



TRADE UNION ADVISORY COMMITTEE  
TO THE ORGANISATION FOR ECONOMIC  
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COMMISSION SYNDICALE CONSULTATIVE  
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# RESPONDING TO THE GLOBAL CRISES: THE ROLE OF G8 LEADERSHIP

TRADE UNION STATEMENT  
TO G8 HOKKAIDO TOYAKO SUMMIT  
JULY 2008

## Executive summary

**1** The crucial issues on the G8 Summit agenda – climate change, development and Africa – remain central for the Global Labour movement which insists that promises made in the context of the G8 must be followed up especially when so many governments are not on track to meet past commitments.

**2** However the G8 Leaders are meeting as the impact on the global economy of the financial crisis that spread from the US credit and mortgage markets is still emerging. It is all too clear that the United States is facing the most serious financial crisis since the 1930s, a crisis that is now dragging the economy into recession and slowing growth globally. The ILO has warned that economic turbulence linked to the financial crisis will lead to unacceptable increases in unemployment and aggravate the deficiency of decent work. This situation is compounded by the unprecedented rise in fuel and commodity prices and the resulting food crisis in developing countries.

**3** G8 leadership is necessary to bring about an effective response by global governance institutions to these interrelated crises. Unions have called for global action by finance ministers and central bankers that goes beyond the steps already taken. Unions are demanding a coordinated government response to the crisis including monetary easing backed by fiscal policy, a call that has been taken up by the IMF. The G8 Leaders must ensure that their economic, finance and labour ministers take action in coordination with central banks to halt the contagion and ensure that measures taken have a specific focus on raising the quality and quantity of jobs, as well as addressing the lack of transparency and effective regulation of global capital markets.

**4** In the US and some major G8 economies, the economic downturn begins with median wages still below their pre-recession levels. Wage stagnation and lack of purchasing power for working families is both a result of damaging policies and itself a major factor behind the fall in household savings and the emergence of unsustainable debt that led to the mortgage crisis. Financial



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deregulation allowed creditors to promote 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 characteristic features of global growth. Financial bubbles in asset prices, stimulated by excessive leverage and lax rules, substituted for sustainable growth based on shared earnings.

**5** Falling wage shares and growing inequality extends beyond the G8 countries and although forecasts for developing and emerging economies are stronger than those for the G8 the worsening economic situation will add to the deficit of decent work identified by the ILO. Moreover, the explosion in food prices over the past year – increases of 57% according to the UN – adds a new urgency to addressing the development agenda at the G8 summit. The human cost is being seen by the growth in world hunger and has now spilled over into food riots in the Caribbean and across Africa. G8 leaders must both agree on emergency responses including action to counter speculative actions in food markets and expansion of emergency support to the poorest together with more medium-term action to expand sustainable food production and reform world trade. It is essential that the Doha Development Agenda actually delivers economic and social development. Beyond this, G8 governments must use the summits to identify what must be done so that the commitments made in the Gleneagles summit to increase development assistance and to meet the Millennium Development Goals are lived up to.

**6** Turning the challenges of countering climate change into an opportunity for job creation and sustainable development must be at the heart of the G8 discussions. The creation of green jobs can be both a partial solution to economic problems and a way of advancing action to counter climate change. The G8 must design and engage mechanisms for consultation and joint action with the Social Partners on national climate change strategies. They must also ensure the transfer of resources and clean technologies to developing countries.

**7** In summary, we call on the G8 leaders to use their discussions to ensure:

- Coordinated government action to offset the negative employment effects of the global financial crisis and support decent work (§8- 17);
- Effective regulation of financial markets, including Private Equity and Sovereign Wealth Funds (§18-22);
- Action to combat growing inequality including the promotion of “equity audits” in all relevant areas of government policy (§23-30);
- Emergency action to counter hunger and poverty sparked by soaring food prices (§31-36);
- The fulfilling of the Millennium Development Goals through the creation of decent work, meeting commitments for development assistance and stepping up action on education and public health including the provision of universal access to treatment for those with HIV/AIDS (§37-50);
- Building on advances made at G8 meetings in 2007 on the social dimension of globalisation and the refining of an effective approach to corporate accountability and social responsibility (§51-58);
- Effective trade union involvement in the Heiligendamm Process (§59);
- Action to ensure global coherence in the attenuation of climate change and development of a just transition agenda for “green jobs” (§60-69);
- Strengthening of multilateral nuclear disarmament and non proliferation as part of the move toward the abolition of nuclear weapons (§70-72).

