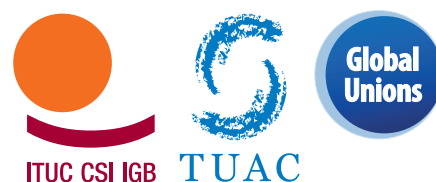




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L20 TRADE UNION STATEMENT TO THE G20 JOINT LABOUR, EMPLOYMENT AND FINANCE MINISTERS' MEETING

ANKARA, TURKEY, 3-5 SEPTEMBER 2015

Executive Summary	1
Raising Infrastructure Investment	4
Supporting Demand and Reducing Inequality	5
Strengthening Employment Growth and Labour Force Participation	5
Increasing Youth Employment	6
Delivering the "25 by 25" Commitment	7
Reducing Informality and Moving ahead on the Social Protection Floor	7
Guaranteeing Safe Workplaces	8
Going Forward: the Importance of Social Dialogue at the G20 Level	8

Executive Summary

1 The G20 Finance Ministers and Central Bank Governors committed to raise G20 GDP "by more than 2% above the trajectory implied by current policies over the coming five years"¹ – an extra 0.5% growth per annum – at their meeting in Sydney in February 2014, which was endorsed by G20 Leaders in Brisbane in November. The G20 is off-target and growth is almost 1.7% below the level it should be at. If the target was to be reached, growth would now have to rise by an extra 1% per year leading up to 2018. This will not happen on current policies: investment and output growth in the G20 countries remain far below longer-term trends and pre-crisis levels. In several countries, unemployment continues to rise or remains at high levels.

For more information
and interviews
with the Labour 20
contact

Anna Byhovskaya
+33 155 37 37 37
byhovskaya@tuac.org

Gemma Swart
+32 479 06 41 63
gemma.swart@ituc-csi.org

1. G20 (2014), "Communiqué: Meeting of G20 Finance Ministers and Central Bank Governors, Cairns, 20-21 September 2014", <https://g20.org/wp-content/uploads/2014/12/Communique-G20-Finance-Ministers-and-Central-Bank-Governors-Cairns.pdf>

The ILO² and OECD³ have analysed the scale of the remaining “jobs gap”, which is expected to increase by 3 million in 2015 and by a further 8 million in the following four years. Moreover, informality remains a scourge not only in developing G20 countries. There is also a social risk resulting from a disorderly transition to a zero carbon economy without national industry and jobs plans.

Creating quality jobs must become the central priority of the G20 with concrete policy commitments and a coordinated follow-up. The Labour and Employment Ministers’ meeting and the joint meeting with Finance Ministers and Central Bank Governors must act as a catalyst for action.

2 Growth in many economies is constrained due to fiscal austerity and stagnant incomes of working families. The Greek crisis is just one manifestation of this. Globally, workers are facing serious financial pressure with wages falling behind the cost of living. Despite clear evidence that such policies do not reach their economic goals but instead result in severe social consequences, some G20 governments and international institutions have advocated pressing ahead with austerity policies and structural “reforms” that reduce wages and worker protection. In the current context, such approaches will lead to further stagnation of jobs and economic growth. The longer unemployment remains high or continues to rise, the greater the risk that it becomes “structural” due to scarring effects. The risk for young people is especially serious as their unemployment rate is three times higher compared to that of adult workers.

3 In many corporate supply chains, profits are increasingly captured by multinational enterprises. In the meantime, the same companies fail to pay wages on which people can live and middle classes can grow. Trust in corporations is broken. ITUC polling finds 55% of respondents in France, Germany, the UK and the USA believe most global companies cannot be trusted to look after their workers and tougher laws are needed. 80% of respondents in Indonesia, the Philippines and Turkey believe that most employers prioritise profits over the safety of their workers. More than three quarters (78%) of people in Indonesia, the Philippines and Turkey want businesses to pay all of their employees a decent minimum wage.

