Ensuring that the G20 London communiqué results in jobs and growth: Resolving the economic crisis and creating decent work

Statement by Global Unions[1] to the 2009 Spring Meetings of the International Monetary Fund and World Bank Washington, 25-26 April 2009

A worldwide priority: Effective follow-up to the G20 London Summit

1. Global Unions have welcomed the series of decisions reached at the G20 London Summit as important progress towards effective multilateral cooperation for resuming growth and creating jobs. However realizing that potential now requires urgent action to stem the massive collapse in employment and economic prospects across the world. Many of the G20 conclusions relate to the international financial institutions (IFIs). It is essential that the IMF and World Bank meetings, taking place just over three weeks after London, confirm the G20 conclusions as regards the IFIs and add their own weight to the G20 proposals concerning global governance and social and employment cohesion. To this end, the IFI meetings should:

- i) Commit the IMF to a strong and independent role in monitoring continuing economic developments and in advocating stronger measures to enable a further fiscal injection to the world economy if current expansion plans are insufficient
- ii) Endorse the G20 positions on counter-cyclicality of IMF loans so as to encourage a growth-based response to the economic crisis in all countries
- iii) Support enhanced international policy coherence through full IMF and World Bank participation in further discussion of the global charter for sustainable economic activity advocated by the G20 Summit
- iv) Promote intense collaboration by the IMF and World Bank with the follow-up processes on jobs that were identified by the G20 Summit, including through establishment of a G20 working group on the jobs impact of the crisis, preparation and implementation of an effective, employment-maximizing Global Jobs Pact at the 2009 International Labour Conference, and support for the ILO in its analysis and recommendations of the employment aspects of the crisis
- v) Monitor the G20 commitments concerning allocation of resources to developing countries, with a view to producing regular public reports on actual aid flows and on whether levels of assistance are adequate, and to providing recommendations for additional resource transfers if that is clearly required by countries' poverty and development situations
- vi) Eliminate economic policy conditionality for IFI assistance, and require consultation with social partners before IFI programmes are concluded, as well as during their implementation

[1] The Global Unions group is made up of the International Trade Union Confederation (ITUC), which has 170 million members in 157 countries; the Global Union Federations (GUFs), which represent their respective sectors at the international trade union level (BWI, EI, IAEA, ICEM, IFJ, IMF, ITF, ITGLWF, IUF, PSI and UNI); and the Trade Union Advisory Committee (TUAC) to the OECD.

vii) Accelerate the time-scale indicated at the G20 Summit concerning realization of a more equitable voting structure for developing countries at the IMF and World Bank

viii) Engage fully in the G20 Summit processes concerning enhanced financial regulation including attention to the shadow economy, tax havens and limitations to executive remuneration

ix) Promote extensive involvement of trade unions and other relevant organizations in the newly created Financial Stability Board as well as other G20-related working groups and processes

x) Encourage close inter-linkage between recovery programmes and carbon reduction initiatives, so as to maximize the chances for adopting an ambitious agreement at the Copenhagen COP15 Conference on climate change in December 2009

The IFIs and the crisis: A failure of global governance

2. The current global financial and economic crisis, the deepest one since the 1930s, has laid bare the striking ineffectiveness of the current system of global economic governance. As key components of this system, the IMF and World Bank have been called to account both for their failure to predict the crisis and for the policies that may have contributed to it. It is clear, as the leaders' statement of the G20 summit in London recognized, that major changes will be necessary if the IFIs are to contribute to mitigating the damage caused by the crisis, to bringing about a global economic recovery on a sustainable basis and to preventing such a devastating crisis from recurring.

3. **The G20 leaders acknowledged in their London statement that "major failures in the financial sector and in financial regulation and supervision were fundamental causes of the crisis", but other fundamental problems also require a response. It is clear that the economic trends of the past several years – an increase of wealth that was largely fictitious and the product of asset price inflation, and growing income inequality in the vast majority of countries – were the cause of serious and unsustainable imbalances that IFI policies must address if they are to be part of the solution for putting the world economy on a sustainable development path.**

4. **Although the IFIs have in recent years published studies documenting the problem of growing inequality, their country-level policies often contributed to it.** Some examples have been pressure to eliminate labour market regulations while simultaneously encouraging countries to increase the protection of rights of property owners so as to make economies more "business-friendly"; loan conditions obliging countries to dismantle state support for small farmers so that free markets could reign; and policies to privatize important components of old-age income security in order to assist the financial services industry, rather than protecting the interests of retirees and extending social protection coverage to unprotected workers. Through the type of labour market reforms they have promoted, the IFI have contributed to global wage moderation, and increased precariousness of work and the weakening of the employment relationship worldwide. The unprecedented level of inequality that has resulted, including declining shares of income for working people, has been an important factor explaining the intensity of the crisis we currently face.