## Responding to the unfolding economic and financial crisis

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

“For unions, the current situation reveals a growing divergence between unregulated and unmanageable financial markets on one hand and the financing needs of the real economy to provide decent work on the other.”

**8** The major G8 economies are facing a serious economic slowdown and risk of recession, amplifying uncertainties about the condition of the world economy in 2008 already hit by an explosion in fuel and food prices. In the past 12 months, economic growth projections have shifted from optimism to alarm. What began as a financial crisis in the US housing mortgage market early in 2007, transformed into an OECD-wide credit crunch during the summer and into a global downturn by the end of the year. The US and the broader OECD area are most exposed to the risk of recession, but repercussions in the developing world should not be underestimated as the effects of fuel, food and commodity price rises spread. It is already clear that growth and employment will suffer. For unions, the current situation reveals a growing divergence between unregulated and unmanageable financial markets on one hand and the financing needs of the real economy to provide decent work on the other.

**9** By spring 2008, the impact of the US sub-prime mortgage crisis had been twofold. Domestically it had already led to over 2 million American working families being expelled from their homes and to another 10 million having negative equity in their homes – the mortgage debts exceed the value of their property. This destruction of household wealth has undermined consumer and business confidence; unemployment is rising and at the time of writing looming recession in the US economy awaits only publication of updated figures. Internationally, the sub-prime mortgage crisis triggered a collapse in credit derivative markets that had developed over the past decade without public regulatory oversight. Household and corporate credit lending restrictions are tightening across the G8. The immediate result has been an unprecedented slump in public confidence in financial markets.

**10** The persistence of structural current account and exchange rate imbalances within the G8 (particularly between the US and the Euro area) and imbalances with emerging economies is likely to deepen the crisis. Emerging economies' accumulation of dollar holdings – and increasing investment by sovereign wealth funds (SWFs) – has provided needed equity recapitalisation for badly hit banks and financial institutions. However, risks loom of disorderly adjustments – a brutal reversion of capital flows away from the dollar area in the face of continuing uncertainty in the US.

**11** Downside risks are exacerbated by rising inflationary pressures from energy and commodity prices. Crude oil has now passed USD 100 per barrel. While OECD demand has stabilised at around 4 million barrels per day since 2003, non-OECD demand doubled during that period to reach 11 million barrels per day in 2007. For OECD member countries a USD10 increase per barrel on oil prices equates to a reduction in OECD domestic demand level by -0.2 percent in 2008. Food price rises are hitting workers' incomes in the industrialised countries but they are having catastrophic impact on the populations of developing countries.

**12** The concomitant monetary responses by central banks at the end of 2007 have proven insufficient. It will need more than liquidity injections or cuts in interest rates by central bankers to re-establish confidence in banks and rebuild a credible and respected financial market system. OECD governments need to consider the cost of inaction in the face of growing unregulated financial institutions – banks' off-balance-sheet investment vehicles, hedge funds, private equity – and financial product markets – collateralized debt obligations.

**13** Emerging economies' surpluses should be redirected domestically to long-term productive investments, to education, social security, health, the formal private sector and rural development. Fiscal stimulus should target increase

in aggregate demand of sufficient magnitude to revitalise the real economy: employment, wage and household disposable income growth.

**14** 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. The downturn is the appropriate time to bring forward targeted infrastructure programmes and measures aimed at reducing inequality and improving the environment as called for later in this statement.

**15** In the US, a comprehensive plan is needed combining raising income of low- and middle-income workers, reinforcing safety nets, including unemployment benefits, and ambitious federal government spending in infrastructure on education and transport. The effectiveness of tax cuts to the wealthiest and to business – as seen in the US President Bush’s USD 150 billion package – is extremely doubtful.