4 A fresh approach is needed. Aggregate demand has to be expanded in a coordinated manner across the G20 by undertaking public investment programmes and raising the living standards of low and medium income households. The previous joint meeting of G20 Labour and Finance Ministers in Moscow in July 2013 acknowledged the validity of such a strategy, where a commitment was made to *“labour market and social investment policies that support aggregate demand and reduce inequality, such as broad-based increases in productivity, targeted social protection, appropriately set minimum wages with respect to national wage-setting systems, national collective bargaining arrangements, and other policies to reinforce the links between productivity, wages, and employment”*⁴. Despite the Brisbane Action Plan and its 800 new policy commitments, the integration and coordination of national growth and employment plans is not sufficient between and within countries. This is especially counter-productive as the OECD and IMF expect a spill-over effect across the G20 in their first assessment of the action plans. The G20 must put in place comprehensive measures to “support aggregate demand and reduce inequality” as committed to in 2013, and ensure policy coherence through coordination processes at the national level and within the G20.

5 The national action plans need to target the growing informal economy and formalise jobs. Migrants, women and young people in particular are trapped in desperate conditions without respect for human rights, minimum wages or social protection. With more than 50 million people displaced in the last year alone, we are facing refugee numbers

2. ILO (2015), “ILO warns of widespread insecurity in the global labour market”, www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_368252/lang--en/index.htm

3. OECD (2015), “OECD Employment Outlook 2015”, www.oecd.org/employment/outlook

4. G20 (2013), “G20 Labour and Employment and Finance Ministers’ Communiqué, Moscow, 19 July 2013”, <http://en.g20russia.ru/news/20130719/781660747.html>

greater than those following the Second World War. This calls for an urgent policy response from the G20 leadership. It requires action on trafficking, slavery and forced labour, recognition of the rights of asylum seekers, durable resettlement programs, social protection, the recognition of the right to work, as well as, of the contribution migrants make to development.

6 Policies need to take account of the imperatives of moving to a low carbon economy. The G20 is in a unique position to pave the way towards an ambitious and fair outcome to the multilateral climate negotiations in Paris by supporting the disbursement of contributions to the Green Climate Fund and long-term options for responsible investors. This entails a G20 commitment to the development of just transition strategies towards green jobs.

7 The Ankara meetings must drive these processes forward. The Action Plans need to include commitments to:

- **Increase public investment in social and physical infrastructure** both to expand growth in the short term and to bring about the structural transformation of economies needed to counter climate change. The L20 growth modelling⁵ shows that expansion of public infrastructure investment by 1% of GDP across the G20 could create up to 3.8% more growth over a five year period compared to current policies.
- **Raise low and middle-incomes and reverse the decline in the labour income share** both to reduce inequality and to inject purchasing power into the global economy through comprehensive policy programmes.
- Rebalance structural policies towards achieving quality employment by:
 - **Supporting youth employment** by setting G20 targets for increasing youth employment and activity rates, introducing youth guarantees, promoting quality vocational training and apprenticeships, as called for by the L20 and B20, and increasing investment in quality public education;
 - **Expanding women's employment and promoting inclusive labour markets** by boosting activity rates of vulnerable groups, including through investment in child-care facilities and the "care economy" so as to meet the G20 "25 by 25 target"⁶;
 - **Tackling long-term unemployment** by expanding training opportunities and job creation through active labour market and employment policy measures;
 - **Introducing global social protection floors** to ensure the provision of universal health and elderly care and of basic public services as called for in the joint statement by the World Bank and ILO⁷;
 - **Strengthening workers' rights and social protection systems** so as to support the transition from the informal to the formal economy⁸;
 - **Guaranteeing "safe workplaces"** by strengthening occupational health and safety systems in G20 countries, moving ahead with the G7 plan to introduce a "vision zero fund" and ensuring that international labour standards and human rights are applied by G20 investors and companies throughout their global supply chains;
 - **Targeting commitments to resettle refugees and asylum seekers and afford all migrants the right to work in the formal economy** with associated labour, social political and cultural rights. The Post-2015 sustainable development agenda and the global New Deal should recognise displacement as a development challenge with the acknowledgement of the skills and incomes contributed to host nations as well as humanitarian and protection issues.

