

# Foreword

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This volume and the research project that led to its publication are important in at least two respects. First, because it marks the continuation of what I think is a very important cooperation between the International Labour Organization and the European Commission. I was able to take part in the 2011 meeting on work inequalities in the crisis, and in some ways this is a follow-up to that. Second, because of the substantive issues involved. In the various chapters of the present volume, what strikes me most is how they explore behind some of the headline slogans that tend to dominate political discourse and policymaking. When it comes to the confrontation between austerity and growth and jobs, nobody loves austerity and everybody loves growth and jobs, but unfortunately it is slightly more complicated than that. In this volume the authors look into the complexities and the realities of what is taking place in European labour markets and particularly in the public sector, thus circumventing the sterility of the general discussion and focusing on the actual problems facing governments – also governments as employers – working people and, by extension, our societies. I think the ILO's input at the G20 and everywhere else, needs to be based on high-quality evidence of the kind presented in this volume.

The themes addressed in this volume take us very much to the heart of the crisis. The point of departure for discussion in Europe about public sector adjustment is explicit acceptance of the importance of the state as provider and protector, and the importance of high-quality public services and services of general interest (as reflected in both the Lisbon Treaty and the Charter of Fundamental Rights). Another key consideration is the extent to which economies and societies throughout the world regard as one of Europe's greatest assets its well-established public sectors and state administrations: whatever their shortcomings and need for reform, they are social assets which many countries covet. We must therefore do our best to ensure that they are not squandered.

The discussion of public sector adjustments in the context of the crisis is also part of a longer-running story. Consideration of the role of the state in the public sector in our societies did not start the day that Lehman Brothers collapsed. In many countries, over the past 30 years at least,

the public sector, industrial relations and the appropriate size and role of government in our societies have been keenly debated. Over the past 20 or 30 years, perceptions of the employment opportunities provided by the public sector and its role in the provision of services have developed considerably and this comes out very strongly in the case studies presented in this book. There have also been processes of structural reform in the public sector driven by a range of considerations, including the recognition that sometimes the state sector does need to get smaller, but also that there is a need for efficiency in public services. Another issue has been the future of the welfare state. However, the crisis has not simply accelerated an ongoing process but rather has brought us to an intersection, at which the discussion of structural reform encounters what is called here 'quantitative change', and whose circumstances and motives are quite different. For 20 or 30 years, in a number of countries structural reform processes have not been a conscious and independent policy choice of governments. Employers' and workers' organizations have been involved in all this with varying degrees of success, enthusiasm, resistance and so on.

But the current crisis has introduced quite a different set of circumstances to the ongoing debate. As emphasized in this volume, there is perceived to be a need for immediate ad hoc reactions in the face of pressure from financial markets and the extreme state of public finances. These new pressures are quite distinct from the public sector reform process and we are struggling with the way these two phenomena are interacting. It is probably no coincidence that some countries that have not engaged in longer-term structural reform of the state sector are now feeling the pain most acutely. Other countries which took up this job earlier on seem to be doing rather better. This point is emphasized in several chapters of this volume.

A second key element which needs to be emphasized in our current circumstances is social dialogue. However, in situations of extreme urgency, when decisions of fundamental importance have to be taken literally overnight under financial duress, social dialogue can be extraordinarily difficult. Sometimes governments expect the social partners simply to turn up to be informed of decisions already set in stone and to do no more than sign them off as 'agreements'. Indeed, social dialogue has been stressed to breaking point in many countries.

But it is not a matter of pointing the finger. Rather the fact is that some of the basic institutions of social dialogue are suffering severe damage, at the same time as the social partners' input is needed in decision-making on expenditure cuts and revenue raising, as well as in the appropriate mix in processes of fiscal consolidation. It is a worry that not only has social dialogue frequently been suspended, but that in some instances it has simply

ceased. One has to fear for the long-term survival of well-established labour market institutions which, once lost, are extraordinary difficult to restore.

The ILO should not simply be a commentator on events in labour markets, but rather an actor, as well as an assistant to other actors. Historically, the ILO has not often been – at least in the countries represented in this book – a direct actor. In the current crisis, the ILO tends to get called in as a fire brigade or ambulance service, trying to pick up the pieces once decisions have been taken. This volume can play a part in a wider reflection on how the ILO can deepen its role in the relevant countries: it is the ILO's duty to help its tripartite constituents, and that applies with particular force in Europe right now. If there is sufficient demand from constituents, the ILO needs to be ready to upgrade its role there.

When I was growing up, the public sector offered something of a safe choice: if you couldn't get a job in the private sector, the state would pick you up. Many of my schoolmates picked up a job in the civil service, nobody was unemployed, there were safety nets and full employment and everything was pretty comfortable. You would also get a pension, and probably earlier than workers in the private sector. That is all gone, however. The state also played a key social role. I grew up in a region with a very high level of dependency on the state. Today this dependency is even higher with regard to public sector employment. The regional aspect developed in this volume is also very interesting, including the issue of the public sector wage premium and the so-called 'wage penalty'. These are issues on which the ILO can do a lot more. I believe very strongly in the public sector: as employer – indeed, as a *good* employer – as a provider in society and as a key element in social justice.

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