**16** In Japan, measures promoting the slow recovery from a long-continuing deflationary burden need to be rebalanced in favour of domestic demand, as current growth relies almost exclusively on exports. Increases in real wages are now crucial and should be backed up by fiscal policy in support of household consumption.

**17** In the EU, coordination of different ongoing fiscal policy initiatives by member states needs to be improved. Member states are currently pushing and pulling in different directions with the effect, undesired and unwelcome, of neutralising others’ policies. The case for cutting interest rates should be reconsidered now that the dollar/euro exchange rate has reached unsustainable levels.

### *Regulating financial markets: the labour dimension*

**18** The financial vortex that has now unleashed a jobs crisis has its roots in the irresponsible deregulation of financial markets promoting excessive leverage by financial institutions, asset price bubbles, and financial innovation that exported bad debt under the guise of “structured products”. This opaque system worked as long as interest rates and credit default levels were low. It collapsed at the first downturn in 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 of concern to the promoters of structured products, making it impossible for investors – including workers’ pension funds – to understand what they were buying and know what they were exposed to. The resulting uncertainty about where credit risks and losses were located triggered bank failures and a collapse of confidence. The inter-bank lending market has ceased to function, while OECD-based banks lost USD 570 billion in market value in 2007 and another USD 337 billion in the first quarter of 2008. Hedge Funds, whilst preserved for some time thanks to their opaque nature have also seen a series of failures. More worryingly, the expected downgrading of the credit rating of the major financial guarantors might trigger a generalised downgrading of the estimated USD 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.

**19** Governments must be proactive in ensuring that an effective regulatory response prevents such a crisis from re-occurring. Central banks’ monetary response over the past year has been manifest 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. The G8 Summit should drive forward 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.

“The massive wealth that is accumulated in SWFs should be considered in a broader policy discussion with key emerging economies. This should be encouraged by the G8.

**20** Governments must also focus on the employment impact of the wave of private equity buy-outs, and accordingly the employer responsibilities of private equity groups. More broadly, governments should commit to engage in reviews of how this controversial business model avoids existing laws and regulations that protect established workers' rights. In the UK and France over a million workers in each country are believed to be under private equity regimes. 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 fall 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.

### *Regulating Sovereign Wealth Funds*

**21** The rapid growth of Sovereign Wealth funds (SWFs) – which is attributable to the persistence and growth of structural imbalances between OECD areas and emerging countries – has changed the landscape of global asset ownership. Just as hedge funds and private equity firms have become mainstream in the asset management industry, in a short period SWFs have moved up in the global ranking of asset owners and have surpassed long-held positions by OECD-based pension funds. Little is known about most SWFs' investment and governance policies. What is reported in the media falls short of comprehensive information. However, while greater attention is needed on the governance of SWFs themselves, equal consideration should be given to the regulation of financial intermediaries – including hedge funds and private equity firms – that channel their investments into the real economy.

**22** The massive wealth that is accumulated in SWFs should be considered in a broader policy discussion with key emerging economies, in light of warnings by the IMF about current account imbalances. This should be encouraged by the G8 – the OECD and the IMF have the instruments and the expertise to develop guidance for SWFs, their host economies and recipient governments. However it would be a mistake to focus exclusively on the non-OECD based SWFs while leaving aside the broader ramifications in the investment chains. Trade unions call on G8 governments:

- To integrate the role of SWFs in the necessary dialogue with emerging economies on the coordination of fiscal and budgetary policies to rebalance growth between world regions;
- To link the investment policy and regulatory issues raised by SWFs with those of other lightly regulated investors, including hedge funds and private equity;
- To engage dialogue on the joint implementation of the OECD Guidelines for Multinational Enterprises, the OECD Guidelines on Corporate Governance of State-Owned Enterprises, as well as relevant pension governance and asset management related OECD Guidelines.

