



**International Trade Union Confederation  
Trade Union Advisory Committee  
to the Organisation  
for Economic Cooperation and Development**



## **“ACHIEVING COHERENCE FOR DECENT WORK”**

### **TRADE UNION STATEMENT TO THE G20 CONFERENCE ON COHERENCE**

**Paris – 23 May 2011**

#### **Introduction**

1. The G20 High-Level Conference on “Enhancing coherence to improve the social dimension of globalisation” is taking place mid-way between the Seoul Summit (November 2010) and the Cannes Summit (November 2011) and provides a timely juncture to review the state of economic and social policies across the G20. Any assessment at this stage would have to be negative: despite the firm commitment by G20 Leaders in Seoul “*to put jobs at the heart of the recovery, to provide social protection, decent work and also to ensure accelerated growth in low income countries*”, global unemployment remains at a historically unprecedented level while the recovery is uneven and failing to pick up momentum - indeed growth rates in 2011 and even 2012 are forecast to be lower than in 2010. Even if a further downturn can be averted, projected economic growth rates will be insufficient to bring unemployment down significantly in the coming years or to provide the 400 million net new jobs required by 2020 to absorb labour market entrants, most of them young workers.
2. Addressing these issues will require a concerted policy response by the G20, acting together in an effective manner just as they did at the outset of the crisis over 2008-09 and with the input of major international institutions. They should take the opportunity of the Paris Coherence Conference to begin to address the serious weaknesses in the governance mechanisms for the global economy that were revealed by the crisis. While there is no one blueprint for optimal world governance, G20 governments need to make a start by identifying the requirements of global coherence in areas such as labour, environment (including support for multilateral agreement at the Durban and Rio+20 meetings), finance and development assistance, where it is self-evident that national governance alone is deficient and that a stronger global institutional architecture is required. The G20 process needs a “social pillar” alongside its “macro-economic” and “financial” pillars. The focus of the social pillar being employment and social protection, this requires (a) secretarial support from the ILO to match that from the IMF and Financial Stability Board for the other two pillars; and (b) the institutionalisation of consultation with employers’ and workers’ representatives.
3. The G20 must therefore regain momentum through urgent action to:
  - support demand in the global economy and prioritise employment-creating labour market policies, with employment targets incorporated into national economic programmes;

- include employment among the policy indicators coordinated under the G20 Mutual Assessment Process, with the assistance of the ILO;
- establish a G20 Working Group on Employment and Social Protection to maximise the impact of cooperative growth policies on employment and equity, including implementation of a youth employment pact;
- commit to achieving a global social protection floor;
- generate increased resources for social protection, climate action and development by establishing a financial transactions tax (FTT);
- promote international labour standards and decent work across all key international institutions through intensified cooperation together with the ILO.

### **Growth and Jobs**

4. During the first phase of the crisis the policy response of the G20 was rapid, decisive and substantive, and began to produce results. However the recovery is very uneven with strong growth in some emerging economies coexisting alongside stagnation in the more advanced countries. The last G20 Finance Ministers' Meeting (Washington, 14-15 April 2011) deepened the G20's premature shift from fiscal stimulus to immediate deficit reduction before the recovery had become self-sustaining. Rather than reduce deficits through putting people back to work the G20 Finance Ministers chose austerity policies. This risks slowing, if not stalling the recovery.
5. G20 Labour Ministers stated in Washington in April 2010, "*Income from employment is critical to sustained economic expansion*", thereby recognising the key role played by employment and wages in boosting consumption and aggregate demand and so establishing a sustained and strong economic recovery. Current levels of global growth are inadequate to achieve a return to full employment, and the G20 must maintain fiscal and monetary stimulus until such time as adequate growth levels have been attained, the recovery is self-sustainable and employment is at least back to pre-crisis levels. As part of this, short, medium and long-term employment targets need to be incorporated fully into national economic programmes as a basis for budgetary planning.

