



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

**1-5 Executive summary:  
the challenge of Niigata**

**Labour Ministers and the unfolding  
economic and financial crisis**

**6-10 Economic recovery measures  
that support decent work**

**11-13 Regulating financialisation,  
the labour dimension**

**14 The Niigata agenda**

**15-23 Putting fair distribution at the heart  
of policy**

**24-32 Addressing job precarity, work-life balance  
and ageing**

**33-34 The local and regional dimension  
of inequality**

**35-45 Tackling climate change, the role of “green  
workplaces” and sustainable employment**

**Implementing past G8  
commitments**

**46-47 Building on the achievements of the 2007  
Dresden G8 Labour Ministers' Conference**

**48-53 Corporate responsibility and accountability  
and the OECD Guidelines for Multinational  
Enterprises**

# RESTORING SOCIAL COHESION IN A GLOBAL ECONOMY

TRADE UNION STATEMENT  
TO G8 LABOUR AND EMPLOYMENT MINISTERS'  
CONFERENCE  
NIIGATA, 11-12 MAY 2008

## Executive summary: the challenge of Niigata

**1** Labour Ministers are meeting as the impact on the global economy of the financial crisis that spread from the US mortgage market is still emerging. Yet, it is clear that the United States economy is facing the most serious crisis since the depression of the 1930s and that growth and employment are already being affected worldwide. The ILO has estimated that the economic turbulence linked to the financial crisis will lead to unacceptable increases in unemployment. It will aggravate the existing deficiency of decent work. Unions have called for global action by finance ministers and central bankers that goes beyond that already taken, demanding a coordinated government response to the crisis and monetary easing backed by fiscal policy, a call that has now been taken up by the IMF. Labour ministers cannot be absent from this debate – they must urge action from economic and finance ministers as well as central bankers, addressing the lack of transparency and effective regulation of global capital markets, and ensure that crucial labour market measures have a specific focus on raising the quality and quantity of jobs.

**2** In some major G8 economies, notably the US, the downturn begins with median wages still not having recovered to their average level in the previous cycle. Lack of purchasing power for working families is both a result of damaging policies and itself a major factor behind the current instability and emergence of unpayable debt that led to the mortgage crisis. Excessive financial deregulation allowed creditors to promote unsustainable borrowing against home equity as a substitute for income. The long-term decline of wages as a share of national income and the growth of inequality within wages have become a characteristic feature of global growth. Financial bubbles in asset prices, stimulated by excessive leverage and lax rules, substituted for sustainable growth based on shared earnings. In some G8 countries notably Japan, the dramatic increase of precarious work – non-standard jobs that are insecure, unprotected and inadequate to support individuals and their families – is itself an indicator of a growing inequality.

**3** We call on G8 labour ministers to ensure that fair distribution of income and opportunities is put at the centre of government policies. As a starting point



IN PARTNERSHIP WITH



economic and social policies of all relevant government departments in G8 countries and in the international institutions should be assessed from their impact on the distribution of income through “equity audits”.

4 For G8 meetings to have credibility with citizens in G8 member countries and beyond, it is essential that commitments entered into are acted upon. This holds true both for G8 summits and for ministerial meetings. The G8 must build on the progress that was made at the Dresden Labour Ministers’ meeting in 2007, particularly with regards to the social dimension of globalisation, access to social protection in developing countries and in defining a more effective approach to corporate social responsibility and accountability. We, therefore, call on Labour Ministers to report back to the 2009 G8 Labour Ministers’ conference to be held in Italy on the actions taken to deliver on the Dresden commitments, together with those undertaken in Niigata.

5 In summary we call on the Ministers to use their discussions to ensure:

- Coordinated government action to reduce the risk of rising unemployment and support decent work (§6-10);
- Measures to offset the potential negative employment effects of financialisation and notably to ensure fair regulation of all investors including private equity (§11-13);
- Action to deal with growing inequality including the promotion of “equity audits” in all relevant areas of government policy (§15-23);
- Action to reduce the precarity, the insecurity and casualisation of the labour market in many G8 countries (§24-32);
- Action to reduce regional inequality (§33-34);
- Action to ensure global coherence and a pro-development outcome to trade negotiations, and deal with the challenges of climate change and developing a “green jobs” and sustainable employment agenda (§35-45);
- Build on the progress that was made at the Dresden Labour Ministers meeting on 2007 particularly with regard to the social dimension of globalisation and defining a more effective approach to corporate responsibility and accountability (§46-53).

## Labour Ministers and the unfolding economic and financial crisis

### *Economic recovery measures that support decent work*

6 The dangers of a deep recession in the US and across the OECD are real, with knock-on effects for many developing countries. However, discussion on ‘fiscal stimulus’ would need to be enhanced. Granting ever more tax cuts to business and high income groups must be opposed.