## Putting fair distribution at the heart of policy

**23** 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. According to the UNDP<sup>1</sup>, of the 73 countries worldwide for which figures are available, 53 countries – comprising more than four fifths of the world's population – have recorded an increase in inequality of income distribution over the last two decades. We call on the G8 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”. The gender dimension of inequality also remains to be effectively tackled – evidence<sup>2</sup> from some 63 countries show that on average women are paid 16% less than their male counterparts.

**24** Both manual and non-manual workers displaced in many 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 departure from any given country.

**25** In a number of countries government policies themselves have tilted the balance of power against workers and in favour of employers, 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”<sup>3</sup> publication, yet called into question by the evidence in the OECD restated Jobs Strategy.<sup>4</sup> 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.

**26** Fairly distributing of 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.

**27** 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.

**28** In addition to progressive tax systems, targeted social expenditures and widening collective bargaining coverage, minimum wages that are set intelligently

1 | UNDP Human Development Report 2007/2008 and 2005

2 | International Trade Union Confederation “The Global Pay Gap” 2008

3 | “Going for Growth” OECD 2008

4 | “OECD Employment Outlook – Boosting Jobs and Incomes” 2006

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

**29** 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. By investing in social protection systems countries can stimulate productivity and encourage innovation.

**30** 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.

## Delivering promises to developing countries

### *The G8 must fulfil promises*

**31** The Hokkaido Summit is taking place at the midpoint in the calendar for achieving the Millennium Development Goals. At the G8 Summit in Kananaskis in 2002, governments adopted an action plan on Africa in support of the New Partnership for Africa's Development (NEPAD). This action plan contained commitments for peace and security, capacity-building for economic and corporate governance, human rights, measures to combat corruption including strengthening the implementation of the OECD Anti-Bribery Convention, trade and investment, education, HIV/AIDS, increasing agricultural productivity and water resource management. G8 leaders said they would "assist developing countries to achieve universal primary education for all children and equal access to education for girls. We agreed to increase significantly our bilateral assistance ..."<sup>5</sup>

**32** Further promises were made at the 2005 G8 Summit in Gleneagles where donors agreed to a new partnership with Africa focusing on debt cancellation, universal access to treatment for AIDS-victims, provision of vaccines for the poorest countries, a doubling of official development assistance as well as the introduction of innovative methods of development finance. As G8 leaders meet, too few of these commitments have been acted upon. Most G8 countries had falling development assistance (ODA) in 2007 and overall ODA from the members of the OECD Development Assistance Committee fell by 8.4 percent in real terms to USD 103.7 billion, representing a fall from 0.31 percent to 0.25 percent of Gross National Income between 2006 and 2007. This decline reflected an expected decline in debt relief, nevertheless the OECD has noted that "overall, most donors are not on track to meet their stated commitments to scale up aid and will need to make unprecedented increases to meet the targets they have set for 2010".<sup>6</sup>

**33** Meeting the Millennium Development Goals (MDGs) therefore will require a fundamental shift in priorities on the part of the G8 nations. Nearly one and a half

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5 | Chair's concluding statement Kananaskis Summit 2002

6 | OECD Development Assistance Committee, Figures 2007 ODA, 4 April 2008

billion people still lack access to safe drinking water. The world continues to face the scourge of an AIDS and malaria emergency with 40 million adults and children infected with HIV AIDS. 77 million children lack access to primary education and more than ten times that number of adults, 771 million, are illiterate. Trade unions, therefore, call on governments to fulfil their promises and report on the measures that have been and will be taken in order to fulfil these commitments.

### *Responding to the humanitarian crisis of rising food prices*

**34** On top of the need for further action to meet the MDGs, a humanitarian crisis risks appearing as a result of soaring food prices. For many developing countries hunger is now growing again and food riots have spread from Haiti and across Africa. The rise in prices reflects growing food demand from rising populations but also the increasingly apparent damaging consequences of bio-fuel production. Coupled with harvest failures in key exporting countries and increasing by speculative investments, the effect has been an increase of 57% in food prices over the past year.

**35** The G8 must give leadership for a rapid response to deal with the humanitarian crisis. Assistance to poorest countries who despite falling food imports will have to pay 35 percent more for their cereal imports in the year up to July 2008 should be increased. Beyond this, the G8 should commit itself to a full environment, social and economic assessment of the shift to bio-fuel production.

