



TRADE UNION ADVISORY COMMITTEE
TO THE ORGANISATION FOR ECONOMIC
COOPERATION AND DEVELOPMENT
COMMISSION SYNDICALE CONSULTATIVE
AUPRÈS DE L'ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

**“PEOPLE FIRST
TACKLING TOGETHER THE HUMAN DIMENSION OF THE CRISIS”
CHAIR'S CONCLUSIONS OF THE G8 SOCIAL SUMMIT¹**

Rome, 29-31 March 2009

TUAC EVALUATION

Overview

1. Labour and Employment Ministers from the G8 countries, Brazil, China, Egypt, India, Mexico and South Africa met in Rome on 29 - 31 March in order to discuss the employment and social challenges brought about by the ongoing crisis and in particular the rapidly increasing job losses. They were joined by the European Union Commissioner for Employment, Social Affairs and Equal Opportunities, as well as by the Director-General of the ILO, the Secretary-General of the OECD and the Deputy Managing Director of the IMF.
2. Ministers met on the eve of the release of the OECD's latest projections for growth and employment for 2009 and 2010. Global economic activity is forecast to shrink by 2.7 percent in 2009 and economic activity across the OECD area to plummet by an average 4.3 percent. The global recession is predicted to worsen throughout 2009 before a policy-induced recovery gradually builds momentum through 2010. Unemployment is predicted to rise sharply across all OECD countries, peaking in 2010 or early 2011 and reaching double digit levels for the first time since the early 1990s in many countries. The number of unemployed in G7 countries will almost double from its mid-2007 level to reach some 36 million people in late 2010. The Social Summit was also designed to be an input to the G20 London Summit held on 2 April and its conclusions are referred to in the London conclusions.
3. In the Summit's conclusions, Ministers recognized that *“mutually reinforcing economic, employment and social policies are essential to addressing the significant job losses produced by the crisis, providing income relief and training and retraining services for people and households affected by the economic turmoil, preserving human capital”* (§ 3) and that *“macroeconomic policies must be linked to employment and social policies that prevent unemployment...”* (§ 3). They also emphasised that *“the current downturn should not be taken as a pretext to weaken workers' rights to which countries have committed. Rather it is an opportunity to reassess and extend - where feasible - social protection schemes to ensure they are efficient, effective and indeed helping all those affected by the crisis, especially the most vulnerable. In countries where adequate social protection measures do not already exist, timely actions should be undertaken to implement new measures to protect them”* (§ 17). These key messages of the Summit are both appropriate and welcome.

¹ http://www.g8italia2009.it/G8/G8_Allegato/conclusioni_ENG.pdf

4. Ministers also importantly noted that the *“social dimension is a necessary part of a more integrated governance, combining social, labour and employment priorities with economic and financial challenges, including with a view to the debate on promoting sustainable economic and social activity”* (§ 19). It is highly positive, therefore, that Ministers invited international organizations, and in particular the IMF, the OECD and the ILO, *“to take into account the labour market and social impact in their advice and cooperation with Governments and to share lessons and draw up more detailed recommendations, based on the principles in this document, for effective employment and social protection policies to mitigate the impacts of the crisis and to ensure sustainable recovery”* (§ 20). It is essential that trade unions make use of this development in their preparations for the next G20 summit, to be held later in the year, which will have to focus on the jobs crisis.

Consultations between Ministers and the Social Partners

5. Prior to the G8 Social Summit, consultations were held between Ministers and delegations of trade unions and employers. Trade union delegates submitted a statement² that called for “a global action plan for jobs” and highlighted the political risks that stem from the human and social costs of the crisis, reminding Ministers that workers were paying for the crisis, through the loss of jobs and income, as well as through deteriorating working conditions and precarious work. They also warned of the dangers of adopting a position that regarded the crisis as only financial and the role of exit strategies as being to return the economy to a pre-crisis world. Instead, trade union delegates called for a paradigm shift in economic, labour market and social policies and in particular for the OECD and the IMF to reassess the assumptions underlying their policy recommendations. Specific reference was made to recent labour market and benefit reforms, which have resulted in small and often short-lived benefits, which have served to weaken automatic stabilizers, while failing to prevent poverty. Trade union delegates also emphasized the importance of using short-time working schemes and job-sharing as an alternative to redundancy and unemployment. However, they expressed reservations regarding the use of tax incentives in this respect.