7 At successive meetings this year of G7 finance ministers and central banks, global trade union organisations have called on the governments to back the IMF managing director Dominique Strauss-Kahn’s call for a coordinated fiscal response to the economic crisis. They have also urged the European Central Bank to follow the Federal Reserve’s lead and to take the necessary policy measures by cutting interest rates.

8 Faced with a global economic downturn, the managing director has called for “timely and targeted fiscal stimulus”. The monetary responses by central banks to the deepening of the global economic and financial downturn at the end of 2007 and in early 2008 were welcome but have proven insufficient. The crisis was triggered a year ago by the bursting US housing bubble and mortgage crisis exacerbated by highly leveraged, opaque and unregulated financial markets. Lowering central banks’ principal interest rates or injecting liquidity in the banking

“Wage stagnation is at the heart of the economic problems facing today’s working families across the OECD.”

system has allowed them to keep the system afloat. But confidence among financial market participants has vanished and banks barely lend money to each other. Household and corporate credit lending standards are tightening across all OECD and many developing economies — at a moment when demand is shrinking. The solution is not to tolerate lax credit standards and thereby to promote more asset bubbles, but to restore effective demand.

**9** The G7 finance ministers have to work on a coordinated strategy for broad-based and diversified demand-side policies including support to median and low incomes. This has to be backed up by Labour Ministers. The downturn signals the right time to bring forward targeted infrastructure programmes and measures aimed at reducing regional inequality and improving the environment as called for later in this statement.

**10** Wage stagnation is at the heart of the economic problems facing today’s working families across the OECD. In the US, this trend has been exacerbated by serious reductions in non-defence public spending for basic infrastructure and social services. The share of national income going to wages has been falling for two decades around the world. On 31 January 2008, the OECD released figures showing that labour costs in industry fell for most major OECD economies in the third quarter of 2007. Ending wage stagnation would not be inflationary but supportive of growth. In Europe the recent surge in commodity and energy prices, and hence inflation, have put the purchasing power of ordinary working women and men under strain. Growth in developing countries should be lifted by debt cancellation and development assistance to enable people with a high level of unfulfilled needs to increase their consumption.

## Regulating financialisation, the labour dimension

**11** The financial crisis that has now unleashed a jobs crisis has its roots in the irresponsible deregulation of financial markets allowing excessive leverage by financial institutions, asset price bubbles, and financial innovation that exported bad debt under the guise of opaque “structured products”. This fragile system worked as long as interest rates and credit default levels were low. It collapsed at the first signs of reversal on the US housing market at the end of 2006. The true credit risk of the underlying household and corporate assets – which is fundamental for the good functioning of the real economy – was not a concern in the business of structured products, making it impossible for investors – including workers’ pension funds – to understand what they were buying and exposed to. The resulting uncertainty about where credit risks and losses were located prompted a loss of confidence. The inter-bank lending market has ceased to function, while OECD based banks have lost US\$ 570 billion in market value in 2007 and another US\$ 337 billion in the first quarter of 2008. While preserved for some time thanks to their opacity, hedge funds are now imploding one after the other. More worryingly, the expected downgrading of the credit rating of the big financial guarantors might trigger a generalised downgrading of the estimated US\$ 2400 billion in corporate bonds that these insurance groups guarantee. The resulting cost for the real economy debt financing could be unprecedented, particularly for the most exposed parts including the already heavily indebted private equity companies who employ millions of workers across the OECD.

**12** G8 Labour Ministers have the responsibility to respond to the employment implications of this crisis, but in many OECD countries they also have policy responsibility for overseeing the security of pension funds which increasing numbers of workers depend on for their retirement security. Labour Ministers must also be proactive in ensuring that an effective regulatory response prevents such a crisis from re-occurring. Central banks’ monetary reaction over the past year has been forthcoming but is far from sufficient. To rebuild public confidence, OECD governments must give assurance that international cooperation will be

accelerated to revise and restore both regulation and supervision of credit financing activities and institutions. Ahead of the G8 Summit in June, the G8 Labour ministers should call for such renewed international cooperation and make sure the financial and banking sector fulfil their public purpose of meeting the financing needs of the real economy.

