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GLOBAL UNIONS' STATEMENT TO THE G20 SUMMIT

CANNES, FRANCE, 3-4 NOVEMBER 2011

"The global economy is in a dangerous new phase. Global activity has weakened and become more uneven, confidence has fallen sharply recently, and downside risks are growing"
International Monetary Fund, September 2011.[1]

"The world is facing difficult times, with a risk of new crisis, and serious consequences for the labour markets… We call on our Leaders to reemphasise employment as a key objective of economic policy"
G20 Labour and Employment Ministers, September 2011.[2]

Executive Summary

1 The G20 Leaders are meeting in Cannes as the financial, economic and social crisis that engulfed much of the global economy in 2008 enters a "dangerous new phase". Economic growth is slowing in almost every country and in the industrialised countries, the already insipid recovery of 2010-2011 has collapsed. Growth in the G7 countries is projected to be only 0.2% in the last quarter of 2011. Falls in GDP are predicted in major Euro zone economies.[3] The emerging and developing economies, where growth had been faster, are slowing as well. Meanwhile global unemployment remains over 200 million, 27 million above its pre-crisis level. And slowing growth threatens to add to the 84 million increase in extreme poverty since the crisis began. Financial markets are now panicking as a result of failing growth. Attempts to cut public deficits in the short term will only depress growth further and risk tipping several G20 economies into a renewed recession with devastating economic, social and even political consequences.

1 IMF World Economic Outlook, September 2011.

2 G20 Labour and Employment Ministers' Conclusions, Paris, September 2011.

3 OECD Interim economic assessment, September 2011.

2 Unemployment now represents the largest single threat to recovery. OECD and ILO estimates[4] suggest that 21 million jobs must be created each year merely to return to pre-crisis employment rates by 2015. Even before the recovery stalled, it was clear that global growth was too weak to deliver this rate of jobs growth. Now, a full scale jobs emergency confronts the G20, with the likelihood of a renewed surge in unemployment. The rise in unemployment since the crisis began has hit young people particularly hard. And together with rising long-term unemployment, high youth unemployment threatens to weaken long-term growth potential. Slowing growth and rising unemployment, combined with the rise in inequality of incomes in most G20 countries in the decade leading up to the crisis, threatens the recovery, weakens long-term growth and raises the risk of a major social explosion and political instability.

3 Global unions are calling on the G20 Leaders in Cannes to give a strong message of confidence to working families, not just financial markets, by breaking the vicious circle of jobs insecurity, depressed wages, suppressed consumption and blocked investment. Employment expansion is now necessary for restoring growth, not just growth for restoring employment.

4 We call on the G20 Leaders to adopt a four point plan for jobs and recovery that not only stems the crisis but shapes a post-crisis world that is economically, socially and environmentally just and sustainable. The G20 must:

- Fulfil their Pittsburgh commitment to put "quality jobs at the heart of the recovery" by establishing differentiated but coordinated jobs targets for the G20 countries as part of the Mutual Assessment Process and that would include immediate measures of job-intensive infrastructure programmes, green jobs investment and labour market programmes to raise skills;
- Transform the structural policy agenda to strengthen labour market institutions, social partnership, collective bargaining, negotiated and legislated minimum wages, and income support for low-income groups so as to reduce income inequality. This must include a jobs pact for youth;
- Move forward on the conclusions of the Paris G20 Labour Ministers to establish a social protection floor that is supported by adequate funding according to levels of development;
- Implement rapidly the reforms to the financial sector that had been agreed at the G20 London Summit but never effectively enacted, and go beyond this to effectively restructure financial groups that have become too-big-to-fail and establish a financial transaction tax[5].

4 ILO-OECD Statistical update for the G20 Meeting of Labour and Employment Ministers, 26-27 September 2011.

5 As supported in the forthcoming Bill Gates report for the G20 on Financing for Development.

Raising Demand to Restore Growth and achieve Sustainable Fiscal Consolidation

5 During its first eighteen months, the G20 showed it was able to catalyse joint action to raise global demand at the same time as proposing significantly enhanced regulation of financial markets. This momentum dissipated in the G20 Toronto Summit decision to cut fiscal deficits by 50% by 2015 without an employment-centred growth plan to raise demand, and in the failure to follow through on financial sector reform. In Cannes, G20 Leaders must now muster the same level of collective political will as in 2008-09 to launch a coordinated recovery effort for job rich growth and to support wage levels. Persevering with austerity measures without income-led growth would push countries into a debt trap that generates a self-fulfilling fall in demand.

