

# A GLOBAL ACTION PLAN FOR JOBS

## GLOBAL UNIONS STATEMENT TO THE G8/G14 SOCIAL SUMMIT

ROME, 29-30 MARCH 2009

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### I. Introduction and Summary

**1** When G8 Labour Ministers last met in Niigata in May 2008, Global Unions warned of the likelihood of an unacceptable rise in unemployment and called for a coordinated policy response by governments, with active labour market measures playing a central part. We did not, however, foresee the scale of the economic disaster that has befallen the global economy and its devastating impacts on workers around the world.

**2** Staggering falls in GDP have been recorded in the final quarter of 2008. At an annualised rate, GDP shrank by 6 per cent in the G7 economies, the European Union and the OECD as a whole.<sup>1</sup> These are the worst figures ever recorded. The contagion has spread to emerging and developing economies where growth has now stalled and GDP per capita is falling. The International Monetary Fund (IMF) has identified 26 low-income developing countries in Africa, Asia, the Americas and Eastern Europe as being “highly vulnerable” to the adverse effects of the global recession in 2009.<sup>2</sup> Ten years of progress in poverty reduction has been undone in just a few months.

**3** Labour markets are at the vortex of the crisis. Unemployment has continued to surge in the first months of 2009. It now appears likely that the ILO’s ‘worst-case’ scenario of unemployment increasing by 50 million worldwide in 2009 will turn out to be over-optimistic.<sup>3</sup> Over 200 million workers could be pushed into extreme poverty, mostly in developing and emerging countries where there are no social safety nets, meaning that the

<sup>1</sup> OECD, Quarterly National Accounts, 18 February 2009.

<sup>2</sup> IMF, The Implications of the Global Financial Crisis for Low-Income Countries, 2009.

<sup>3</sup> ILO Global Employment Trends, 28 January 2009.

number of working poor – earning below 2 USD per day for each family member – may rise to 1.4 billion. This will disproportionately affect women, who constitute 60 per cent of the world's poor.

- 4 This crisis, which was precipitated by regulatory failures in the financial sector, comes on top of an explosion in inequality over the past two decades. The de-coupling of low- and middle-income households from the gains of economic growth and productivity increases, regressive tax policies in the forms of cuts to the top levels of income tax, rising indirect taxation, as well as limited or reduced social transfers have combined to reduce wages, purchasing power and social safety nets, thereby increasing the vulnerability of workers. Moreover, labour market deregulation has resulted in a dramatic rise in the level of precarious work with the result that inadequate pay, job insecurity and fear are the staples of working life for millions of workers – and especially women – in all regions of the world, including in G8 economies.
- 5 The policies of inequality have played a significant part in fuelling this crisis. Some G8 economies, most notably the US, began this recession with the level of median wages still below the average of the previous cycle. Whilst a direct result of these damaging policies of the past, the lack of purchasing power of working families was itself a major contributor to the current crisis and the emergence of unpayable debt, which – together with excessive financial regulation – sparked the housing crisis in the US. The danger now is that the crisis will serve to deepen existing income inequalities – and to further erode social cohesion.
- 6 This is the challenge that the G8 and G14 Labour Ministers face. The global trade union movement is gravely concerned that the fiscal packages introduced by governments to reverse the collapse in demand and rescue the banks do not adequately address employment, decent work or social protection. They do not sufficiently focus on job protection and creation in the short-term and have failed to include adequate active labour market measures. There are few actions aimed at developing or strengthening social protection, either through pensions or income support.
- 7 These policy deficits must be addressed and, beyond this, governments must act to strengthen systems of social dialogue. Without a radical response by governments, this most serious economic crisis since the Great Depression of the 1930s will transform into a social and, ultimately, political crisis as well. The global trade union movement is calling on the leaders of the world's major nations who come together first in the G20 at the London Summit on 2 April, and then on La Maddalena at the G8 Summit from 8 to 10 July, to implement a coordinated international recovery and sustainable growth plan. The Rome Labour and Social Summit must provide key inputs to these meetings over the weeks and months ahead and chart our way out of this crisis. Labour Ministers in particular must:
  - ensure that recovery measures maximise job creation, include active labour market policies, provide for extended social safety nets and develop 'green economy' investments that can shift the world economy on to a low-carbon growth path (§8-19);