5. Onaran, O. (2014), "The case for a coordinated policy mix of wage-led recovery and public investment in G20", L20 Working Paper 2014, University of Greenwich, United Kingdom/ Paris, France, http://www.tuac.org/en/public/e-docs/00/00/0F/17/document_news.phtml

6. G20 (2014), "G20 Leaders' Communiqué, Brisbane Summit, November 2014", https://g20.org/wp-content/uploads/2014/12/brisbane_g20_leaders_summit_communique1.pdf

7. ILO (2015), "A joint mission and plan of action: Universal social protection to ensure that no one is left behind", www.ilo.org/global/about-the-ilo/who-we-are/ilo-director-general/statements-and-speeches/WCMS_378984/lang-en/index.htm

8. ILO (2015), "ILO Recommendation 204 concerning the Transition from the Informal to the Formal Economy", http://www.ilo.org/ilc/ILCSessions/104/texts-adopted/WCMS_377774/lang-en/index.htm

Raising Infrastructure Investment

8 The combination of weak growth and weak balance sheets in the banking sector mean that despite very low interest rates, credit is not flowing to the real economy, but rather into secondary markets and speculative investments. In the US alone, shareholder returns reached more than \$903bn in 2014, with \$350bn in dividends and \$553bn in buybacks⁹. In advanced economies, corporate investment has declined overall by an average of 25% since the global financial crisis compared with pre-crisis forecasts¹⁰. The investment share has declined, whilst the profit share has increased. A major expansion of public investment in infrastructure is necessary in its own right but would also help kick-start private investment and growth, as shown in the L20 modelling¹¹. By financing productive investments, such a strategy would also increase longer-run sustainable growth potential.

9 While public investment is central to growth and recovery, institutional investors should also step in and help meet the infrastructure financing gap - as long as essential public services such as water and sanitation, health and education are not put under threat. Pension funds account for a growing share of total assets managed by institutional investors. Yet, infrastructure represents only a fraction of their portfolio¹². More could be done to ensure institutional investors, and pension funds, in particular, adopt long term strategies in line with the High Level Principles on Long-term Investment by Institutional Investors. In doing so, it is specifically important to look at the type of fund design and governance that works best for long term investments and infrastructure financing. Evidence shows that pension funds with substantial exposure to infrastructure are all based on sector-wide collective bargaining agreements (between employers and trade unions). Collective bargaining has proven to be an efficient way to build large pools of capital that meet long-term development challenges.

10 Beyond fund design, governments should also reflect on how responsible investment practices – the integration of environmental, social and governance criteria – underpin long-term investment strategies and curb short-termist behaviour. They should address the pivotal role of asset managers, their accountability to asset owners (including pension funds) and the distribution of wealth within the investment chain (including fees taken by intermediaries)¹³. By mixing public and private money, “Blended finance” and Public-Private Partnerships (PPPs) should ensure full transparency over financial risks and their impact on government debt, while being conditional on feasibility and auditing criteria.

11 The L20 calls upon G20 Employment and Finance Ministers to:

- Commit to raise and set targets for public infrastructure investment as the primary route to growth and employment recovery and promote industry-wide pension schemes based on collective bargaining to build large pools of capital to finance long term investment goals;
- Ensure the effective observance of the High Level Principles on Long-term Investment and engage further on how responsible investment practices and asset manager accountability underpin long term investment behaviour;
- Ensure full transparency and fair risk sharing, whenever public money is used to support private finance as in the case of PPPs and other “blended finance”.