### **Establishing a G20 Working Group on Employment and Social Protection**

6. The Washington G20 Labour Ministers' Conference had provided a series of action-oriented proposals to achieve the above goals – yet many key policy recommendations remain at best underutilised or even, in some countries, unimplemented over one year later. In view of the depth of the continuing employment crisis, the G20 needs to establish a Working Group to accelerate the implementation of the Washington recommendations, to operate both in the run-up to the 2011 Conference of G20 Labour Ministers and subsequently in pursuance of its decisions, in line with the model of the G20 standing working groups on Development, on Anti-Corruption and on the Mutual Assessment Process.
7. Such a G20 Working Group would assess the employment impact of the crisis in a range of countries, analyse the effectiveness on the labour market of the economic stimulus packages in G20 countries, and make recommendations for targeted and co-ordinated recovery packages to maximise the impact on growth, employment, equity and social protection, with a target for decent work creation so as to achieve inclusive growth in

each country. This would also entail international support, where necessary, for implementation of the Global Jobs Pact in specific vulnerable nations. The Working Group would include representatives of G20 labour and finance ministries, development ministries in countries where they exist and of the social partner representatives from G20 countries. Secretariat duties would be fulfilled by the ILO in conjunction with the labour, finance and development ministries most involved as well as the IMF, WTO, OECD and World Bank as appropriate to the topics under discussion.

### **A Social Protection Floor, Gender Policies and Action for Youth**

8. In Washington, G20 Labour Ministers had endorsed a basic social floor, adding that *“spending on social protection systems can also provide significant levels of job creation in the provision of services and multiplier effects, helping to sustain nascent recoveries”* through various measures including *“income support to poor households through cash transfers, nutritional assistance, publicly funded access to basic health services, housing assistance and support for children, the elderly and disabled”*. In emerging economies there are examples of successful social protection programmes as responses to previous crises including: in Argentina, the *REPRO (the Federal Productive Reconversion Programme)*; in India, the National Rural Employment Guarantee Scheme; in Mexico, the *Oportunidades/Progresas Programme*; and in Brazil, *Bolsa Familia*. Over the course of 2011, the G20 needs to contribute decisively to establishing an effective global social protection floor, both through its own discussions and in the context of the U.N. Bachelet Commission and the debates at the International Labour Conference in June 2011.
9. There is persistent gender discrimination across the world. The gender pay gap in twenty countries has been estimated to stand at more than 22%<sup>1</sup>. Addressing the underlying causes of gender inequality requires strong political commitment, effective public policies and the engagement of the social partners. G20 governments must increase efforts to eliminate the gender pay gap and ensure that achieving gender equity and the elimination of discrimination against women in employment is a priority of the national and international policy agenda.
10. Youth unemployment rates are two to three times that of adults and an expected 45 million young women and men are expected to enter the global labour force this year alone. In this context, the G20 should make a pledge to youth to provide an Employment Pact for young workers including G20 cooperation to exchange information and to identify effective methods for maximising youth employment. This will entail, first and foremost, policies to achieve an increased overall number of jobs, accompanied at the same time by a range of policies to ameliorate youth employment prospects based upon work placement and other innovative schemes, public works programmes, vocational education and lifelong training along with apprenticeship and internship schemes to combine training with work, youth training centres to provide both young job seekers with training (particularly for young people without adequate formal education) and with guidance on job searching, enhanced labour market information and monitoring mechanisms, an emphasis on the transition from school to work, and policies to ensure equal access for girls and young women to education, vocational guidance and training. In all cases, youth employment policies need to be based upon the close involvement of the social partners to contribute their expertise to both the design and implementation of policies and programmes.

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<sup>1</sup> “Gender Inequality in the Labour Market: an Overview of Global Trends and Developments”, ITUC, 2009.

## **A Financial Transactions Tax for Social, Development and Climate Needs**

11. The decisions of the Seoul G20 Summit entail various inherent funding obligations, such as *“fulfilling the Official Development Assistance (ODA) commitments by advanced countries”*. The OECD’s Development Assistance Committee should explicitly monitor governments’ progress towards that objective.
12. The G20 work programme on social protection mandated in Seoul should result in specific recommendations for closing the funding gap so that countries can achieve a social protection floor as well as Quality Education for All. The ILO and IMF need to maintain their promising research to demonstrate in a range of developing countries of varying regions, sizes and levels of development – including the poorest - how universal social protection can be established and be financed both now and through sustainable revenue streams into the future.
13. Attaining the above actions and implementing the ambitious social work programme needed by countries around the world will require resources. In that regard, the G20 needs to endorse the establishment and joint implementation of a Financial Transaction Tax (FTT) that would tax unproductive speculative activities at the same time as providing resources for establishing a social protection floor, development, climate action and quality public services.