- work with other Ministers to establish and protect pension systems (§20-21);
- combat the risk of wage deflation and reverse the growth of income inequality by extending the coverage of collective bargaining and strengthening wage setting institutions so as to establish a decent floor in labour markets (§22-30);
- develop the 'green jobs' agenda that Labour Ministers committed to in Niigata, so as to help prepare the ground for a far-reaching and ambitious international agreement on climate change at COP15 in Copenhagen, in December 2009 (§31-34);
- establish a legal benchmark of norms and instruments of the international economic and social institutions – the International Labour Organisation (ILO), IMF, World Bank, World Trade Organisation (WTO) and the Organisation for Economic Co-operation and Development (OECD) – and beyond this, reform these institutions and build effective and accountable global economic governance that includes a strong social dimension (§35-38);
- commission a full report summarising actions taken by the G8 and G14 governments, as well as international institutions and social partners, to implement the commitments made in Rome. These reports should be presented to the next 'Gn' Labour Ministers meeting (§39).

## **II. Protect and Create Employment as Part of a Co-ordinated International Recovery and Sustainable Growth Plan**

### *The Need for Co-ordination*

- The first priority for governments must be to restore confidence by halting the freefall in world growth and reversing the decline in employment. Labour Ministers must represent a strong voice within their governments calling for large-scale, effective and timely action. We reiterate our call for a coordinated global recovery plan amounting to at least 2 per cent of world output.

### *Public Expenditure Targeted at Employment*

- Measures must also be targeted within countries so as to have the biggest impact on growth and employment. There is a need to draw a new economic map, which identifies the sectors that provide the greatest opportunities for future growth. Governments should bring forward infrastructure investment programmes that stimulate demand growth in the short term and raise productivity growth throughout the real economy in the medium term. Measures should be introduced to support the purchasing power of low income earners, including single earner households, which are predominantly female-headed. Putting more money into the pockets and purses of people on low incomes will boost the economy as they are more likely to spend any extra cash quickly, ensuring that it helps beat the recession. This can be done through increasing benefits, direct job creation schemes and changes in tax. Resources should not be wasted on ineffective, generalised tax cuts: during a downturn, spending on social safety

nets and transfers for local government services, including education and health, will have almost twice as much impact as tax cuts.

### *Green Investment and Jobs*

- 10** There has never been a better time to launch the ‘Green New Deal’ called for by the United Nations Environment Programme (UNEP). The ‘Green Jobs’ agenda supported by Labour Ministers in Niigata requires governments to undertake large-scale investment in green infrastructure, such as energy efficiency and renewable energies – thereby stimulating the creation of high quality employment across a range of sectors – as well as to scale-up financial resources for research and development, diffusion and deployment of new technologies. There is an urgent need to ensure that workers have the skills available to move into these jobs.

### *Investing in People*

- 11** This is also the time to invest in people – in their education and health, and in care for the very young and the aged. Given the accelerating job losses in industries affected by the crisis, there is a clear rationale for investing in education and training so as to support the transfer of workers into sectors where there is a need for more jobs. In the health/care sectors, for example, due *inter alia* to the ageing population, the World Health Organisation (WHO) estimates a need for an additional 4.2 million jobs worldwide. In education, an estimated eighteen million new teachers must be trained to meet the goal of providing quality education for all primary age children by the year 2015. Millions more teachers and instructors are needed for vocational education and training for skills that underpin the real economy and for retraining of working people as economies restructure.