Global Unions' strategy to tackle crisis and build a sustainable world economy

5. The proposals to the IFIs put forward in this statement are consistent with Global Unions' five-point strategy presented in early April to G20 leaders and heads of international institutions at the G20 Summit in London. It aims to first tackle the crisis and then build a fairer and more sustainable world economy for future generations:

- Implement a coordinated international recovery and sustainable growth plan with maximum impact on job creation focusing on public investment, active labour market policies, protecting the most vulnerable through extended social safety nets, and "green economy" investments that can shift the world economy onto a low-carbon growth path. Developing and emerging economies must be given the resources and the policy space to undertake counter-cyclical policies.
- Nationalize insolvent banks immediately so as to restore confidence and lending in the financial system and beyond this establish new rules and mechanisms to control global finance with full stakeholder engagement.
- Combat the risk of wage deflation and reverse the growth of income inequality by extending the coverage of collective bargaining and strengthening wage-setting institutions so as to establish a decent floor in labour markets.
- Prepare the ground for a far-reaching and ambitious international agreement on climate change at COP15 in Copenhagen, in December 2009.
- Establish a legal benchmark of norms and instruments of the international economic and social institutions – the ILO, IMF, World Bank, WTO and OECD – and beyond this reform these institutions and build effective and accountable global economic governance.

Deepening crisis affects workers around the world

6. **As with other economic downturns, working people are those that pay the immediate and often the heaviest cost, even though the forces that caused the crisis are far beyond their control.** The International Labour Organization (ILO) predicts that worldwide unemployment could increase by as much as 50 million in 2009, adding to the 11 million workers who became newly unemployed in 2008. **Many workers are suffering wage reductions and losing access to basic social security and, particularly in developing regions, are moving back to rural areas into subsistence activities or are forced to work in the "informal economy", without any form of protection. Women, youth and migrant workers have become particularly vulnerable.** The ILO estimates that "between 40 to 50 per cent of the world's working men and women in 2009 are not expected to earn enough to lift themselves and their families above the $2 a day per person poverty line".

7. Although the initial impact of the crisis was strongest in industrialized countries following the collapse of their financial sectors, a number of factors will contribute to severe consequences throughout the developing world in 2009. As the G20 leaders' statement emphasized, the developing regions are "now facing challenges which are adding to the current downturn in the global economy". These challenges include a decline in prices of most commodities, upon which several low-income countries are particularly dependent; the sharpest drop in the volume of global trade since the 1930s; a decrease in remittances to developing countries from migrant workers; and a collapse of private capital flows to developing countries – according to the IFIs' estimates, these could fall by more than 80 per cent in 2009 from the level reached in 2007. The World Bank

predicts there will be a shortfall of at least $270 billion and perhaps as high as $700 billion in meeting developing countries' financing needs in 2009.

Negative impact of IMF conditions on employment and living standards

8. Another reason that the impact of the next phase crisis will be felt more strongly by developing countries is that the IMF, the primary international agency for macroeconomic policy, has advised that countries adopt fundamentally different policies according to their level of development. In response to what the Fund's managing director has called the "Great Recession", the IMF has vigorously promoted the rapid implementation of fiscal stimulus packages equivalent to 2 per cent of GDP for industrialized and some "emerging" economies. The ITUC has welcomed this policy stance as supportive of recovery efforts both in the countries concerned and globally. However for most other emerging and developing countries, the Fund has maintained its traditional position that fiscal discipline should be the order of the day, as if the world economy was not in the midst of a global recession.

9. In the numerous countries where the IMF has concluded emergency lending agreements since October 2008, the agreements have contained measures that are likely to intensify the impact of the global recession in the countries concerned. They include interest rate hikes, reduction of wages and pensions, increased fees for public services and privatization of state-owned entities. Several agreements include the obligation to carry out reforms of social protection that could eliminate its availability to those who are not identified as among the most vulnerable, since most of them also provide for strict limits on government spending. Even as many industrialized countries are accelerating infrastructure projects in order to stimulate job creation, infrastructure projects are being cancelled in some developing countries because of these kinds of fiscal restrictions.