**36** The crisis also provides an opportunity to revisit trade negotiations. The Doha Round negotiations at the World Trade Organisation (WTO) must deliver on the promises made to developing countries regarding food security, elimination of agricultural export subsidies and significantly reduced agricultural domestic subsidies by industrialised countries, including in the area of cotton. Developing countries should not be pressured to trade off potential gains in agriculture for substantial losses in NAMA and to make tariff reductions that will negatively affect their economies, employment and future industrial development. Much higher coefficients and more flexibilities for developing countries than those currently on the table are required in line with each country's level of development, with a view both to promoting decent work and to ensuring that adequate policy space is preserved for attaining domestic development priorities. Concrete measures must be taken to protect public services, the right to regulate and the right to universal access to basic goods and services from the GATS negotiations. A full impact assessment of the decent work repercussions of the current proposals in all areas of the negotiations together with concerns over the impact of the European Union's Economic Partnership Agreements is urgently required.

### *Development and decent work*

**37** G8 governments must honour their commitment to increase ODA and in particular to double aid to Africa from USD 25 billion in 2004 to USD 50 billion in 2010. However, the latest figures showing falling aid plus uncertainty as to whether the goals will be met reduce the efficiency of development aid because of the lack of predictability. Donor agencies and receiving countries cannot plan their activities if they do not know the actual volumes of aid flows at their disposal. As seen, aid levels have fallen far below that required. Several G8 members (the U.S., Japan and Canada) would not even reach 0.3 percent of national income in development aid in 2010. The G8 countries should therefore sharpen their ambitions and aim to allocate 0.7 percent of national income on aid to developing countries, in accordance with UN recommendations, by 2010. Such commitments should be finalised at the UN "Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus" to be held at the end of 2008 in Doha.

**38** Larger aid volumes and debt relief, while necessary, remain insufficient to tackle poverty, as are policies for higher growth and investment that do not take into account distributional effects. Development assistance should focus on how to



support “pro-poor growth” based upon the creation of decent work. The number of working people living on \$2 a day reached 1.37 billion in 2006 according to the ILO. In many developing countries, workers are required to accept unprotected and informal work or low quality self-employment. Many informally employed workers are also employed in formal work, but do not earn enough to make a living. To lift them and their families out of poverty governments should together with companies invest in decent jobs and in ensuring that labour and social protection extend to all their citizens.

**39** The situation in Sub-Saharan Africa remains of deep concern. The ILO estimates that over 151 million people earn as little as the equivalent of one American dollar a day, while more than 235 million earn the equivalent of only two dollars a day. The only sustainable way to reduce poverty is to create decent work covering freely chosen employment, rights at work, social protection and social dialogue. This is particularly important from a gender perspective as women constitute approximately 60 percent of the working poor. Decent work that was strongly supported by G8 leaders at the Heiligendamm summit should become a common objective across all multilateral agencies and be put at the heart of the donors’ development assistance programmes.

**40** The Paris Declaration on Aid Effectiveness could be turned into an important instrument to reform aid practices. However, the Declaration focuses in the main on government relationships and improving the capacities of state actors in developing countries. It takes into account neither the role of civil society organisations nor of trade unions. A major initiative should be taken by the G8 to support trade union assistance to developing country partners. Furthermore, aid effectiveness cannot be separated from broader development goals such as decent work, human rights and gender equality. Aid must not be tied nor conditioned on the past policies of the Washington Consensus. Rather it should be based on encouraging good governance and widening choices on pathways to development. The High Level Forum to be held in Accra later this year to review progress in the implementation of the Declaration will be a significant test of the usefulness of the Declaration.

#### *Education: delivering on G8 commitments*

**41** It is now nine years since the 1999 G8 summit approved the Köln Charter: Aims and Ambitions for Life-long Learning. Key points in the Charter have been re-affirmed and developed in the course of subsequent summits. At the G8 summit held in Japan at Okinawa in 2000, the G8 made clear and explicit commitments to fund and sustain education for all in the developing countries; the G8 nations supported the Dakar Framework for Action and stated: “We reaffirm our commitment that no government seriously committed to achieving education for all will be thwarted in this achievement by lack of resources.” The Köln communiqué’s commitment to “Investing in People” was re-affirmed in the Gleneagles communiqué of 2005.