**13** G8 Labour Ministers must also focus on the employment impact of the wave of private equity buy-out investments, and accordingly the employer responsibilities of private equity groups. More broadly, ministers should commit to engage in reviews of how this controversial business model fits in with existing laws and regulations that protect established workers' rights. Over a million workers are believed to be under private equity regimes in the UK and France. Estimates in the US alone reach 10 million. Trade unions have called for fair taxation, transparency and governance of private equity. Workers' rights to decent wages and pensions, to collective bargaining, to freedom of association and to information and consultation rank among the most important regulatory challenges posed by private equity. Private equity decisions are rarely taken at the level of portfolio companies and hence are outside the remit of traditional and labour legislation. Labour legislation under private equity regimes has become a major complication. In the US, the AFL-CIO has called upon Congress to require private equity to play by the same societal rules that apply to publicly quoted corporations. In Europe, the ETUC has identified several areas where EU Directives on employee consultation and on "acquired rights" are not adapted to private equity. In Japan, after an investigation by the ministry of health, labour and welfare in 2006, RENGO has called for enhancing legislation on employer liability to cover investment funds possessing substantial share ownership in a company, as is the case with private equity funds. Revisiting legal aspects of employer liability to protect established rights of workers under private equity regimes has become a crucial issue across the OECD.

## The Niigata agenda

**14** We note that the government of Japan has put three sub-themes on the agenda of the Niigata meeting:- work-life balances and ageing; labour market policies and groups and regions at risk; and the challenge to labour of sustainability and climate change. These are important issues but underpinning them all is the growth in inequality throughout the G8 countries and beyond.

### *Putting fair distribution at the heart of policy*

**15** The impact of both globalisation on employment, labour markets and wages, as well as inadequate domestic policies for distribution have become the key factors accounting for rising inequality both between and within countries. We call on G8 Labour Ministers to ensure that fair distribution of income and equal opportunities are put at the centre of government policies. As a starting point, economic and social policies of all relevant government departments in G8 countries and in international institutions should be assessed for their impact on the distribution of income and social equity. This would establish a form of "equity audits". Within the OECD countries the "gini coefficient" measuring inequality between households net income has risen by 6 percent in the last two decades. The increase in inequality was particularly strong in the United Kingdom and the United States. In the United Kingdom, the Gini coefficient of net disposable household income rose from 27 in the late 1970s to 34 in the late 1990s, showing that inequality increased by almost 30 percent. In the United States, which since long faced a relatively high degree of income inequality, it has increased even further (see graphic). Internationally, wider gaps are appearing between and within countries. According to the UNDP, of the 73 countries worldwide for which figures are available, 53 countries – comprising more than 80% of the world's population – have recorded an increase in inequality of income distribution over the last two decades.



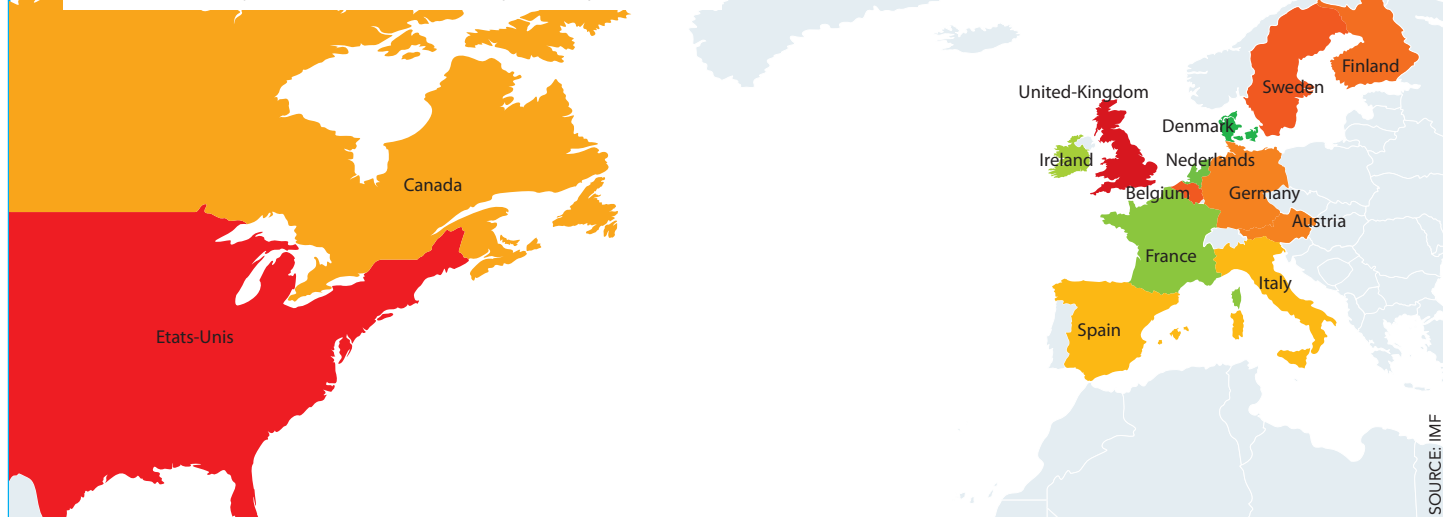
“Economic and social policies of all relevant government departments in G8 countries and in international institutions should be assessed for their impact on the distribution of income and social equity.