6 Employment creation must be placed at the centre of macro-economic policies and fiscal policy adjusted to support growth and employment creation. Fiscal imbalances can only be addressed in the medium-term, through growth not austerity, and by raising appropriate public revenues to sustain quality public services. In Paris the G20 Labour Ministers stated: "We recommend that our Leaders continue to examine labour and employment issues alongside economic, monetary and financial issues in order to improve the coordination and coherence of our economic and social policies and to strengthen the social dimension of globalisation" and they "welcome[d] the ILO contribution to the Framework for Strong, Sustainable and Balanced Growth." Yet G20 Finance Ministers have not included employment as one of the indicators for macroeconomic policy. Employment targets must now be incorporated into national economic programmes and included among the policy indicators for peer review comparisons under the G20 Mutual Assessment Process. The ILO should prepare the employment components of the G20 Framework.

7 The G20 Leaders should invest in infrastructure, prioritising projects that have a high employment intensity and that will strengthen sustainable growth. In Seoul the G20 adopted, in effect, a just transition scenario when they "support[ed] country-led green growth policies that promote environmentally sustainable global growth along with employment creation while ensuring energy access for the poor". They should build on this position in Cannes. An employment-intensive strategy based on green investment would generate millions of new 'green' and decent jobs, as well as making existing jobs 'greener' and more decent. The United Nations Environment Programme (UNEP)[6] estimates that investing 2% of GDP in the "green" economy could bring a 5-10% increase in jobs in the transport sector, a 26% increase in energy sector jobs and a 30% increase in water utilities by 2050, compared to a "business as usual" scenario. The conditions for a "Just Transition" to the 'green' economy, however, have still to be met. Governments should develop strategies based on skills development and retraining, active labour market policies, social protection and social dialogue with trade unions.

Employment at the Centre of Recovery

8 The experience of the crisis calls for a transformation of the structural policy agenda for labour markets. Overall, those countries with developed systems of social protection and labour market institutions managed to weather the crisis better than those without. The dismal and faltering recovery, spiralling unemployment figures and record poverty levels in the deregulated

6 "Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication", UNEP, 2011

US labour market contrast with stronger, job-rich growth in Germany, which harnessed strong employment protection, collectively negotiated flexible working time agreements and short-time working schemes to keep workers in jobs when the crisis hit. The G20 Summit should support progressive reform of structural policies to improve the quality of employment and reverse the rise in income inequality which was one of the contributory causes of the crisis. G20 Leaders should instruct their Employment and Labour Ministers to strengthen labour market policies and institutions, including collective bargaining and social dialogue, in recognition of the fact that strong systems of social partnership and effective labour market institutions have helped countries handle the crisis whereas deregulated labour markets have spread insecurity and informality. Rising income inequality should be further reversed by strengthening minimum wages whether set through law or collective agreements and progressive taxation. The ILO and OECD should undertake a joint review of structural labour market policy recommendations.

9 In this context, stronger mechanisms for G20 governance must be developed: the G20 meetings must institutionalise a G20 social pillar. Citizens must have confidence that decisions taken by G20 Leaders and Ministers will be translated into action. Therefore Global Unions support the establishment of a Task Force on Employment by the G20 Employment and Labour Ministers Meeting in September 2011, and its mandate to "consult relevant international organisations, in particular the ILO and OECD, and social partners as appropriate." The Task Force will play a highly important role in following up the Ministers' recommendations and ensuring continuity in preparing the third Labour Ministers' Meeting under the Presidency of Mexico, and as a basis for recommendations to the 2012 G20 Summit in Mexico. Building on the precedent of the joint G20 Finance and Development Ministers' Meeting in September 2011, the G20 Mexican Presidency should take the initiative to organise a G20 Labour and Finance Ministers' Meeting. Furthermore, social partner consultation needs to be extended on a systemic basis throughout G20 processes, including at the Mexico G20 Summit.