## **Addressing the inequalities that contributed to the crisis**

14. Coherence between different areas of economic policy is particularly important to address the income inequality that was one of the contributory causes of the crisis. In Washington G20 Labour Ministers recognised that *“Even before the current crisis erupted, a number of countries had experienced deteriorating or stagnant conditions with respect to wages and terms of employment and widening income disparities.”* The Ministers called for *“corrective measures”* to address this long-term problem and emphasised the need for *“minimum wage policies and improved institutions for social dialogue and collective bargaining”*. The growth of income inequality documented in OECD work<sup>2</sup> has now been shown to have been a key contributory factor to the financial collapse<sup>3</sup>. Rising inequality has been, to a significant extent, the result of deregulation and weakening of labour market institutions<sup>4</sup>. The IMF Managing Director similarly stated that *“...the growth model that co-existed with globalisation was unbalanced and unsustainable” and that “[I]nequality may have actually stoked this unsustainable model”*<sup>5</sup>. At their Ministerial on 2-3 May 2011 OECD Social Policy Ministers concluded that *“redistributive policies and strong growth of quality employment remain key elements in strategies to close income gaps and contribute to reducing inequality”*. A priority now must be for the IMF and OECD to translate these priorities into the structural policies that they are recommending in member countries. They must move away from recommending deregulated labour markets and weakening collective bargaining, and rather support increasing income and reducing inequality instead.

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<sup>2</sup> “Growing Unequal”, OECD, 2008.

<sup>3</sup> “Inequality, Leverage and Crises”, Michael Kumhof and Romain Rancière, IMF, November 2010.

<sup>4</sup> Background document for OECD Social Policy Ministers’ Meeting and presentation of Professor Richard Freeman to the OECD Social Policy Forum, May 2011.

<sup>5</sup> “Human Development and Wealth Distribution”, Dominique Strauss-Kahn, Managing Director, IMF, Agadir, November 2010.

15. Building on the best practice lessons of countries around the G20 that have maintained higher employment levels, governments need to provide support for job subsidy programmes so that they can now begin to create employment. They need to set minimum wages through law or collective agreements at a level that ensures a 'living wage' and by doing so establish floors in labour markets to prevent a worsening spiral of deflation of earnings and prices. They should strengthen existing income support, in particular through expanded unemployment benefit schemes and temporarily relaxing rules for entitlement to unemployment benefits, increasing replacement rates and extending the duration of entitlement. Of particular importance is the expansion of coverage for temporary and short-term income compensation for workers in precarious employment.
16. ILO and OECD analyses of the fiscal stimulus packages implemented in G20 countries prepared for the 7 April High-Level G20 Meeting of Employment Ministers found them to have been insufficiently focused on employment and labour market issues, and this needs to be remedied in future G20 actions. Priority is needed in particular to investing in the Quality Public Services that provide the foundations for a stable society and long-term growth through maintaining and improving education, health and other public services. Ensuring adequate investment in education has to be a continuous priority. The G20 needs to reverse the trend of declining levels of investment in training and build quality skills and employment that combines labour market measures with lifelong learning, as an integral part of new post-crisis growth model. A focus is needed on developing skills that will enable workers to move into good quality 'green' jobs and that 'greens' all existing jobs, with an emphasis on vulnerable communities. Achieving the necessary surge in vocational education and training provision requires the active engagement of governments, employers in public and private enterprises and trade unions from the industrial sectors, as well as from education, representing vocational teachers, instructors and trainers.

### **Coherence and Fundamental Workers' Rights**

17. In April 2010 in Washington, G20 Labour Ministers concluded that: "*The crisis has taught that employment and social consequences must be taken into account when adopting economic strategies. This will require greater coherence and coordination of the policies of our national governments as well as between international bodies assigned responsibility for different aspects of international economic policy.*" This built upon the G20 Leaders' declaration at Pittsburgh that "*The international institutions should consider ILO standards and the goals of the Global Jobs Pact in their crisis and post-crisis analysis and policy-making activities.*" And in Seoul, G20 Leaders resolved "*we are determined to put jobs at the heart of the recovery, to provide social protection, decent work and also to ensure accelerated growth in low income countries.*"
18. Implementing the decisions above and accelerating economic and employment recovery at the same time as ensuring that the necessary international cooperation is in place to prevent a recurrence of the factors that gave rise to the financial crisis will require the international institutions to move towards a new structure of economic governance for the global economy. Providing "*improved institutions for social dialogue and collective bargaining*", as recommended by G20 Labour Ministers in Washington, requires mainstreaming international labour standards and decent work concerns generally across all the institutions, with the assistance of the ILO, by undertaking analysis of the impact of the institutions' recommendations and programme conditionality on

employment creation and other aspects of decent work. The Paris Coherence Conference needs to endorse decisive initial steps in that direction.