**16** Both manual and non-manual workers displaced in industrialised countries often experience extended periods of unemployment and a subsequent pay cut when re-employed. At the same time, firms wield an increased power in negotiations with unions because of competitive pressures, tax arbitrage and the threat of relocation and of “exit” from any given country. The result has been the decoupling of productivity growth and income, most marked in so-called flexible labour markets such as the U.S., where - according to Bureau of Labor Statistics data - worker productivity rose 16.6 percent for the five years from 2000 to 2005, while median worker compensation rose just 7.2 percent, an increase which has been outpaced by inflation over the past three years. Family income figures further disguise growing inequality, having been pulled up by increases at the very top of the income spectrum. In the U.S. the top one percent’s share of wage income has increased from 6.4 percent of total wages earned in 1980 to 11.6 percent in 2004. Across all sources of income the share going to the richest one percent of families doubled from 8 percent in 1980 to 16 percent in 2004.

**17** In a number of countries government policies themselves have tilted the balance of power against workers through what are claimed to be employment-promoting reform policies, i.e. the deregulation of labour markets, downsizing of the welfare state, lowering taxes on high incomes and companies, and the side effects of workfare policies. Such one-sided labour market reforms have been long advocated by the IMF. They are reflected in the OECD’s “Going for Growth” publication, yet questioned by the evidence in the OECD restated Jobs Strategy . Through the deregulatory focus of its annual “Doing Business” publication, the World Bank has also positioned itself at the forefront of those promoting the removal of basic labour and social protections from working men and women. Diminishing numbers benefiting from economic growth and globalisation is not only a threat to social cohesion; without appropriate policy responses the process adds to scepticism about free trade and thus lends support for proposals to erect barriers to global trade and investment. Re-establishing and developing effective social security systems and ensuring the application of labour market protection to all workers is not just socially necessary, it is essential to market functioning.

**18** Analysis of data from 63 countries around the world indicates that on average, women are paid 16% less than their male counterparts . While the gap is slowly narrowing in some countries, it is not changing or is even increasing in others. Increased competition due to globalisation appears in some cases to be narrowing the gap, but this is due more to downward pressure on men’s wages than to increased income for women. Information on incomes is not available for hundreds of millions of people in informal and unprotected work, mainly in

**Change in Income Gini Coefficient (In percentage points),  
Late 1970s/Early 1980s - Late 1990s/Early 2000s**



SOURCE: IMF

developing countries, leaving a serious deficit in the global knowledge base. In other countries, more educated women often find themselves on the wrong side of an even bigger pay gap compared to men with similar education.

**19** Fairly distributing the benefits of globalisation whilst creating more and better jobs, must become the central priority of government policy. Combating unemployment requires effectively coordinating macroeconomic and social policies with systems of collective bargaining, based on social dialogue involving government, trade unions and employers. Restoring the effective rights of workers to organise and join trade unions is a priority in industrialised countries just as it is in the developing world. Where unions exist and do bargain, there is less low pay, more secure work, more worker training, less corruption; there are more efficient economies and more just societies. Wide collective-bargaining coverage has to be seen as a global public good – an important mechanism for ensuring that the fruits of growth are more broadly distributed.

**20** Beyond this, in order to reduce precariousness and insecurity, active labour market policies are required, providing adequate income, basic protection in line with the requirements of decent work as well as opportunities to move up the income and skill ladders. Job protection and in particular prior notification of redundancy should not be seen as rigidity but as offering a possibility to prepare retrenched workers to find a productive job elsewhere.

**21** In addition to progressive tax systems, targeted social expenditures and widening collective bargaining coverage, minimum wages that are set intelligently through government regulation or collective bargaining between the social partners are important to provide a floor in labour markets and prevent a further rise of wage inequality

**22** Improved, high quality universal social protection systems for all women and men worldwide, in both developing and industrialised countries, are necessary to give workers security throughout the process of economic change. On the crucial issue of the welfare state it is sometimes claimed that tax-financed social security, welfare programmes and active labour market policies go along with high economic costs and put growth and economic development at risk. However, there is no negative international relationship between employment rates and the main welfare indicators, such as the share of transfers in GDP or the statutory generosity of unemployment benefits. Nor is there evidence that employment rates are lower in countries with high overall marginal tax rates.

**23** Of central importance is the need for industrialised country governments to invest in education systems and raise skill levels. It is in the interests of G8 governments to deliver on past commitments to invest in lifelong learning. It is also to the mutual benefit of industrialized and developing countries to mobilize investment in education, vocational training and skills development in the developing world. Over time, such investment can be among the most significant factors in addressing imbalances in today's world. Among the consequences of these imbalances are movements of people. Migration and increased mobility is to be expected in a global economy, but clandestine, exploitative, and unbalanced forms of migration raise ethical issues for national societies, contribute to unemployment, and threaten social cohesion. Migration policy must be rights-based, and must include measures for education, training and skills development in both countries of origin and receiving countries.