### *Active Labour Market Policies*

- 12** The priority must be to keep people at work, workforces together and workers in activity. Active Labour Market Policies (ALMPs) have a crucial role to play, yet spending on ALMPs has only been a small part of the fiscal packages adopted by most countries. Programmes must be implemented to reduce the risk of unemployment and wage losses, as well as to provide income support. In these difficult times, companies must be socially responsible and retain their workers as long as possible. Those companies receiving public assistance need to respect agreements with governments and trade unions to undertake agreed restructuring programmes that include employment and training components.
- 13** Governments must put in place labour market policies that:
- discourage companies from hitting the redundancy button at the first signs of trouble and provide support for businesses affected by temporary credit difficulties;
  - focus on groups most affected by the crisis, such as the young, older and unskilled workers, temporary and part-time workers, women and migrants;
  - increase efforts to eliminate the gender pay gap, which is estimated to

stand at more than 22 per cent.<sup>4</sup> Achieving gender equity and the elimination of discrimination against women in employment must become a priority of the national and international policy agenda;

- provide income support, in particular through expanded unemployment benefit schemes. Options include: increasing benefit levels; extending benefit duration; expanded coverage; and the introduction of temporary and short-term income compensation for workers not eligible for unemployment benefit. Unemployment benefit schemes must be designed in such a way as to prevent employers from blocking or slowing down their payment;
- ensure full respect of national and international standards on workers' rights regarding termination of employment;
- promote investment in people and offer improved training opportunities in order to facilitate the acquisition of new skills by workers of all ages.

<sup>14</sup> Furthermore, governments should design public policies to support the introduction of short-term working time regimes in order to address temporary slumps in demand and sales by reducing the number of hours, rather than the number of workers. In manufacturing, unions and employers have, through collective bargaining, successfully responded to cuts in production by reducing working hours and extending unpaid holidays. In countries which have such working schemes in place – including Austria, France, Germany and the Netherlands – employers can apply for temporary financial assistance to top up the wages of affected workers. Such working time agreements have proved effective for maintaining employment. Moreover, as an outcome of collective bargaining, they are in accordance with the conclusion of the ILO's Global Dialogue Forum on the financial crisis that, "restructuring should be based on dialogue between management, unions and workers' representatives".<sup>5</sup>

### *Protect Migrant Workers*

<sup>15</sup> Governments should take steps to protect the rights of migrant workers who are among the most vulnerable at times of economic crisis. Migrant workers tend to be highly represented among those workers in precarious work and are often first to lose their jobs. Moreover, they are likely to have limited or no access to social protection. Governments should take steps to ensure that migrant workers have the same rights as other citizens. Their stigmatisation not only leads to xenophobia, but ultimately exacerbates poverty and inequality, whether in the host or the home country.

### *Support for Emerging and Developing Economies*

<sup>16</sup> As global unemployment surges, most of the world's workers do not have recourse to unemployment benefits when they lose their jobs and can rely only on their own savings or their family's support when they reach old age. There is a need to establish decent social safety nets that can act as

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<sup>4</sup> ITUC, Gender inequality in the labour market: an overview of global trends and developments, 2009.

<sup>5</sup> ILO Global Dialogue Forum on the Impact of the Financial Crisis on Finance Sector Workers 24-25 February 2009.



automatic stabilisers in countries that do not currently have them, irrespective of the level of development. Experience of the Asian crisis shows that implementing basic social security programmes in times of crisis helps to limit the economic and social consequences by restoring confidence and thereby shortening the lifespan of the crisis. Increasing workers' incomes, in addition to expanding social protection, will be particularly important for the recovery of emerging economies that had achieved high growth through export-led development, but are now facing a collapse of their major export markets. This will require improved observance of workers' rights so that trade unions can negotiate wage increases commensurate with increased productivity.

- 17** The crisis leaves low-income countries particularly vulnerable. Falling incomes will further exacerbate the effects of the existing food crisis, with the most affected being the rural and urban poor, landless farmers, female-headed households and those recently made unemployed, including migrant workers. It is absolutely critical to maintain and enhance levels of official development assistance (ODA), particularly for the Least Developed Countries (LDCs) with the adoption of binding commitments and a timetable to meet the UN target of 0.7 % of GDP. Governments must also keep food security on the agenda.
- 18** Most developing and some emerging countries are operating pro-cyclical fiscal policies, because they are pressured by the International Financial Institutions (IFIs) to practice 'fiscal discipline' at times of crisis. The international community must instead support expansionary recovery programmes, which are necessary to prevent poverty from growing further and to contribute to global demand.