19. Furthermore, examination of new fora and possibilities for advancing international labour standards in the respective international institutions is needed, including in the work programme of the WTO and in the procurement requirements of the World Bank and other multilateral development banks (MDBs). The WTO needs to establish a working party on trade and jobs, decent work and development with the objective of promoting a better understanding of the issues involved and their relevance for promoting trade relations through a substantive dialogue among its members. The World Bank should review its safeguards policies to institute a Bank-wide requirement to respect the core labour standards.
20. The Seoul Summit took the decision to identify and promote the best existing social standards for private investment in value chains, and mandated the ILO, OECD, UNDP, UNCTAD and World Bank to work together to make recommendations to maximise private investment and to *“support the regulatory framework for foreign and domestic investment”*. The failure of past policies to promote foreign direct investment to translate into equitably distributed growth and decent work has been highlighted by the situation which contributed to the crisis in the Middle East and North Africa. There is a need now for greater coherence and rethinking of policies for investment to integrate the social dimension. The newly updated OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration concerning Multinational Enterprises and Social Policy constitute the authoritative international instruments in this area and should provide the central policy tool to address these issues.
21. The G20 should resume its earlier work to implement the G20 London Summit conclusion that *“...we agreed on the desirability of a new global consensus on the key values and principles that will promote sustainable economic activity. We support discussion on such a charter for sustainable economic activity with a view to further discussion at our next meeting.”* The G20 should move to finalise and adopt the “Merkel Charter” for Sustainable Economic Activity that fully incorporates the Decent Work agenda of the ILO, with an effective implementation mechanism.

### **The social pillar of the G20 process**

22. Ministers said in Washington that they *“strongly concur with our Leaders that international institutions should consider ILO standards and the Global Jobs Pact in their crisis and post-crisis analysis and policy making activities”*. This invitation for greater cooperation between the ILO and the IMF on the basis of ILO standards and the Global Jobs Pact is welcome. G20 governments should now support strengthening the role of the ILO in IMF programmes for crisis-hit countries (as agreed at the September 2010 joint ILO/IMF Conference in Oslo). This should be used as the basis for accelerating joint ILO-IMF action to build national social dialogue to ensure that recovery is pro-growth and based upon increased purchasing power, strengthened social protection, investing in Quality Public Services, undertaking training and education, reducing the gender wage gap and investing in green jobs.
23. In Washington, Ministers *“welcome[d] the participation of the ILO among the institutions implementing the Framework for Strong, Sustainable and Balanced Growth to help ensure that decent work, inclusiveness and social sustainability are part of the strong foundation that we seek to build for the future.”* Yet although the G20 Finance Ministers

meeting in St. Andrews in November 2009 had included “employment creation” and “poverty reduction” as two of the five goals of the Framework, the G20 Finance Ministers in Paris in February 2011 failed to consider employment as a possible indicator for macroeconomic policy. This is a mistake the G20 needs to remedy so that the G20 Framework can provide a vehicle for effective measures to attain high growth and employment with good quality social policies. Employment targets should be incorporated into national economic programmes and included among the indicators of policy compared for peer review purposes under the G20 Mutual Assessment Process. A social floor needs to be integrated into these discussions by recognition of the ILO, working with the OECD, as the competent agency to prepare the employment and social protection components of the G20 Framework..

### **Addressing the Crisis sustainably through Social Partners’ Consultation**

24. Trade unions look forward to participating in the G20 Employment and Labour Ministers’ meeting. They further welcome recognition by President Sarkozy of the need for parity between the social partners by holding a “Labour-20” to correspond to the “Business-20” meeting of corporate leaders with the G20. This needs to become a formalised “Labour-G20” consultation process in line with the Seoul Declaration’s commitment to include trade unions in a “*systematic way*”. Such procedures should be endorsed by G20 Leaders in November 2011.

### **Developing Coherence into the Future**

25. The G20 needs to endorse a permanent role for the ILO in preparing their recommendations on the measures required to maximise the expansion of good jobs, as an essential component of a sustainable growth strategy.
26. It is essential that the September meeting of G20 Employment and Labour Ministers produce significant results in terms of recommendations to G20 Leaders that can play a major role in beating the jobs crisis. But this will not occur quickly or easily. For this reason it is important that the Ministers meet again within one year in order to attain the objectives set by the G20. The G20 Labour Ministers’ Conference should be confirmed with a standing mandate to provide employment and economic policy recommendations for all G20 governments, on the basis of the preparatory work of the G20 Working Group on Employment and Social Protection with the mandate described above.
27. By way of follow-up to the Paris Coherence Conference, a mandate is needed to the ILO to work with other key institutions and the social partners to provide recommendations as to how enhanced coherence could be attained. The ILO’s 100th anniversary Conference could provide a platform to launch such an initiative.