9. Financial Times (2015), «US companies on course to return \$1tn to shareholders in 2015», April 12 2015, www.ft.com/intl/cms/s/0/2c1a34d8-dfa5-11e4-a06a-00144feab7de.html#axzz3ZvUH8mLF

10. IMF (2015), “World Economic Outlook: Uneven Growth: Short- and Long-Term Factors - Private Investment: What’s the Holdup?”, <http://www.imf.org/external/pubs/ft/weo/2015/01/pdf/text.pdf> pp.111-142

11. Onaran, O. (2014)

12. OECD (2014), «Annual Survey of Large Pension Funds and Public Pension Reserve Funds», www.oecd.org/daf/fin/private-pensions/2014_Large_Pension_Funds_Survey.pdf

13. TUAC (2015) “Long Term Investment & Accountability of the Investment Chain - What the OECD should do”, TUAC issues paper, May 2015, http://www.tuac.org/en/public/e-docs/00/00/10/70/document_doc.phtml

Supporting Demand and Reducing Inequality

12 As the work on the Labour Income Share in the G20 Employment Working Group (EWG) has shown, there have been significant declines in the labour share in national income in both industrialised and developing countries in the last three decades. Within supply chains, profits are increasingly captured by MNEs. Companies are hoarding trillions in cash reserves, which accordingly are not reinvested into the real economy. At the same time, there is continued failure to pay wages, on which people can live and middle classes can grow. The economic as well as social damage of rising inequality is now recognised by international institutions. The ILO, IMF and OECD have all argued for redistribution policies “*not only because inequality may be ethically undesirable but also because the resulting growth may be low and unsustainable*”¹⁴. Low incomes exclude millions of citizens from the mainstream economy depriving them of the opportunity to achieve their potential.

13 From 2011 to 2014, employment growth in a number of countries was unevenly distributed, with the greatest growth being in well-paid jobs, only modest growth in the lowest paid jobs and declining employment in those jobs in the middle of the wage distribution. However, there is a significant change in recent employment growth patterns from mid-2013 to mid-2014. Its worrying feature is that a large share of the net new employment created since 2013 (Q2) has been in the bottom three job-wage quintiles. Whilst the pre-crisis expansion in employment was mainly in upgrading, the crisis itself has been polarising but has still entailed some upgrading. The most recent pattern (2013 Q2-2014 Q2) in turn is more polarising and downgrading. Most recent employment data for the UK, Germany and Italy point to faster growth in low-paid jobs in 2013-2014 than has previously been the case. Similar patterns can be observed in the US.

14 The L20 submission to the EWG Subgroup in May 2015 called for comprehensive plans to reverse the rise in income inequality by:

- Addressing the growth of in-work poverty through the establishment of well-set minimum wages in light of national contexts;
- Returning to a policy of full employment, whereby workers are not at a disadvantage in seeking wages that reflect productivity growth;
- Strengthening the coverage of collective bargaining;
- Undertaking corporate governance reforms to curtail the excesses of top income remuneration and encourage the setting of limits of top pay to median incomes in the private sector;
- Ensuring access for all to quality education and training systems with adequate infrastructure and tools for their provision, in particular during times of crisis;
- Restoring progressivity in the tax system and ensuring effective taxation of multinational corporations;
- Evaluating economic performance by wider criteria than GDP per head;
- Strengthening the rule of law with cross border legislation that mandates due diligence, promoting the OECD Guidelines for Multinational Enterprises and applying them to global supply chains, and also stepping up actions aimed at improving the National Contact Points (NCPs), including by mandatory peer review of G20 adhering countries and introducing consequences.

