13%)	10
Finnair	None announced	7
Iberia	None announced	11
KLM	2,500 (9%)	15
Lufthansa	None announced	11
Sabena	1,421 (20%)	Pending outcome of negotiations
SAS	3,600 (17%)	12
Swissair	9,400 (52%)	30
Virgin Atlantic	1,200 (15%)	20
North America		
Air Canada	9,000 (36%)	n.a.
American Airlines	20,000 (22%)	20
Continental	12,000 (25%)	18
Delta	13,000 (18%)	15
Northwest	10,000 (18%)	20
Southwest	None	20
United Airlines	20,000 (20%)	26
US Airways	11,000 (26%)	23
Other regions		
Cathay Pacific	None announced	Limited
Japan Airlines	1,300 (7%)	6
Korean Air	500 (3%)	*
Lan Chile	650 (9%)	10
Qantas	3,500 (14%)	**
Singapore Airlines	None announced	None announced

* International and domestic route suspensions, and frequency reductions. ** Big expansion in domestic routes following Ansett Airlines collapse, some switch of international capacity onto domestic routes.

Source: Peter Spence Morell and Fariba Alamdari: *The impact of 11 September on the aviation industry: Traffic, capacity, employment and restructuring*, Geneva, ILO, 2002.

Table 2. Estimates of world GDP growth (%)

Source	Description	2001	2002
Consensus economics*	1995 constant prices	1.2	1.1
UN**	Purchasing power parities	2.2	2.5
	1995 constant prices	1.3	1.5
IMF***	Purchasing power parities	2.4	2.4
	Current prices	1.4	1.2

* January 2002. ** World economic situation and prospects for 2002. *** *World Economic Outlook*, Dec. 2001.