### *Addressing job precarity, work-life balance and ageing*

**24** The recovery of economic growth after the millennium bubble went hand in hand across the G8 countries with the creation of precarious jobs that offer no security and no long-term prospects for workers and their families. The deterioration of the quality of jobs is not only reflected by increases of in-work poverty. The growth of casualisation – involving the hiring on the basis of

temporary contracts, outsourcing and bogus self-employment have all contributed to reduce protection of workers. It makes it far harder for working conditions to be improved and militates against the attainment of decent work. There is also a tendency for workers to remain trapped in such precarious work.

**25** Policies have also failed to address sufficiently how workers can reconcile the demands of work and family in a way that works for both families and employers. In order to benefit employees and employers, the implementation of flexible working-time arrangements cannot be left exclusively to agreements between the individual employee and the employer as sometimes advocated. The implementation of new working-time arrangements must be based upon joint negotiations and agreements between workers' representatives and employers. Employees must be given an individual and collective voice in decisions about the organisation of working time, flexibility and thus the design and implementation of approaches towards a better work-life balance. Employment contracts, such as fixed-term working, part-time work, job-sharing, telecommuting and telework should be genuine choices, governed by social protection and not forced on individuals without any labour market power who cannot get a job with decent protection.

**26** Policies must also counter the culture of excessively long working hours that are leading to health problems for workers and in the extreme cases death by overwork. There is a need for health and safety regulation to be strengthened across the G8 countries to cover these new forms of stress-related industrial diseases with its high social and economic cost.

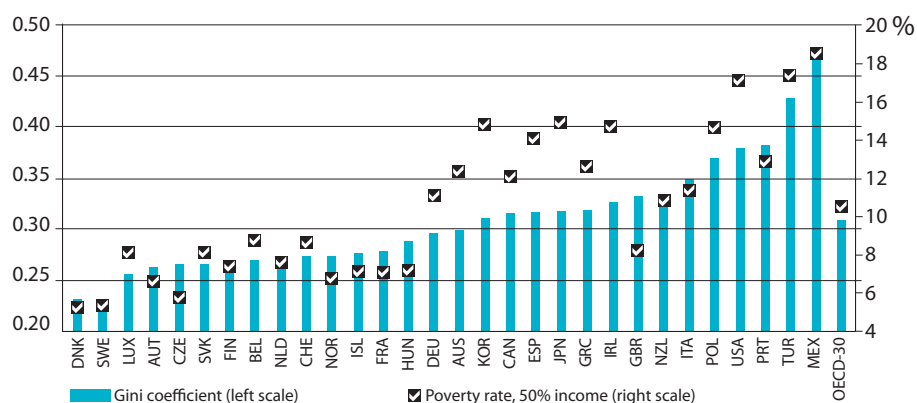
**27** Policies and strategies need to address the following barriers:-

- Insufficient employer commitment to work-life balance;
- The availability of appropriate work-life balance options;
- Gender inequality in the labour market impeding reconciliation of work and family life;
- A potential negative impact of work-life balance upon career progression;
- Organisational culture and in particular the culture of excessively long working hours.
- Ageing

**28** Widespread age discrimination prevails in internal and external labour markets across many countries. Regrettably, the prevailing perceptions among employers regarding older workers are that they are difficult to train and often unable to adapt to new technologies. This is also reflected in overt age recruitment barriers as well as in the fact that recruiting or retaining older workers is a little used strategy. Moreover, older workers are less likely to be promoted than younger workers.

“Employees must be given an individual and collective voice in decisions about the organisation of working time.”

### Levels of income inequality and poverty in the mid-2000s



SOURCE: OECD

**29** Age discrimination occurs across the whole spectrum of employment and firm size. Evidence suggests that workers aged over 50 experience difficulties regarding both job promotion and access to further training as well as in successfully applying for jobs on offer. Yet, older workers are no less effective than younger ones. Thus, businesses which have eliminated age discrimination in employment have benefited. However, there is no clear evidence that attitudes and practices of employers towards older workers have improved since the Turin G8 meeting. Hence, policies must focus on convincing companies of the value of engaging in proactive strategies, in order to cope with an ageing labour force, in particular by designing and implementing work organisation, working time and re-training in order to allow older workers to remain in freely chosen work. Governments should consider the implementation of combined incentive/disincentive systems (bonus/malus) that reward hiring of older workers and penalise laying them off.