Strengthening Employment Growth and Labour Force Participation

15 Employment growth and job creation have been weak and uneven in the recovery period. According to the most recent short-term employment projections published by the OECD, this is not going to change. While unemployment rates of some advanced

14. Ostry, J. D, Berg A. and Tsangarides C. G. (2014), «Redistribution, Inequality, and Growth», IMF Staff Discussion Note, SDN/14/02, IMF, www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf

G20 countries are predicted to decrease between 0.1 and 0.3 percent, unemployment rates in many other countries will remain unchanged, whereas a few are predicted to see a further rise in unemployment. Across the OECD, around 42 million workers were without work in May 2015, 10 million more than just before the crisis. More than 15 million of them – which is one third of all unemployed – had been out of work for 12 months or more. Since 2007, the number of long-term unemployed workers has increased by 77% and more than half of this group has been jobless for two years or longer (57%). There has also been a rise in part-time unemployment as shown in both the OECD Employment Outlook and the ILO's World Employment and Social Outlook (2015)¹⁵. With an over-reliance on low-paid jobs, working families are encountering difficulties to maintain their livelihoods, while workers in emerging economies are facing a quality jobs deficit and high levels of informality.

16 As aggregate labour market performance in many G20 economies in mid-2015 remains problematic, more jobs are urgently needed to address the problem of long and, in certain instances, growing unemployment queues. At the same time, G20 economies also need jobs of better quality, with higher wages and productivity, if they want to increase living standards for their citizens in a highly integrated global economy.

Increasing Youth Employment

17 One of the most serious impacts of the crisis has been the worsening of job prospects for young people in most G20 countries, in some cases dramatically. Youth unemployment rates on average remain a third higher than in 2007 with the exception of Germany. In advanced economies, those who find a job are often on temporary contracts or involved in other forms of precarious work, while in G20 emerging economies many only find informal employment with no social protection or training opportunities for their future. These figures alone do not capture the full impact of the crisis on youth, as many who have left education, no longer appear in official unemployment statistics. The share of young people – not in education, employment or training (NEETs) is close to 20 per cent on average in industrialised countries and infinitely higher in most emerging economies (between 19 and 33 %). According to ILO/ OECD estimates, there are around 150 million low-skilled NEETs in G20 economies alone.

18 There is clear evidence that youth unemployment has lasting scarring effects on young people at all education levels. This is a tragic waste of potential and undermines trust in our economic and political systems. With 45 million young people set to enter the global labour market every year for the next decade, youth unemployment represents an economic and social challenge beyond G20 countries. The G20 Employment Task Force Report on Youth Employment in 2012 identified a comprehensive set of actions needed to end the scarring being inflicted on young people. At their meeting in Guadalajara, G20 Labour and Employment Ministers committed to *"intensify their efforts in tackling youth unemployment"*. Yet, levels of youth unemployment or underemployment continue to rise. It is essential to prevent a situation, where a whole generation of young people sees its future perspectives permanently diminished by the crisis. In this respect, investment in quality public education needs to be increased. Quality education starts early – the OECD PISA found a *"strong association between attendance in pre-primary education and better performance in reading mathematics and science later on particularly among socially disadvantaged students."* Moreover, the role of employers in providing competencies and skills needs to be defined so as to move away from the *"skills mismatch"* rhetoric. Education and training systems must help equip young people with the competencies that employers and societies need.

15. ILO (2015) «The changing nature of jobs - World Employment and Social Outlook 2015», <http://www.ilo.org/global/research/global-reports/weso/2015-changing-nature-of-jobs/lang--en/index.htm>

19 The L20 proposes four key actions:

- **Set national youth employment targets** and renew efforts to raise growth in the short term. In industrialised countries, the impact of decreasing growth on youth unemployment on average is triple the impact on adult workers. A recovery in growth must be targeted to ensure symmetrical effects on the employment opportunities of young people.
- **Introduce youth “guarantees”** that in the short term keep young people in touch with the labour market as part of a broader G20 Youth Jobs Pact to ensure young people receive quality employment or a training place once they have completed their formal education. ILO research suggests that for additional spending of only 0.15% of G20 GDP, a six-month “training and work programme” could be introduced for half of the unemployed youth aged 15-24 in G20 countries.
- Build on the experience of those countries that have been successful in avoiding a rise in youth unemployment during the Great Recession and **work towards developing quality apprenticeship systems**. The L20 and B20 have reached a series of joint agreements since 2012 on expanding the provision of quality apprenticeships. We have urged the establishment of national commitments on quality apprenticeship and internship programmes through tripartite social dialogue. We have urged our respective national affiliates in G20 countries *“to drive forward the lessons provided by quality apprenticeships through joint cooperation and partnerships at the national level as well as through the promotion at the industry and company level”*. Where workplace based apprenticeships and training do not exist, special youth training centres, which provide job seekers with training and guidance on job searching, should be established.
- Aim at **higher investment into quality public education, as well as training and work-force development, including by employers**, e.g. through the implementation of training funds, based on a training levy paid by employers.