### *Restore Public Support for the Global Trading System*

- 19** Trade is collapsing, but more due to the shrinking of the real economy than protectionism. We must avoid the mistakes of the crisis of the 1930s of reverting to 'beggar thy neighbour' policies. Trade can boost economic growth, recovery and development, but only under the right conditions. Restoring the legitimacy of, and public support for, the world trading system and concluding the Doha Round of trade negotiations, requires progress on the enforcement of the protection of fundamental workers' rights. It also requires ensuring that developing countries are able to achieve economic recovery, decent employment and future industrial development and where necessary control short-term capital flows to meet development objectives.

## **III. Protect Workers' Pensions**

- 20** With regard to the upcoming London G20 meeting, Global Unions are calling on G20 Leaders to take immediate action to restore liquidity and solvency in the banking system so that it fulfils its essential role of financing productive investment. Beyond this, G20 Leaders must start the process of fundamental reform of the global financial system, so as to bring to an end the financialisation that has devastated the real economy. Governments must ensure that a crisis on this scale never happens again.

**21** Labour Ministers must act to protect pre-funded pension schemes. The crisis has revealed the danger of unlimited investment of workers' pensions in the 'shadow' financial sector. OECD-based pension funds have declined in value by over USD 3.3 trillion, 20 per cent in real terms, in 2008, due to the fall in value of equity, fixed-income assets, hedge funds and structured products. The immediate impact of the crisis will be felt most by those nearing retirement age, whose pensions fall under un-protected 'defined contribution' schemes, where the final level of pension depends on the performance of the pension fund. Governments should take steps to ensure an adequate retirement for workers under pre-funded schemes, including ensuring that employers take their share of the pension risk and funding, strengthening existing government guarantee schemes and pension fund investment regulation at large.

#### **IV. Halt Wage Deflation and Combat the Crisis of Distributive Justice**

**22** Prior to the crisis, income inequality had risen both within and between nations. Increases in wages had fallen behind wider growth rates in productivity in two-thirds of the wealthiest countries that make up the OECD<sup>6</sup> and the share of wages in national income had fallen in all countries for which there are data. In developing nations, even before the advent of the 2007-2008 food price crisis and the current financial crisis, the World Bank noted that in 46 out of 59 examined, inequality had increased over the previous decade. The economic crisis is now threatening to exacerbate these existing inequalities.

**23** The 'flexibilisation' of labour markets that has occurred in all too many countries over the past 25 years is a major factor underlying this rise in inequality. Workers find themselves trapped in a vicious circle of vulnerability. Those in precarious work with atypical employment contracts, limited or no social benefits and statutory entitlements, decreasing job tenure, increasing job insecurity and inadequate pay, often have no right to engage in collective bargaining. They are unable to improve their working conditions and do not have the necessary levels of protection to absorb shocks when they arise – the burden of which has increasingly been transferred from employers to workers through labour market policy reforms.

**24** We therefore need a new model of economic development that is environmentally sustainable and ensures balanced real wage growth, in line with productivity increases and provides job security. We also require a fairer tax system, which tackles inequality by shifting taxation from labour on to capital.

**25** Governments must ensure that floors are put in labour markets to prevent a worsening spiral of deflation of earnings and prices. Basic labour market regulations – such as minimum wages, maximum hours, severance pay in case of job loss and limitations on the use of short-term contracts – are essential for protecting workers. Minimum wages need to be high enough to ensure that workers and their families have decent living conditions, so as to prevent further increases in the number of the working poor. There

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<sup>6</sup> "Growing Unequal", OECD October 2008

is also a need for full respect of core labour standards, so that workers can organise and bargain collectively to improve their wages and working conditions.