10 The initial subject to be addressed by the G20 Task Force concerns youth unemployment and Global Unions are ready to play a full role in its work. We call for a G20 "Youth Pact" that would guarantee young people quality employment and a training place once they have completed their formal education. The G20 should support national social dialogue to develop vocational education and training guarantees, whether full-time or associated with employment which lead to qualifications; apprenticeship and quality internship programmes together with incentives for workers and employers that make them effective; job guarantee schemes; active labour market programmes; employment protection; and social security safety nets that assist young people. The Task Force should address a range of other employment issues too urgent to leave to one side, including how to reverse the growth of precarious and informal work, tackling long-term unemployment, reducing labour market inequalities, implementing successful training and vocational training practices, promoting green jobs and skills, developing employment-intensive infrastructural investments, sharing best practice occupational health and safety experiences, broadening and deepening social security systems, and increasing the effectiveness of policies for different categories of the workforce including women and men and young and older workers; and should generally share national experiences of successful labour market policies in one country with a view to their application in others. The OECD recommendations[7] on youth unemployment need to be refocused to meet these requirements.

7 ILO-OECD Policy note for the G20 Meeting of Labour and Employment Ministers, 26-27 September 2011.

11 G20 Labour Ministers said in Paris that they "acknowledge the role and continuing importance of the relevant international labour standards, as recalled in the 2009 ILO Global Jobs Pact." This stands in stark contrast to the intensification of attacks on wages and collective bargaining structures in parts of Europe and in the US. Instead G20 governments should now support strengthening workers' rights and the role of the ILO in programmes for crisis-hit countries. This should be used as the basis for accelerating joint ILO-IMF action[8] 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. In addition the World Bank, which is devoting its next World Development Report to the theme of jobs, should already begin to introduce a stronger employment focus into the development strategies that it is supporting.

Development and Climate Action

12 With 1.4 billion people in extreme poverty, struggling to survive on less than $1.25 a day, action must be taken both to get progress towards the Millennium Development Goals (MDGs) back on track and to place decent work and social protection at the heart of the international development agenda. Yet all too many governments are cutting back and reducing social protection due to the crisis.

13 The commitment by G20 Labour Ministers in Paris to implementing social protection floors and their call on "international organisations to coordinate their actions more effectively to help countries develop nationally determined social protection floors" provides essential support for the work of governments, the ILO and the UN Social Protection Floor Advisory Group chaired by Michelle Bachelet. Such floors would have a protective and transformative effect on the impoverished half of the world's workforce that undertakes informal work activities – including the majority of women workers. The 2011 International Labour Conference committed all ILO members to establishing national social protection floors so as to extend a minimum level of social security to all: nationally-defined minimum levels of income security during childhood, working age and old age, as well as affordable access to essential health care. Such measures would not only be socially just, they would also act as important economic stabilisers not least for the now more than 80 million people who have been pushed into extreme poverty in the recession. G20 Leaders should now build upon this by endorsing the Labour Ministers' position.

14 G20 leaders should support funding for development and the MDGs generally, including to meet their commitments on universal access to HIV and AIDS prevention and treatment, as well as to accelerate progress towards a Social Protection Floor, through the UNDP, the World Bank and regional development banks, as well as bilateral ODA. They need to encourage the development of alternative sources of finance including combating tax evasion and tax havens, and introducing a Financial Transactions Tax (FTT). Furthermore, public health considerations need to take priority over intellectual property restrictions with regard to access to medicines.

15 The Seoul Summit's decision to identify and promote the best existing social standards for private investment in value chains and its mandate to the ILO, OECD, UNDP, UNCTAD and World Bank to provide joint

8 IMF-ILO Conference "The Challenges of Growth, Employment and Social Cohesion", Oslo, 13 September 2010.

recommendations to maximise private investment and to "support the regulatory framework for foreign and domestic investment" need to be based upon the authoritative international instruments in this area, namely the newly revised OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration concerning Multinational Enterprises and Social Policy and the Guiding Principles on Business and Human Rights adopted by the UN Council of Human Rights in June 2011. The G20 should strengthen its Anti-Corruption Working Group in conjunction with the work of the OECD to implement its Anti-bribery Convention and its Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance (PIT).