6. The statement submitted by employers and business organisations sets out guiding principles for policy action. These reiterated the usual business agenda, underlining the need to promote employability and opportunity and to “make reform happen” with the aim of reducing alleged labour market rigidities, implementing flexicurity, reducing non-wage costs, ensuring labour mobility and promoting investment in skills, education and training through stimulus packages. Moreover, their submission called for the lowering of administrative and compliance costs for SMEs and advocated wage reductions, reduced working hours and work-sharing as a means to retain jobs. The business submission also argued in favour of social dialogue involving governments, businesses and workers (unions were not referred to) and for government measures to support job creation, including green jobs, with the latter being based on entrepreneurial activity, innovation and the requirements of sustainability. At the consultations diverse business view were voiced, with one delegate expressing objections to “green jobs”, whilst another more positively denounced the concept of shareholder value and strongly advocated the need for meaningful dialogue between employers and trade unions.

² http://www.tuac.org/en/public/e-docs/00/00/04/65/document_doc.phtml

Themes Discussed by Ministers and the Input Provided by High Level Representatives of International Organisations

7. The Summit discussions were organised into three plenary sessions. The first, introduced by the Secretary-General of the OECD, A. Gurria, focused on “**The financial crisis and its consequences on the labour markets and welfare systems of G8 countries.**” Mr Gurria underlined the need to revive the global economy, in particular by tackling the mess in financial markets and implementing a macroeconomic stimulus. He identified the following “difficult new challenges to labour market and social programmes” in order to mitigate the impact of the crisis on people:

- find the extra resources needed to scale up labour market programmes to respond adequately to the jobs crisis;
- promote labour demand and avoid unnecessary layoffs by credit constrained firms;
- provide adequate safety-nets during a severe economic downturn to job losers and low-income families;
- maintain “*the activation stance*” of labour market policy and cooperate with private (for profit) employment agencies, “remunerated by fees which reward employment outcomes and minimize the risk of cream-skimming” with the aim of facilitating and accelerating the placement of job seekers;
- maintain an effective labour supply, even during the severe downturn and refrain from addressing the jobs crisis by a reduction in the labour force.

8. With regard to developing countries, Mr Gurria emphasized that we should “*not forget that most of these policy tools to mitigate the human impact of the crisis are not available for the great majority of the people of this planet*” and that most of these “*countries are now facing serious difficulties and social tensions as a result of a crisis they did not create. We cannot let these people down; both for reasons of ethics and for enlightened self-interest. The developing world’s unemployment problem is a G7 problem, an OECD problem. We need to address the world’s labour crisis together, through enhanced and more inclusive international co-operation. Relying purely on national policies will no longer do the trick*”.

9. The second plenary session, introduced by the Director General of the ILO, Mr J. Somavia, focused on “**The financial crisis and its consequences on the labour markets and welfare systems at world wide level.**” The ILO’s background paper outlined the impact of the financial and economic crisis on world labour markets, as well as its effects on vulnerable groups such as women, youth and migrant workers. Referring to the latest *Global Employment Trends* (ILO, January 2009), the paper highlighted the continuing deterioration in labour market and social conditions and the vital need to avoid social hardship. It noted that “*the global economic crisis comes after a sustained period of growth, whose benefits were unevenly shared*” and that growing income inequality “*lies at the heart of the current crisis*”. It also provided a preliminary assessment of the employment and social impact of financial rescue and financial stimulus measures. The paper concluded that:

- *first, rescue measures to banks, though of unprecedented magnitude, have not revived bank credit;*
- *second, fiscal stimulus measures announced by governments are generally on a lower scale than rescue support to banks. In addition, they mostly do not focus sufficiently on employment and social protection;*

- *third, world markets are affected by the credit crunch (which dries up trade finance available to enterprises) and face the risk of inward-looking solutions and protectionist responses;*
- *fourth, inadequate attention has been given to the development perspective. The social impacts of the crisis in developing countries are exacerbated by the fact that the majority of workers and small businesses do not have basic social security;*
- *fifth, the stimulus measures have, so far, not been deployed with a view to ensuring that global growth is more equitable and sustainable in the medium to longer term. Global imbalances, decent work deficits and inequalities have been a significant contributor to the crisis.*

Finally, the ILO proposed that a ‘global jobs pact’ be built by further developing the ILO’s Global Employment Agenda, which should seek to:

- *support economic recovery through decent work policies, especially the strengthening of social protection;*
- *reduce the risk that the crisis spreads further across countries by providing support in particular to vulnerable countries; and*
- *pave the way for a more sustainable, fairer globalisation.*

10. The third and final plenary session addressed “**The role of welfare policies and the social dimension in the new scenario of globalization**” and was introduced by the First Deputy Managing Director of the IMF, Mr J. Lipsky. He reiterated the four key messages delivered previously by the IMF on the challenges of the crisis – supporting financial sector restructuring as a first priority; supporting aggregate demand in 2009 and 2010 by expansionary monetary and budget policies, in particular through strong fiscal expansion; providing much-needed financing to emerging market economies; and critical support for low income countries by significantly increasing concessional lending – and called on Ministers to safeguard globalization’s benefits. Referring to the IMF October 2007 World Economic Outlook, he asserted “*that it is the specific form of recent technological advances, rather than globalization per se, that has contributed most to rising inequality*”. Nevertheless, he conceded that governments and international organizations “*can and should do better at spreading the gains from global integration*”, and proposed the following:

- *reducing labor market rigidities enables workers to pursue changing opportunities by lower the costs and risks of job changes;*
- *workers should receive support and assistance in the process of reacting to economic evolution. Improved education and training helps workers keep up with technological advances and to upgrade skills;*
- *strengthened social protection measures, such as more effective unemployment benefits, can also ease the transition process and encourage skills upgrading;*
- *policies that increase the availability of finance to the less privileged and advance trade liberalization – for example by helping to increase agricultural exports from developing countries – would also help spread the benefits of globalization.*

11. Finally Mr Lipsky emphasised that for the time being it would be “*necessary to focus on strengthening and better targeting social safety nets and on providing opportunities for displaced workers to regain employment as rapidly as possible*”. This would boost automatic stabilizers, thereby supporting demand expansion.

The Outcome of the Ministerial Deliberations

12. Ministers agreed on four key strategies in order to address the ongoing crisis:

- *promoting job creation and effective employment and labour market policies in order to restore confidence;*
- *supporting the income of people and their families through effective and responsible social protection systems (social security and labour protection), with the aim of sustaining rapid recovery, through reinvigorated consumption and investment;*
- *fostering human capital developments through appropriate education and training policies to enable people to remain employed, to prevent social exclusion and to support aggregate economic growth and individuals' career prospects;*
- *actively addressing social as well as financial and economic issues to achieve sustainable growth and development*

13. Ministers further agreed on a number of measures to protect existing jobs, create new jobs, develop skills and strengthen social protection:

- (i) *promoting targeted effective active labour market policies to help reduce unemployment;*
- (ii) *enhancing skills development and matching jobs with labour market needs, to help people maintain their connection with the labour market and to prevent mass unemployment, including through partial unemployment schemes (e.g. compensated short time work or work sharing) combined with training provisions;*
- (iii) *ensuring effective social protection systems to help affected workers and families;*
- (iv) *enabling labour markets to respond to broader structural changes.*

14. Ministers also proposed that particular consideration should be given to measures aimed at facilitating changes in the labour market: “a) *active labour market policies, including temporary employment subsidies and job placement services;* b) *training and skills upgrading especially for the unemployed and people at risk of redundancy;* c) *temporary flexible work arrangements, including part-time, and working time reductions that can prevent lay offs, save considerable firing and (re)hiring costs for firms and prevent loss of firm-specific human capital*”.