- 26** Steps must be taken to address the problem of precarious work, which is affecting increasing number of workers, and particularly women. The policies of deregulating labour markets as a means of increasing flexibility must be brought to an end. Labour market programmes must be designed in such a way as to prevent the placing of workers in precarious work. Priority must be given, in the design and implementation of labour market and innovation policies, to creating decent and skilled jobs, enhancing functional flexibility and giving workers a voice in managing change. Compliance with core labour standards must be strengthened across the board, in particular with regard to the role and activities of labour market intermediaries, such as temporary help agencies.
- 27** Government must resist pressure resulting from falls in tax revenues, to undertake pro-cyclical budget cuts, which reduce or eliminate social assistance to poor households, thus further reducing domestic demand. The evidence shows that there are substantial long-term adverse consequences of spending cuts in social programmes addressing unemployment, education and health.
- 28** In most developing countries, labour market institutions are even weaker than in industrialised countries, with large proportions of the labour force sidelined in the ‘informal economy’, without any form of protection. The IFIs should desist from promoting further labour market deregulation in developing countries, as this will only exacerbate the situation of workers. Instead they should work jointly with the ILO in its efforts to promote the creation of safe employment with adequate wages, social protection and rights.
- 29** The fight against inequality depends on the universal application of core labour standards. In addition to ensuring the enactment and enforcement of legislation, governments have a crucial role to play in improving the social responsibility of businesses operating at home and abroad. Governments must fully implement and promote international instruments for promoting corporate social responsibility. As regards the OECD Guidelines for Multinational Enterprises, the overriding priority is to ensure that the National Contact Points (NCPs) are equipped to undertake timely and effective assessments of alleged violations of the Guidelines. First and foremost this requires NCPs to be properly structured – tri- or quadripartite with the involvement of trade unions and other stakeholders – and adequately resourced.
- 30** Finally, combating the crisis in distributive justice requires the tripartite structures for economic and social consultation and policy planning, which provided the springboard for the 30 years of high economic growth and improving living standards of the post-war period, to be recreated. Involving representatives of working people in the decisions that determine employment and economic growth is not only consistent with democratic principles, but makes good economic sense. The alternative neo-liberal model condemns us to repeating the mistakes of the 1920s and



1990s and maintaining the levels of spiralling inequality that resulted in financial instability and ultimately the stock market crash.

## **V. Lay the Employment Foundations for an International Agreement to Mitigate Climate Change**

- 31** Governments must ensure that the urgent measures needed to tackle climate change are not derailed by this crisis. Rather, as called for in this Statement, governments must use the coordinated global fiscal response to the crisis to move ahead with the ‘green economy agenda’, thus preparing the ground for an ambitious climate agreement this year in Copenhagen.
- 32** Governments must recognise that reaching such an agreement on climate change depends on building a broad and sustainable political consensus on goals, as well as the means of achieving them. The agreement must show that signatory governments recognise the social and economic impacts of its implementation by providing a clear strategy for addressing them since, to date, the employment challenges, together with the potential benefits, have remained unaddressed. Furthermore, the new climate change agreement must call on governments to consult on, plan and implement a ‘just transition’ strategy, aimed at protecting the most vulnerable from climate change risks and from the consequences of climate change adaptation or mitigation measures. These ‘transitional’ strategies must include, *inter alia*, provision for consultation with unions, business and civil society, skills development schemes, social protection policies and economic diversification.
- 33** In this context, we remind Labour Ministers of the commitments made at the G8 Labour Ministers meeting in Niigata to address the employment and social challenges relating to the environment, and particularly climate change. These included: assessing possible impacts of environmental change and policy responses on labour markets; helping displaced workers make a transition to new jobs; encouraging skills development that responds to environmentally-friendly innovations and industrial changes; and promoting environmentally-friendly ways of working by adjusting to new patterns of natural resource use and conservation in workplaces. Moreover, the adoption of the ‘Niigata Global-Balance Principle’, represents explicit recognition by Labour Ministers that “governments, employers and workers should work together to achieve a coherent balance of growth, employment, productivity and concern for the environment” and that “[S]ocial dialogue beginning at the workplace makes an important contribution to achieving this goal”. Ministers also noted that the ILO’s Green Jobs Initiative was “a coherent, tripartite way of addressing these challenges”. These commitments are more pertinent than ever in 2009, in the run up to the COP15 in Copenhagen. They need to be discussed once again by the G8 Labour Ministers in Rome and transmitted to the G8 Environment Ministers’ Meeting in April for their endorsement.
- 34** Developed countries should make financial and other support available to the poorest countries to enable them take up the challenges of climate change, including through the United Nations Framework Convention on Climate Change (UNFCCC) Adaptation Fund.