**42** There is still scant evidence of progress. An unacceptable gap looms between aims and achievements – on almost all key points. The G8 Charter called for “a renewed commitment for investments in life-long learning”, stating that “everyone should have access to learning and training”. Nine years later, levels of public investment have stagnated or declined in several countries. It set out aims for adult skill acquisition which both employers and unions representing employees could support. Yet implementation has been painfully slow, mainly because of lack of investment.

**43** In Okinawa, G8 leaders committed to support achievement of the goals of universal primary education in all countries by 2015 and gender equality in schooling by 2005. The “Education for All” monitoring report of the major agencies shows that the 2005 gender-equality benchmark was not achieved in most countries, and the prospect of meeting the 2015 target is receding. The Gleneagles

“The only sustainable way to reduce poverty in Sub-Saharan Africa is to create decent work covering freely chosen employment, rights at work, social protection and social dialogue.”

summit of 2005 (with its focus on Africa) reaffirmed the G8 leaders' commitment, "to invest more in better education, extra teachers and new schools". These commitments must be now acted on and we call on the G8 to agree to underwrite investment in developing country education systems. This has to be on the scale of a "Global New Deal".

### *Linking poverty reduction and public health strategies*

**44** Over 100 million people fall into absolute poverty each year due to illness or disability. Therefore expanding access to health care and providing better prevention and treatment has to be a focus for the G8 in 2008. To achieve this there must be a commitment to strengthen health services world wide, especially in poor countries. In 2007 the G8 at Heiligendamm reaffirmed its support for achieving universal access prevention, treatment, care and support of HIV and AIDS in Africa by 2010, realizing the Millennium Development Goals 4, 5, and 6 and strengthening health systems yet the total resources pledged for all of these commitment is insufficient to achieve any single commitment .

**45** Ground lost in meeting existing commitments must be regained for confidence in the G8 to be restored. Strong financial commitments are needed to deal with the most serious diseases, especially in sub-saharan Africa where the death toll due to malaria and HIV/AIDS is the highest and particularly for children and women. Resources for strengthening health systems must also be a priority so as to halt the slide of segments of the world's population into extreme poverty because they have no access to or are unable to afford adequate treatment or care. Conditionalities in the Paris Declaration on Aid Effectiveness for countries to adhere to the Poverty Reduction Strategies or Medium-term Expenditure Frameworks do not reflect the urgency of the health crisis and are barriers to develop or strengthen health systems.

**46** The World Health Organisation programmes to identify and assess effects of disease and injury should be better integrated within the WHO and at the national level, not only with health ministries but also finance, trade, development, as well as labour and social affairs. Decision-making on health care must be made in a sustainable development context and in concert with economic, social and environmental planning. Governments should adhere to the UN's National Sustainable Development Strategies (NSDS) that link progress on health status, health care delivery and nutritional with economic and social indicators. The World Bank and other financial institutions should be encouraged to support and strengthen NSDS and work with the ILO, WHO and UNAIDS to build synergies where health protection can contribute to the building of human capital, economic growth and productivity to offset the costs associated with the building of strong health programmes.

**47** Since 24 percent of the global burden of disease is attributable to environmental factors, public health must be linked to the activities of the OECD and UNEP and to efforts that link public health to other serious threats, such as climate change, water stresses related to droughts or floods, waste contamination and population displacement or migrations. The root causes of occupational illness and injury must be met with initiatives at the workplace level to link these to public health promotion. Occupational factors are responsible for 13 percent of cancers. Governments should complement occupational and public health efforts with bans on certain chemicals, such as asbestos and with a renewed commitment to eliminate Persistent Organic Pollutants (POPs). They should build on the positive implementation of the EU REACH Directive.