**30** The maintenance of a system of decent retirement also has social value. The international trade union movement has long advocated and been involved in creating retirement income schemes in their national contexts that provide older workers with the option of maintaining their standard of living and avoiding poverty after retiring from paid employment. Specific approaches to providing retirement income that have been supported by trade unions (and adopted by governments) have varied from country to country, but three principles have been universal on the union side: firstly, a commitment to the view that beyond a certain age, paid employment should not be necessary to enjoy a decent standard of living; secondly, publicly administered social security should play an important role in achieving this objective because of its relative advantage in dealing with issues of pension coverage, portability and indexing as well as its administrative efficiency and financial viability; and thirdly, retirement systems, including pre-funded pension schemes, should be developed and negotiated in a tripartite framework. Moreover, it is crucial to note that retirement security has been sought within the context of the trade union movement's promotion of decent employment for everyone who wants employment. These principles remain valid regardless of the ageing of the population that is taking place across the G8 and beyond.

**31** Coping with this demographic challenge requires a comprehensive set of policies for improving the employment prospects of all age groups. Particular attention needs to be given to a reversal of the current low employment rates of both women and older workers. Specific policies are required to address women workers' lower occupational pension benefits stemming from a generally lower employment status (e.g. overrepresentation in low-paid jobs, in undeclared forms of work, and in part-time employment) and their often interrupted and shorter employment records.

**32** Trade unions are calling upon governments to facilitate a smooth transition from work to retirement. Approaches towards flexible retirement must aim at retaining older workers within the active population by decreasing their working time and, at the same time, granting income support. Such arrangements can help to reduce the social exclusion of older workers and are a way to keep valuable competence and skills within firms and to transfer know-how to younger employees; the burden on pension systems may also be reduced, insofar as people are able to work longer than they would do otherwise. The supposed "pension shock" associated with an over-rapid transition from work to retirement may also be mitigated or removed.

### *The local and regional dimension of inequality*

**33** The growth in inequality in G8 countries has also a regional and local dimension where industrial change, off-shoring and the loss of high-wage skilled manufacturing jobs have been concentrated in certain areas, whereas growth in services has been concentrated in industrial conurbations. As noted by the OECD, the paradox is that whilst "technological change should allow more geographic



dispersion of economic activity ... geographic concentration remains a striking feature of virtually every national and regional economy in the OECD”.

**34** In addition to stronger national policies for growth, new structural initiatives need to be taken to develop low income regions in the G8 countries. Policies which have been shown to work include:- strategic local and regional planning including local government, business and unions; a focus on research, innovation, education, training and retraining of workforces backed up by active labour market policies; the renewal and development of infrastructure; a focus on the improvement in the environment and quality of working and living conditions; and central government support to ensure diversification of economic structures of low income regions.

### *Tackling climate change, the role of “green workplaces” and sustainable employment*

**35** Trade unions welcome the decision by G8 Labour Ministers to include employment and workplace aspects of climate change in their discussions. Joint action and cooperation must be a hallmark for addressing climate change within sustainable employment. This is the message that Labour Ministers must ensure is heard and acted on at the Hokkaido Summit.

**36** The global labour movement recognises that the overall costs of climate change in a ‘business as usual’ scenario would be equivalent to losing at least 5 percent of world output each year, now and forever. If a wider range of risks and impacts is taken into account, the net effects of damage could exceed 20 percent of world output. By contrast, the costs of reducing greenhouse gas emissions to avert its worst effects, i.e. by 85 percent by the year 2050, could limit the costs to one percent of world output each year and therefore all governments must take the necessary actions to reduce emissions to meet those targets, based on the principle of common but differentiated responsibilities and depending on each country’s economic and social development. While action to combat climate change will lead to changes in economic activity and employment, the failure to act would entail catastrophic consequences for human society, the global economy and prospects for sustainable jobs.

**37** A policy framework for sustainable employment should be put in place. This should include: energy saving and conservation; the development of renewable energy and new energy sources; technologies for carbon sequestration; and policies for “just transition” for workers affected by change. There must also be a green workplace agenda giving workers and their representatives the rights to engage pro-actively with business to ensure sustainable production.

**38** This must be supported by efforts to promote and invest in ‘green jobs’ within key sectors, especially in alternatives for energy supply, creating energy efficient buildings, and to bring about shifts in transportation modes, agricultural production, managing the food system, and in the greening of industry, overall. The research being published in the joint UNEP, ILO, ITUC study shows the employment creation potential of green jobs. Investment must support employment transition through technology transfer policies, job training, adult education, compensation as well as establishing frameworks for social dialogue on policy planning and be part of overall efforts to promote economic diversification through social financing with appropriate financial instruments. Public investments are needed to strengthen climate-vulnerable infrastructures for water, health and infrastructure. These must be supported by international funding.

