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**"Responding to Global Crises: New Development Paths"**

## **Inputs received**

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### **Promote Employment and Leisure for Growth and Wellbeing**

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### **Abstract**

The cause of global meltdown of 2008 is now well documented and known. Financial instruments with underlying assets of inflated value were created by banks and financial institutions in USA. Trading in these instruments spread the crisis worldwide.

The response of the government of USA and of European countries was to pump more money into banks and financial institutions that created the crisis and caused financial meltdown.

The proper response should have been to let irresponsible banks to go bankrupt. Public policy measures must aim robust economy and wellbeing of people. Saving jobs must be of utmost concern. Elderly persons deserve help to protect their savings from being lost through financial profligacy of banks.

Fiscal and monetary stimulus must be targeted to create decent jobs and for increasing the share of wage and salary in GDP. Advances in science and technology drastically reduce manpower needs to produce exponentially high volume of goods and services. Greater cooperation between countries for adhering to decent work norms set by ILO would promote more employment, widen skill development and enhance welfare by way of longer period of leisure, which in turn further create more jobs in leisure related activities. Knowledge society must be widened to make everyone well informed as distinct from giving access to deluge of information. Concept of trusteeship must be accorded in persons who control corporates and mutual funds. There is also need for inbuilt guarantee whereby mutual funds assure pre determined minimum rate of returns on investment and defined pension to beneficiaries.

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The cause of global meltdown of 2008 is now well documented and known. Financial instruments with underlying assets of inflated value were created by banks and financial institutions in USA. These financial assets were traded initially in USA and these assets were later picked up by banks and financial institutions worldwide. Developing countries such as India was spared partially from the crisis because these countries remained less integrated to global finance. Any claim of perceived wisdom of central bank of these countries or of any expertise of governance is not based on facts.

The response of the government of USA and of European countries was to pump more money into banks and financial institutions that created the crisis and were responsible for financial meltdown. The governments were more concerned of bankruptcies than saving jobs of workers and livelihood of ordinary savers holding deposit in banks and investment in mutual funds and pension funds. Monetary and fiscal stimulus saved irresponsible banks and paved for recovery of capital market. The wounds inflicted by crisis on workers who lost their livelihood have not healed. Many still remain jobless or are employed on lower wage. Elderly persons who invested in mutual funds, pension plans and other financial instruments have lost their savings and hope for good living.

Barring export dependent economies, most developing countries such as India, which have strong domestic demand did not seriously encounter financial crisis. Yet Indian corporates cried wolf. The Government instantly responded giving in to such cries for help. Monetary and fiscal stimulus was promptly extended to Indian industry.

Indian companies saved tax and added it to their profit. Lower interest burden also boosted margins and increased profit. In this bargain, the real losers were workers. Export industries suffered decline because purchasing power declined in developed markets of US and Europe due to unprecedented unemployment and reduced income levels. To add insult to injury, easy liquidity provided through stimulus went into commodity and stock market speculation. This is one of the causes of high rate of food price inflation in India. The Indian Planning Commission's member Abhijit Sen has come out with blunt statement that the Government should have acted against hoarders and speculators to curb price rise. Despite clear evidence to justify withdrawal of stimulus, what is now being discussed is how to schedule the withdrawal!

Fiscal and monetary stimulus must be targeted to create decent jobs and for increasing the share of wage and salary in GDP. Advances in science and technology drastically reduce manpower needs to produce exponentially high volume of goods and services. Nearly century ago governments, employers and trade unions at the very first General Conference of International Labour Organisation (ILO) held on October 29, 1919 in Washington jointly agreed to limit working hours for industrial workers to 8 hours a day or 48 hours a week. Incidentally ILO is the only surviving major creation of the Treaty of Versailles, which brought League of Nations into being.

With advances in science and technology, in course of time some of the industrial processes became automated while several others became highly mechanised requiring a fraction of manpower needed to produce exponentially large quantum of goods and services. These changes in industrial production led to revision of several decent work norms by ILO. Some of the norms set during early years were subsequently refined and liberalised to secure improved working condition to workers. Currently the prevailing norm for working hours secured by workers in several advanced countries having significant trade unions is 35 hours for a five day working week.

Sadly several countries including highly advanced countries such as USA and emerging economies such as India lag far behind in ratifying ILO Conventions notwithstanding that USA and India were founding members of ILO. A report, by the International Labour

Organisation, says the United States is the only country in the industrialised world where working hours are increasing. The report finds that on average US employees clock up nearly 2,000 hours per capita in 1997.

Working hours in France have been going down, with French workers putting in 1,656 hours in 1997 versus 1,810 in the 1980s

With businesses in India adapting to 24/7 work practice of never ceasing industrial operations, it is not surprising that industrialists in India call for return to 12 hour work a day that was prevalent in 19<sup>th</sup> Century.

Nearly a century after adopting its first international standard on working time, a new study by the International Labour Office estimates that one in five workers around the world – or over 600 million persons – are still working more than 48 hours a week, often merely to make ends meet. Another ILO study highlights the plight of workers in emerging economies such as India where workers' earnings fell as GDP grew during the first decade of 21<sup>st</sup> Century.

Greater cooperation between countries for adhering to decent work norms set by ILO would promote more employment, widen skill development and enhance welfare by way of longer period of leisure, which in turn further create more jobs in leisure related activities.

We live in knowledge society powered by Internet. Access to information is widely available in unprecedented manner. Yet, just as in the past centuries, there still exist differences between small coterie of more well informed and the mass of less well informed. The former tend to be powerful, wealthy and prosperous. The latter lose out while interacting with the former. Bereft of power and being of modest means less knowledgeable struggle to survive. The governments must enable powerless and ordinary people to become more well informed. This must be the objective of welfare state. It is far better than handing out doles and subsidies.

It is here that need for regulation also arise. People at controlling positions of economy hold their position of trust and function on delegated authority. Corporate honchos, central bank governors, and managers at mutual funds and pension funds handle astronomical sum of money entrusted with them by less well informed, who may be either a share holder in a company or a subscriber to mutual or pension fund or just ordinary citizen who gets impacted by decision of central bank governor. Knowledge society must promote sense of trusteeship in persons who control corporates and mutual funds. There is also need for inbuilt guarantee whereby mutual funds may be required to assure pre determined minimum rate of returns on investment and for pension funds to guarantee defined pension to beneficiaries.

To sum up, fiscal and monetary stimulus must be oriented towards job creation and for higher share of wage in value added by industrial establishments. Effective measures to create trusteeship responsibility must be developed through legislation and other policy measures. Knowledge Society must be widened to make everyone well informed as distinct from providing access to deluge of information. There is also need for effective guarantee so that less well informed are protected from indiscretions of mighty and powerful.