**48** Governments should promote joint partnerships between trade unions and employers. Joint workplace initiatives on occupational health and AIDS should be promoted, strengthened and linked with WHO programmes for health workers. Particular action is needed to build the capacity of health systems by increasing the employment of health workers and protecting their own health. Governments

should strengthen the implementation of the WHO 'Global Plan of Action for Workers Health' and ratify OHS-related Conventions and programmes by the ILO.

**49** The G8 should encourage the monitoring and implementation and clear targets on access to health and disease issues involving stakeholders at the national level within government, industry, civil society and across the entire health community. The Global Fund to fight AIDS, TB and Malaria should encourage the direct representation of trade unions in its Country Coordinating Mechanisms. Lessons should be drawn from the UNAIDS and its partners to encourage the role of civil society advocacy in promoting health and well being.

**50** For the last three years trade unions have called on the G8 to establish a high level Working Group on HIV/AIDS. Last year substantial progress was made by the German Presidency which issued a first-report on meeting G8 targets for AIDS. The target clarity and the tangible means that exist to achieve them now pave the way for such reports to be performed on annual basis, so as to inform future G8 strategies on the issue. A G8 Mechanism, with technical assistance provided by UNAIDS and other agencies should now be given the task of overseeing such a review process and to provide recommendations to subsequent G8 summits for future action.

“For the G8 meeting to have credibility it is essential that commitments entered into are acted on.”

## Building the social dimension of globalisation

**51** Global unions welcomed the commitments of the G8 at the Heiligendamm Summit, emphasizing that although globalisation offers opportunities for people, it can entail adverse effects and lead to “disparities”. The G8 leaders said that 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”.

**52** 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 called 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. For the G8 meeting to have credibility it is essential that commitments entered into are acted on. We therefore call on G8 leaders to commission a full report back on action taken by G8 countries, international institutions to implement the Heiligendamm conclusions and subsequent agreements at Hokkaido. These reports should be presented to the 2009 summit in Italy.

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

**53** The G8 Heiligendamm Summit and the Dresden G8 Labour Ministers Conference in 2007 gave an important platform for developing the social dimension of globalisation. G8 labour ministers stated at Dresden that governments and companies can make an important contribution to shape the social dimension of the ongoing globalisation. 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. They also drew attention to the role of International Framework Agreements being negotiated between companies and Global Union Federations. 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.

**54** This positive language on corporate accountability in the Labour Ministers' meeting is reflected in the Heiligendamm declaration. The reference to improving 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 important and should be followed up.

**55** 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. When the core workers' rights are respected and workers are free to form unions, this constitutes a key element of the solution to stop 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, of which all G8 countries are members of at least one. The G8 countries have to apply this benchmark.

**56** 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 stocktaking 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. Governments should ensure in particular that companies that receive public funds such as export credits and investment guarantees are in conformity with the Guidelines.

**57** 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 globalisation. To make the merits of the guidelines known, governments should devote more resources to their dissemination with particular attention to developing countries.

**58** A high-level round table on responsible business conduct 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 covering this and other areas of work should be launched in the months ahead.

### *The Heiligendamm process*

<sup>59</sup> As a new form of a topic-driven High-level Dialogue, the G8 agreed the Heiligendamm Process to provide a Forum for more substantive dialogue between major emerging and developing countries and the G8 leading to regular meetings between ministers from the 13 countries with various portfolios. The focus is on innovation, investment and corporate accountability, development, and energy efficiency. The OECD has been asked to provide a platform for the proposed new dialogue process, assisted by the IEA as the relevant organisation in the field of energy efficiency. The above issues are all ones of keen concern to unions. The Heiligendamm process must include the effective involvement and voice of trade unions.

### **Tackling climate change: green jobs, a driver for climate change solutions**

<sup>60</sup> 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.

<sup>61</sup> However, policies to reduce emissions affect income distribution not only across countries, but also among households within countries. Low income households typically spend a larger proportion of their income on energy-related goods. Therefore, they are more likely to be affected by policies that raise energy prices, such as putting a price on Greenhouse Gas emissions, or removing fuel subsidies. We call on Governments to address income distribution and employment concerns through policy instruments focused on these social issues. In addition, other climate-related economic instruments, such as the trading of emission credits, must be part of broad policy packages and need to be accompanied by social policies to fairly distribute the cost of climate protection.