**39** Employment promotion should be linked to national approaches for implementing a less carbon-intensive economy through energy saving or energy efficiency policies, such as in collective transportation or through the relighting and retrofitting of the housing sectors. It must be linked to investments in sustainable energy sources, such as wind, solar, geothermic power, some forms of biomass and microhydro energy, as well as clean coal and advanced technology of vehicles. The employment dimension must also be taken into account when planning the

“Joint action and cooperation must be a hallmark for addressing climate change within sustainable employment. This is the message that Labour Ministers must ensure is heard and acted on at the Hokkaido Summit.”

introduction of new and emerging technologies for carbon dioxide capture and storage at power plants, sequestering CO<sub>2</sub> in subsurface geologic reservoirs and sequestration of carbon in forests and soils, through reduction of deforestation and by increasing forestation and conservation tillage.

**40** The social impacts of current policies for emission reduction, especially as related to employment in power generation, energy intensive and fossil-based industries, aviation and road transport must be better understood and serve to anticipate and mitigate employment disruption. Research must help design emission reduction strategies that transform undesirable social impacts into positive ones, especially for improving gender equality, poverty reduction and overall quality of life.

**41** Employment transition and 'green job' promotion should become an integral part of intergovernmental agencies' action including the UN National Sustainable Development Strategies, UN Sustainable Consumption and Production, the OECD Environmental Performance Reviews, the ILO Decent Work Country Programme as well as the UNFCCC negotiations to ensure that efforts serve to also reduce poverty, meet social and equality goals and create jobs with adequate pay, social security and involve safe and healthy work.

**42** The role of public services in providing basic human needs and for supporting change must be strongly emphasised, especially in education, public health, transportation, and for energy provision and delivery. Since climate transition policies will require a highly qualified work force and the retraining of researchers, and engineers, governments can become drivers of best practice and Labour Ministers can provide leadership in linking the climate activities of other ministries to employment impacts and skills training. Such activities should be brought into the scope of national reporting and evaluation exercises of the UNFCCC, especially as related to the Bali Action Plan mandates for promoting sustainable development and implementing the New Delhi Action Plan.

**43** National consultative frameworks can become a basis for transition programmes, in order to prevent, avoid or reduce the potentially adverse social effects that could result from efforts to attain compliance with the Kyoto Protocol. In Spain, for example, tripartite social dialogue at the national and sectoral level has proven useful to work towards this goal, identifying measures to deal with affected workers. It also put the country on the path to reducing greenhouse gap emission. In the UK, the Trade Union Sustainable Development Advisory Committee, TUSDAC was set up as a forum for consultation between government and trade unions on sustainable development and environmental issues, including on climate change. In France, the "Grenelle de l'environnement" also innovated by creating a multi-stakeholder dialogue (including trade unions) for discussion of the necessary measures to create consensus around environmental measures. In other areas of environmental action, such as the European Union's REACH Directive on chemicals valuable lessons can be derived about engaging social partners in decision making.

**44** Labour Ministers could also seek to strengthen the climate-employment connections within trade policies. Border adjustment mechanisms (i.e. tariffs) may be required by those countries internalising carbon emission reduction costs within their production structures. To the extent that such mechanisms affect developing countries, provisions are needed for resultant proceeds to be used for adoption of green technologies or adaptation to the effects of climate change in developing countries. A differentiated adjustment mechanism is needed whereby developing countries do not face an additional burden on top of the effects of climate change itself. Developing countries' capacity to develop clean technology should further be facilitated through changes to TRIPS rules. The consequences of internalizing the real cost of transporting goods and relocating polluting industries in developing countries must be scrutinized. Labour Ministries should be encouraged to engage in joint research and development with trade, environment and social ministries in

their own countries and be guided by the integration approaches of current work going on by the OECD Development Assistance Committee networks on poverty and environment. At the same time, it is essential that the multilateral system manifest coherence in its approach towards developing countries, by ensuring that the NAMA negotiations in the WTO Doha Round as well as the EPA negotiations do not damage employment and development. Such trade negotiations must instead be concluded on a pro-development basis.

**45** The G8 Labour Ministers should take a first step by supporting the analysis of green jobs by the ILO, UNEP and other bodies. Trade unions urge Labour Ministers to give a clear message to the G8 Hokkaido Summit on the need to include action to bring about a synergy between employment creation and action to reduce climate change. This should also include a recommendation for the creation of tripartite dialogue processes in their own countries and the international institutions to develop strong employment and climate change linkages.

**G8 Labour Ministers should take a first step by supporting the analysis of green jobs by the ILO, UNEP and other bodies.**

## **Implementing past G8 commitments**

### *Building on the achievements of the 2007 Dresden G8 Labour Ministers' Conference*

**46** Global unions welcomed the commitments of Labour Ministers in Dresden, emphasizing that although globalisation offers opportunities for people, it can entail adverse effects and lead to "disparities". Ministers said the challenges are to "make successful work transitions" and to "develop social protection alongside the effective promotion and implementation of international labour standards". They went on to say that "national governments, international organisations and social partners have a role in addressing this challenge".