10. **The IMF's promotion of anti-recession programmes only in industrialized and some emerging economies amounts to a double standard. The application of austerity measures in developing countries will deepen the recession and cause social disarray in those countries.** It could also slow down the global recovery as some countries apply pro-cyclical restrictive fiscal and monetary policies while others implement counter-cyclical stimulus plans. The IMF has emphasized that fiscal stimulus efforts undertaken simultaneously in different countries will increase their overall multiplier effect, yet undermines the positive impact by encouraging other countries to adopt restrictive macroeconomic policies. By applying this double standard, the IMF risks significantly limiting the increase in overall aggregate demand that should result from the expansionary policies it advocates on a global level.

11. The World Bank has announced some measures aimed at mitigating the impact of the recession in developing countries, but the bulk of the financial assistance announced would flow through the Bank's interest-bearing loan division (IBRD), to which most poor countries do not have access. Other investments, for example in the financial sector, would come from the Bank's private-sector lending arm (IFC), which lends on commercial terms. Additional concessionary assistance would consist mostly of possible "front-loading" of IDA funds. It should be noted that many of the poorest countries, in Africa and other continents, are still reeling from the impact of the food price crisis that reached its peak in 2008, and are now suffering the impact of the global economic recession. **Unless mechanisms are implemented to limit price volatility in markets for food**

staples, the poorest countries may well have to face renewed increases in food prices with devastating effects on the level of nutrition of their people, especially children.

Massive additional assistance should support, not counteract, recovery efforts

12. The G20 leaders announced at the summit meeting in London their commitment to mobilize massive additional financial resources "to support growth in emerging market and developing countries by helping to finance counter-cyclical spending, bank recapitalization, infrastructure, trade finance, balance of payments support, debt rollover, and social support". The bulk of the additional finances will be allocated through the IMF. In conformity with the commitment to finance counter-cyclical spending, the IMF should use the new resources in such a way that all countries are allowed to take part in the economic recovery effort, rather than encouraging countries to work at cross-purposes. The IMF should distribute emergency assistance funds without attaching any economic policy conditionality, such as conditions requiring a reduction of public expenditures. First and foremost, the IFIs should encourage job creation as the priority objective, since getting people back to work is the most tangible and sustainable means of restoring domestic consumption levels and ensuring that economic bailouts benefit people. Global Unions also support the allocation of extra Special Drawing Rights (SDRs) as an effective means of getting additional resources to finance expansionary anti-recession programmes.

13. The ILO's suggestion of a "global jobs fund" could be another important instrument for a coordinated global effort to counteract growing unemployment and under-employment, as would the World Bank president's idea of creating a global "vulnerability fund" for financing infrastructure and social safety net projects in developing countries. However both initiatives would require additional explicit financial commitments to those made to at the London G20 summit.

14. **The IMF and the World Bank must ensure that before concluding any new lending agreement, which can have profound implications on the economic and social conditions in the country, they consult with trade unions and other civil society organizations in the country.** ITUC affiliates have drawn attention to the fact that most of the IMF's emergency loan agreements were concluded without any attempt to consult with the national trade unions. In some recent cases where IMF missions engaged in negotiations with borrowing countries, the mission refused requests to meet with unions.

15. Trade unions and other organizations have frequently raised their concerns about conditions attached to IMF and World Bank loans – involving obligations to privatize, liberalize, deregulate or reduce public spending – because of their counterproductive nature vis-à-vis objectives of broad-based development and because of their intrusiveness. The IFIs have responded by promising to reduce or "streamline" conditionality, but even the IFIs' own reports have recognized that progress has been slow, at best.

16. The IMF recently announced that it would discontinue the use of structural performance criteria in its loans, all the while insisting that "structural reforms will continue to be integral to Fund-supported programs where needed". It remains to be seen whether the Fund's reliance on regular policy reviews instead of specific reform criteria represents a significant relaxation of economic policy conditionality. It should also be noted that the Fund has not moved to discontinue use of quantitative performance criteria, which have been used to implement austerity policies in most of the countries receiving

emergency IMF assistance since October 2008. The IMF has announced the introduction of a new Flexible Credit Line (FCL) with no ongoing conditions, but specifies that, to be eligible for the new loan facility, countries must meet "rigorous upfront qualification criteria". It is doubtful that any of the countries having to seek emergency assistance from the Fund since October 2008 would have met the FCL's stringent preconditions.