## VI. Create more Effective and Accountable Global Economic Governance

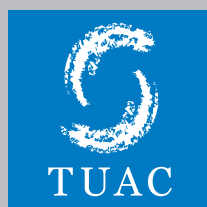
- <sup>35</sup> The G20 process represents governments' current response to the deficiencies in global governance. Whilst it contains some of the necessary elements, it remains heavily weighted towards finance issues with decent work and poverty reduction currently being treated as marginal to its discussions. Furthermore, countries representing one third of the world's population are not represented at the table and have no means of influencing the G20's work.
- <sup>36</sup> There is a need for a new decision-making forum on economic and social policies at a global level which combines effectiveness, legitimacy and accountability. A possible starting point is the charter or legal instrument on global economic and social governance based on OECD, WTO, ILO, IMF and World Bank instruments proposed by the German Chancellor and the Italian Minister of Finance. This Charter would provide a synthesis of the guiding principles of these bodies, referencing standards such as the core labour standards of the ILO and the OECD's MNE Guidelines, Anti-bribery Convention and Principles for Corporate Governance. This would combine rules concerning market behaviour with the "complementary elements regarding employment and enterprise development, social protection, humane working conditions, sound labour relations and rights at work"<sup>7</sup>, of the ILO's Decent Work agenda. We urge governments to give serious consideration to this proposal and to begin the process of consultation that is required to build support for the truly authoritative global summit of world leaders that is needed to manage our increasingly interdependent world economy.
- <sup>37</sup> Governments must start the work, but it cannot be left to bankers and finance ministry officials meeting behind closed doors. Trade unions are ready to engage constructively in this process and call on governments to give trade unions a seat at the table. Trade unions need to be a full part of new governance and advisory structures to international organisations, just as they are at the OECD. In line with the mandate provided by the *Declaration on Social Justice for a Fair Globalization* adopted by the International Labour Conference in June 2008, the ILO needs to be at the centre of a new multilateral architecture that can respond effectively to the current crisis in market-driven globalisation by placing employment, social priorities and the promotion of decent work at the heart of decision-making.
- <sup>38</sup> As regards the IFIs, while G20 Finance Ministers have already agreed to commit greater resources to the IFIs<sup>8</sup>, in return, both the Bank and the IMF must stop imposing the conditionality on developing and emerging countries that pushes them in to pro-cyclical policies. Instead the attainment of decent work and observation of core labour standards must underpin the new arrangements.

7 Statement by the ILO, WTO, IMF, OECD, World Bank and Germany February 5 2009 available at [http://www.oecd.org/document/32/0,3343,en\\_2649\\_34487\\_42124384\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/32/0,3343,en_2649_34487_42124384_1_1_1_1,00.html).

8 G20 Finance Ministers' and Central Bank Governors' Communiqué - 14 March, 2009.

## VII. Conclusion

<sup>39</sup> Workers around the world, who are losing their jobs and their homes, are the innocent victims of this crisis: a crisis precipitated by greed and incompetence in the financial sector, but which is underpinned by the policies of privatisation, liberalisation and labour market deregulation of recent decades. When our economies begin to recover there can be no return to 'business as usual'. The crisis must mark the end of an ideology of unfettered financial markets, where self-regulation has been exposed as a fraud and greed has overridden rational judgement to the detriment of the real economy. A new national and global regulatory architecture needs to be built, which restores financial markets to their primary function of ensuring stable and cost-effective financing of productive investment in the real economy. Beyond this, rather than talk of 'exit strategies' there is a need to establish a new model of economic development that is economically efficient, socially just and environmentally sustainable. It must bring to an end the policies that have generated massive inequality over the past two decades. Governments, working together with the social partners and with the input of relevant international organisations, must create a new economic world order. This requires a paradigm shift in policy-making that 'puts people first'. Trade unions and the workers we represent, however, have no confidence that this time governments and bankers will get it right. Working people must have a seat at the table. There must be full transparency, disclosure and consultation including a full report summarising actions taken by the G8 and G14 governments, as well as by international institutions and social partners, to implement the commitments made in Rome. The Global Union organisations are ready to play their part in building this fairer and more sustainable future.



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