**47** On social protection, the G8 recognised that "many aspects of social protection are crucial in combating poverty and promoting social and economic development" and there is commitment to support intensified technical co-operation efforts to "facilitate broader coverage" for at least a basic package of services. A new element was introduced that invited "the WTO members and interested international organisations, in close collaboration with the ILO, to promote the observance and the implementation of internationally recognised core labour standards" and calls on governments "to fully take into account decent work, notably the respect for core labour standards in bilateral trade agreements." Such principles were further endorsed in the conclusions adopted by UN members at the UN Economic and Social Council in July 2006 and at the UN Commission for Social Development in February 2008. These must now be built on, in particular through effective discussions at the June 2008 International Labour Conference to adopt clear-cut recommendations on the role of decent work in the context of globalisation. Moreover for G8 meetings to have credibility it is essential that commitments entered into are acted on. We therefore call on the Labour Ministers to commission a full report back on action taken by G8 countries, international institutions and social partners to implement the Dresden conclusions and subsequent agreements at Niigata. These reports should be presented to the 2009 Labour Ministers' conference in Italy.

### *Corporate responsibility and accountability and the OECD Guidelines for MNEs*

**48** At the Dresden Conference, the G8 Labour Ministers declared that governments and companies can make an important contribution to shape the social dimension of the ongoing globalization. More precisely, the Ministers stressed that "it is primarily the task of governments to implement and improve human rights and labour standards". At the same time they called on companies to go beyond this. They referred to the ILO Multinational Declaration, the

OECD Guidelines for Multinational Enterprises and the UN Global Compact as providing international frameworks for CSR. The Ministers strongly encouraged companies in the G8 countries and beyond to observe the OECD Guidelines for Multinational Enterprises. They also appealed to the governments of emerging and developing countries to associate themselves with the values and standards contained in the Guidelines. On top of that they committed themselves to actively support the dissemination of the Guidelines and promote better governance through the OECD Guidelines' National Contact Points.

**49** This positive language in the Dresden G8 Labour Ministers' meeting is reflected in the Heiligendamm declaration. The reference to improve the OECD Guidelines' National Contact Points is particularly important, as well as the invitation to developing and emerging economies to associate themselves with the Guidelines. These messages are very important for stakeholders, and follow-up even more so.

**50** National states need to maintain their own crucial regulatory role and need to ensure better governance at global level, in view of the limits to the ability to address the social dimension of globalisation through the voluntary behaviour of business. The central priority is the need to enforce and strengthen the protection of workers' rights - as defined by the ILO - all over the world. When the core workers' rights are respected and workers are free to form unions, this constitutes a key part of the solution to stop the growing inequality. Respect for international labour standards has to become an international benchmark applied in all policy areas of all international institutions – IMF, WB, OECD, WTO and UN, as well as in regional bodies such as ASEM and APEC. The G8 countries have to apply this benchmark.

**51** In addition to binding regulation, governments have a crucial role to play in improving the social responsibility of businesses operating in their country. They can do so by enforcing the rule of law, promoting transparency and good governance, by fighting corruption and providing the proper legal framework for genuine industrial relations. The G8 governments can set an example by themselves ensuring that in all of their policy areas at national and international level, they support and do not undermine international labour standards, trade union recognition and good industrial relations. G8 governments must fully implement the instruments that they have already adhered to. Their commitment to the OECD Guidelines for MNE is of no value unless they have effectively operating National Contact Points involving trade unions and other engaged parties. An important number of National Contact Points, even in some G8 countries, exist only on paper, without genuine functions. These governments must ensure that alleged violations of the Guidelines are properly investigated by NCPs in line with the commitments entered into at the Dresden G8 Labour Ministers' meeting. A stock-taking of the performance of all NCPs can be useful to indicate what needs to be improved to enhance the effectiveness of the OECD Guidelines' implementation mechanism.

**52** For cross-border investments G8 governments must convince the G5 countries (China, India, Brazil, South Africa and Mexico) of the importance of adhering to the OECD Guidelines for MNE in order to shape the social dimension of globalization. To make the merits of the guidelines known, governments should devote more resources to their dissemination with particular attention to developing countries.

**53** A high-level round table on “Employment and Industrial Relations: Promoting Responsible Business Conduct in a Globalising Economy” will be jointly organized in June 2008 by the OECD and ILO, and it is important that emerging and developing countries are involved actively in this meeting. An expanded Memorandum of Understanding between the OECD and the ILO could serve as a starting basis for an on-going work and should be launched in the months ahead.