17. Now more than ever, in the context of a global economic recession, it is essential that the IFIs not add to the downward pressure on workers' incomes and social spending by including structural adjustment or austerity conditions. Such conditions can only contribute to prolonging the recession, both in the country and globally, and to further exacerbating the inequality that has grown over the past three decades in the vast majority of the world's countries. Instead, **the IFIs should encourage countries to put in place mechanisms to improve workers' incomes including through a strengthening of trade union rights and collective bargaining, and broaden social protection as well as protecting the most vulnerable through improved social safety nets**.

A dramatic loss of income from World Bank-supported private pensions

18. One of the groups that has been most affected by the current financial crisis is workers close to retirement who depend totally or partially for their retirement income on the mandatory private pension funds that the World Bank has been promoting since the 1990s. The Bank recommended these in the place of comprehensive publicly administered defined-benefit pensions, and claims that it has been involved in pension reforms in 80 countries and provided financial assistance to 60 of them. One reason the Bank has given for supporting pension privatization is that it has aided in the development of financial services providers and capital markets, although evidence concerning this is mixed. By refusing to take sufficient account of the fluctuation risks associated with privately administered pre-funded schemes, the Bank's policies on pensions were economically questionable and socially unacceptable.

19. **Trade unions in many countries around the world have been against the partial or total dismantling of public pension schemes because of the risks such reforms represent to workers' retirement income, particularly for women workers, and have opposed sacrificing their retirement incomes for the benefit of the financial services industry**. Over the past decade, the ITUC and its predecessor organizations repeatedly raised concerns about pension privatization promoted by the World Bank, but in many countries trade unions were unsuccessful in even getting the Bank to engage in serious consultation with them on the reforms that it sponsored.

20. **A recent World Bank report revealed that these private pension funds have been devastated by the decline of the values of their investments, with year-to-year losses of up to 50 per cent until October 2008** (*The Financial Crisis and Mandatory Pension Systems in Developing Countries*). **Further substantial losses are likely to have occurred since then**, because the sharpest downturn of financial assets took place in the last quarter of 2008 and continued into 2009. The Bank has proposed that governments, many of which the Bank convinced to undertake pension privatization because it would relieve them of the financial responsibility of old-age income security, should now provide assistance from public funds for the losses incurred by the mandatory private funds. The Bank suggests public assistance to the victims of pension privatization, "through programs that offer a minimum return guarantee, analogous to what has been provided in the banking

system in response to the crisis". Yet the countries that followed the Bank's past recommendations the most closely are also those that have been most negatively affected by the financial crisis because of their higher exposure to international capital markets and, as a result, may be less able to afford such minimum return guarantees.

21. It is interesting to note that, shortly before the World Bank prepared its publication about the losses incurred by beneficiaries of Bank-sponsored mandatory private pension funds in developing countries, it issued a note to its own staff to reassure them that their retirement income was protected against the financial crisis: "Under the Staff Retirement Plan, … defined pension benefits are not affected by changes in Plan asset values. Such benefits are secure because the Bank has a contractual obligation to meet the specified benefit payments. … To the extent that the value of those assets goes down, the security of the pension benefit payments is backed proportionally more by future contributions to the pension fund by the Bank" (World Bank, *Update on Staff Retirement Plan September 22, 2008*).

22. **Global Unions propose that the World Bank should assume responsibility for the loss of retirement income suffered by developing-country workers as a result of Bank-sponsored pension reforms, which they were obliged to accept even though the organizations that represent them opposed the reforms. The Bank should provide compensation to governments that implement the Bank's advice by recompensing retirees from the public purse for the financial losses they have incurred in the privatized funds.** In future policy advice on pension reform, the Bank should support reinforced comprehensive public pension or social security programmes rather than a reduction of their scope, and should make a priority of extending coverage to those workers who are currently not covered. All of the Bank's interventions in this area should be carried out in close cooperation with the ILO and should not go forward unless trade unions are consulted and agree to the reforms.

Promotion of weakened workers' and social protection through "Doing Business"

23. Another theme on which the World Bank has pressured developing country governments to take measures that have harmed workers has been through the application of its highest circulation publication, *Doing Business*, which advises countries to eliminate or weaken legislation that protects workers. Since 2004, it has been used in dozens of countries to promote the weakening of labour legislation and the reduction of financing to social protection. The Bank continued to do this even though its own Independent Evaluation Group established in June 2008 that there was no relationship between the *Doing Business* indicators and economic outcomes such as employment. In some country programmes of the IMF and the World Bank, the *Doing Business* labour indicators were used to determine loan conditions. They have also been used in overall conditionality for access to concessionary funds from the Bank's IDA through a mechanism called the Country Policy and Institutional Assessment (CPIA).