15. The conclusions also highlight the importance of a skilled work force, stating that “*investment in people is a crucial tool to increasing productivity and for successful recovery. Policies that focus on upgrading skills should help ensure that future labour market needs are met*”. This commitment of Ministers, to “*ensure that people have access to good quality education, maintain and restore employment and employability by focusing on training and skills, with a particular emphasis on re-skilling and up-skilling*”, is particularly welcome.

16. It is noteworthy that the conclusions state that “*active labour market policies combined with well-designed unemployment benefit systems can improve the chances of jobless people re-entering the labour market and prevent long term unemployment.*” This is in contrast with previous positions on “reforming”, or “re-designing”, labour markets, which were based on the 1994 OECD Jobs Strategy, and is more in line with the findings of the reassessment of the Jobs Strategy. This revealed that more regulated labour markets outperform unregulated and

more employer friendly labour market regimes – the model promoted by the World Bank in its annual *Doing Business* report.

17. Similarly significant is the agreement by Ministers that “*effective and responsible income support programs, including minimum wages where appropriate, must protect the poorest and most vulnerable in our countries, while at the same time ensuring incentives to look for work. Social protection has important economic benefit*”. This is important for supporting the functioning of automatic stabilizers, maintaining consumption, building consumer confidence and creating jobs.

18. Ministers, perhaps unsurprisingly, also emphasised the importance of involving the social partners. Trade unions welcome this commitment, agreeing with the conclusion that a “*strong, effective and meaningful social dialogue, including greater involvement of workers in the economic restructuring process, may mitigate the effects of the crisis for workers and employers as well as to achieve high economic growth and improve living standards*”.

19. Regrettably, however, the conclusions call on governments to ensure that active labour market policies are not only “*delivered through efficient, modern and well functioning*” public employment services but, “*according to national policies*” also through “*private employment services*”.

20. Trade unions welcome the text’s reference to the G8 Dresden’s conclusions on Corporate Social Responsibility (CSR), as well as to both the ILO’s Tripartite Declaration on Multinational Enterprises and Social Policy and the OECD’s Guidelines for Multinational Enterprises. However, we note the failure to address the role of individual governments and specifically the lack of a commitment to strengthening the functioning of the National Contact Points responsible for upholding the OECD MNE Guidelines.

Conclusion

21. While Ministers failed to discuss measures targeted at particular groups, such as youth, women, older workers or migrants, to improve their skills and thus their employment prospects for the post-crisis period, overall the conclusions of the Summit convey ‘good news’. Ministers have clearly turned away from the orthodoxy of deregulating labour markets, weakening labour market institutions and increasing employment and wage flexibility in favour of market driven solutions. Ministers were right to back away from the condemnation of labour institutions in favour of a more nuanced view of the economic effects of labour market institutions. They were also right to emphasise the strong role for government policy in maintaining and creating jobs and improving job quality.

22. Ministers have made an important commitment “*to continuing our dialogue on the future actions needed to promote employment and employability, improve social protection and create more jobs*” beyond the Rome Summit and to feed the outcome and messages arising from the Rome Summit into further G8 and G20 Summit meetings is of particular importance. As the communiqué itself won’t bring an end to the jobs crisis, the task falls to trade unions to ensure that these words are turned into action. If this is accomplished and the next G20 meeting gives the required attention to policies aimed at tackling the jobs crisis, then the Rome Summit will have been an important milestone on the road to recovery.