16 Governments meeting at COP16 in December 2010 stated that a post-2012 agreement should limit the temperature increase below 2°C and decided on a procedure to review this objective and consider reducing it to 1.5°C in a few years. Nonetheless, the COP16 outcomes remain timid, and ambition from developed nations on emission reductions and on financing climate change was still absent. The G20 Summit in Cannes needs to support concrete steps at COP17 in Durban in December 2011 to instil momentum to the process by providing commitment to maintaining a legally-binding architecture for the climate regime and clarifying the resources for long term climate action.

17 In the context of the Rio+20 Conference on Sustainable Development in June 2012, it is key that G20 governments commit to measures that will be positive for all the three dimensions of sustainability (social, environmental and economic), including through the promotion of country-by-country pledges on green and decent jobs, in order to help the most vulnerable in coping with emerging environmental crises.

Reasserting the G20 Financial Regulatory Agenda

18 The intensification of the sovereign debt crisis during the summer, bringing the global economy to the edge of a double dip recession, resulted in part from the massive and unconditional transfer of debt from banks to governments and because of the failure to reform the global financial system after the 2008 financial crisis. Governments need to step up international cooperation and regional governance to curb the factors causing this unprecedented rise in public debt. The G20 and the IMF should support debt restructuring where necessary; this restructuring should include reductions of home mortgages in countries where real estate values have collapsed, and rescheduling of sovereign debt repayments in countries with unsustainable levels of indebtedness. In Europe the issuance of "Eurobonds" and progressive taxation reforms would greatly alleviate the debt burden faced by member states individually and in particular the most crisis-hit Mediterranean economies.

19 But for the majority of OECD governments, the greatest threat in the years coming lies not in public debt but in their exposure to the risks and liabilities of the private banking system. On top of multiple government "guarantee" schemes to cover commercial and investment banks' liabilities and other "unconventional" liquidity supports by central banks, since the end of 2008 OECD-based private banks have received USD1.7 trillion in direct assistance from government. These guarantees and support represent "contingent liabilities" on governments' balance sheets which are factored into their sovereign ratings. Today they represent on average 20-30% of GDP for OECD economies.

20 Thereby citizens and taxpayers are subsidising private bankers. Yet bankers' profits, dividends and bonuses have returned to pre-crisis levels, while lending to small and medium-sized enterprises and households has not. At the same time in many capitals, bankers' lobbyists are obstructing long overdue financial reforms. The power of the banking industry is exacerbated by its excessive market concentration, which has even increased post-crisis to the benefit of the global financial groups that have become "too big to fail" (TBTF). Meanwhile new and old forms of financial speculation – such as "high frequency trading" and "naked short selling" – are spreading, credit rating agencies have not been reformed and massive opportunities remain for regulatory and tax arbitrage and leaks to the "shadow banking" system.

21 The G20 Action Plan agreed in London in April 2009 included welcome reform of the "Basel III" banking prudential framework as well as additional supervision and capital surcharges for "systemically" important financial groups. These reforms must be implemented swiftly and without delay. But alone they will not suffice to tackle the root causes of the 2008 crisis. The G20 should:

- Implement Basel III and the additional rules for global financial groups across all jurisdictions and in a timely manner;
- Agree on limits to the size and complexity of financial institutions to eliminate TBTF groups, including mandatory separation of commercial and investment banking activities;
- Phase out crisis-driven government guarantees to banks and replace them by industry-financed insurance schemes such as the Financial Stability Contribution;
- Commit to a smaller but more diversified and transparent financial sector beyond the elimination of TBTF groups, through a larger array of public and cooperative institutions, regulation of "shadow banking" and pro-stakeholder corporate governance reforms;
- Curb short-term financial speculation through the creation of a financial transaction tax (FTT) that would also raise significant revenue as well as through prohibitive rules for 'over-the-counter' derivatives transactions and restrictions to short term trading;
- Reform the business model of rating agencies to eliminate conflicts of interest including increasing their legal liability and strengthening transparency and competition in the sector.

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