Delivering the “25 by 25” Commitment

20 The Commitment by the G20 Leaders to reduce the gap in the participation rates of women in G20 countries by 25 % by 2025 is welcome. However, this must be embedded in strategies that create decent work and inclusive labour markets. Investment in the care economy has the potential to recognise the real value of care work, currently often provided through insufficiently paid labour that is invisible in statistics. It also has the potential to break down gender stereotypes and occupational segregation and impact positively on the gender pay gap by challenging traditionally assigned gender roles.

21 As part of their employment plans, Labour Ministers should include:

- Economic strategies for caring, which recognise that access to care services and public services for families is a pre-condition for both women’s and men’s participation in the labour market;
- Actions to reduce the gender pay gap, including support for collective bargaining and, in their role as public sector employers, by strengthening the rights of part-time workers and reducing occupational segmentation;
- Mechanisms to assess the gender impact (both positive and negative) of policies.

Reducing Informality and Moving ahead on the Social Protection Floor

22 Informal employment remains widespread in developing G20 countries and whilst some progress has been made in reducing informality rates to below 50 per cent in Latin America, they remain high in South and South East Asia. The vast majority of workers, who undertake informal economic activities, do not do so by choice: it is rather a matter of survival as there are no decent jobs available. The absence of social protection floors and inadequate levels of social security benefits push workers to undertake activities

in the informal economy. Workers in informal jobs earn very low or no wages and are denied protection under fundamental principles, rights at work and other labour standards. Women are disproportionately overrepresented among this group. Activities in the informal economy tend to be characterised by very low productivity and represent a form of underemployment. Transforming informal economic activities into formal activities is therefore necessary to enhance economic efficiency for development, as well as, to improve the welfare, working and living conditions of the workers concerned.

23 The statement by the heads of the ILO and World Bank on June 30, 2015 setting out their joint mission and plan of action to ensure universal social protection so that no one is left behind, must now be financed and acted on. The L20 is ready to work with the G20 Employment Working Group in the period ahead to identify measures to halt precarious, irregular and contract work by extending social protection and realising labour rights, while also paying attention to the gender dimension in view of the larger share of women in precarious work.

Guaranteeing Safe Workplaces

24 The L20 welcomed the conclusions of the EWG Sub-group on Safe Workplaces to establish clear targets for data collection and step up training and enforcement measures to reduce workplace accidents. Effective enforcement of Occupational Health and Safety (OHS) legislation, the need for adequate resourcing of OHS enforcement by governments – including labour inspectorates – as well as ratification, implementation and enforcement of relevant ILO Conventions and Recommendations are essential. We urge G20 members to:

- Develop ambitious roadmaps for promoting safer workplaces according to each country's circumstances;
- Take on board the G7 proposals for best practice for promoting safer workplaces and decent work along supply chains;
- Support the "Vision Zero Fund" once it is established;
- Strengthen the enforcement mechanism of the OECD Guidelines on Multinational Enterprises.

Going Forward: the Importance of Social Dialogue at the G20 Level

25 The L20 is ready to work with our business counterparts to take these proposals forward and is confident that the joint L20-B20 statement to be released at the time of the Ministerial meetings will facilitate implementation. We urge the G20 to organise social partners' consultations during the G20 Leaders' Summit in Antalya.



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