<sup>62</sup> 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 and 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. Following up the Niigata G8 Labour Ministers' discussion on this issue, we call on the Summit to bring about a synergy between employment creation and action to combat 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.

<sup>63</sup> 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



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production, managing the food system, and in the greening of industry, overall. The research being published by UNEP<sup>7</sup> with ILO and trade union involvement, 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 particularly for water and health. For developing countries, this must be supported by international funding.

**64** 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 micro-hydro energy, as well as clean coal and advanced technology of vehicles. The employment dimension must also be taken into account when planning the 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.

**65** 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.

**66** 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.

**67** 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 the G8 must provide leadership in linking the climate activities of different ministries to assess employment impacts and required 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.

**68** 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 gas 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

7 | *"Green jobs, Towards sustainable work in a low carbon world"*. World Watch Institute for UNEP and ILO, 2008.

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.

<sup>69</sup> Governments should 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. Governments should undertake joint research with trade, environment, labour and social ministries in their own countries and be guided by the integration approaches of current work underway in the OECD Development Assistance Committee networks on poverty and environment.

“The Global Union movement calls for all UN member states to make or reaffirm commitments to comply with the Nuclear Non-Proliferation Treaty (NPT) and to ensure the early entry into force of the Comprehensive Nuclear Test Ban Treaty (CTBT).”

### Striving for nuclear non-proliferation and disarmament

<sup>70</sup> The G8 meeting in Japan gives cause for reflection on the atomic bombing of Hiroshima and Nagasaki and the critical importance of strengthening the multilateral framework of instruments for nuclear non-proliferation and disarmament. The Global Union movement calls for accountability from all UN member states, and we ask them to make or reaffirm commitments to comply with the Nuclear Non-Proliferation Treaty (NPT) and to ensure the early entry into force of the Comprehensive Nuclear Test Ban Treaty (CTBT), and accompanying monitoring mechanisms.

<sup>71</sup> In the current geo-political context, there exist a number of threats to security and peace, including the build-up of costly and deadly defence systems which all too many countries view as indispensable to their foreign and security policy. Today at least 8 countries possess nuclear weapons, and the capacity to deploy them over a substantial range: the US, Russia, China, the UK and France which are official Nuclear Weapons States (NWS) under the terms of the NPT, and India, Pakistan and Israel which are non-signatories to the treaty. In addition North Korea, which withdrew from the NPT in 2003 and has undertaken testing of weapons since then continues to give specific cause for concern. More than 30,000 nuclear weapons exist in the world, with the US and Russia possessing over 90 percent of them. 44 countries have access to the fissile material and technology that can build nuclear weapons. A sustainable future is possible only if a strong multilateral system is in place that achieves real progress on nuclear non-proliferation and eventual disarmament.

<sup>72</sup> Commitment to the NPT regime, the cornerstone of the multilateral security system is flagging. The trade union movement expresses its deep concern in face of this situation. They have supported the recommendations of then Secretary General of the UN to the Millennium plus Five Summit in September 2005. calling on governments to “Pledge full compliance with all articles of the Treaty on the Non-Proliferation of Nuclear Weapons ... in order to further strengthen the multilateral framework for non-proliferation and disarmament, and in particular:

- Resolve to bring to an early conclusion negotiations on a Fissile Material Cut-off Treaty;
- Reaffirm their commitment to a moratorium on nuclear test explosions and to the objective of the entry into force of the Comprehensive Nuclear Test-Ban Treaty;

- Resolve to adopt the Model Additional Protocol as the norm for verifying compliance with the Treaty on the Non-Proliferation of Nuclear Weapons.”

Moving this agenda forward is an opportunity that must not be missed. Our collective security, our common future depends upon it. Trade unions stand ready to support all efforts at national and global level, aimed at freeing the world of nuclear weapons, and creating the foundation for sustainable and lasting global peace and security.