24. After many years of refusing to recognize the harm caused by the labour policy advice based on *Doing Business*, the IFIs appear to have finally begun to revise their stance, no doubt in part because the current crisis has shown how damaging the application of deregulatory ideologies can be. First the IMF, starting in the latter part of 2008, began to stop using the *Doing Business* labour indicators in its country policy documents. The World Bank more recently indicated a willingness to review the labour and social policy

approaches promoted by *Doing Business* and the manner in which the indicators have been used in numerous country policy recommendations. Global Unions encourage the Bank to follow through with a thorough revision of the indicators that reward countries for the absence of workers' protection rules and contributions to social protection (the "Employing Workers" and "Paying Taxes" indictors) and their use in the Bank's country policy advice and the CPIA. Trade unions encourage the Bank to develop an alternative approach, jointly with ILO, that encourages countries to promote stable jobs with adequate social protection and that respect workers' fundamental rights. The ITUC has offered to work with the Bank in developing new policies that support decent work.

How the IFIs could contribute to the global recovery effort

25. Global Unions believe that the IFIs could play a positive role in support of the global economic recovery, as called for by the G20 leaders at their London summit, provided they abandon their excessive reliance on market mechanisms in their policy and programmes and recognize the fundamental role of the state both in crisis management and for post-crisis times. This could be done through several initiatives:

- **Support for infrastructure projects to immediately create jobs and for longer-term development**, especially in investments to improve energy efficiency and reduce dependence on fossil fuels. Such "green jobs" strategies have been shown to be highly effective in creating employment.
- **Assistance for much needed investments in agriculture**, including through the improvement of rural infrastructure, re-establishment of state services to provide low-cost seeds and fertilizer, and assistance for marketing of crops. Countries should be supported in their efforts to pursue food security objectives so as to ensure sustainable access to food staples at affordable prices.
- **Investment in public services**, such as education and health care, to stimulate economic activity and create the conditions for long-term growth. The immediate multiplier effects on economic activity are much higher than measures such as tax breaks, and in addition, investment in people through quality public services that are accessible and affordable is essential for sustained improvements in countries' economic productivity.
- **Additional assistance to allow countries to meet the Millennium Development Goals (MDGs)**, which include specific objectives to reduce extreme poverty, enhance access to water and sanitation, improve health conditions, and achieve equality between women and men. Education International (EI), one of the Global Union Federations, has expressed concern that the goal of universal primary education by 2015 may not be met because of uncertainty about donors meeting their commitments, and that the World Bank's policy of encouraging developing countries to cut costs by putting unqualified people in charge of classrooms will undermine the objective of quality education.
- **Support for economic strategies that aim to increase workers' wages and improve social protection as priority goals**. This would allow developing and emerging countries overly dependent on external markets to build a stable domestic demand base as part of a more sustainable development strategy, and one that puts the improvement of people's living standards at the centre of economic policy goals.
- **Support for appropriate labour market regulation, adequate social protection and respect of workers' fundamental rights** as essential ingredients for a sustainable development strategy which ensures that the benefits of economic

growth are broadly shared and do not enrich a minority at the expense of most of the population. Remembering that women workers are the most heavily affected by the crisis, a particular emphasis must be on social protection programmes that respond to the needs of women workers and on enforcement of anti-discrimination measures.

Compliance with core labour standards in IFI operations

26. The IFIs' promotion of the respect of workers' fundamental rights must start first and foremost by ensuring that the projects they finance comply with the core labour standards (CLS).[2] The World Bank Group has made considerable strides in this area, starting with the IFC's requirement since 2006 that all of its projects are in conformity with the CLS and some other labour requirements. IFC's performance standard on labour has contributed to resolving labour issues in several projects and the IFC recently responded positively to trade union suggestions to improve monitoring of its investments. Global Unions welcome the World Bank's recent announcement that the CLS will also be incorporated into the Bank's master procurement documents and its standard bidding documents for procurement of works. Further progress took place when the regional development banks (such as the African, Asian and Inter-American Development Banks) and World Bank recently agreed to incorporate CLS clauses into their harmonized standard bidding documents. **The ITUC, Building and Wood Workers International (BWI) and other Global Union Federations have offered their cooperation to the World Bank and regional banks in ensuring full compliance with the standards, which will require training of Bank and government officials and appropriate monitoring and follow-up at the project level.**

27. The World Bank must also ensure that workers and their unions are consulted in all enterprise or service restructuring projects in which the Bank is engaged, as well as requiring full respect of the CLS in those projects. In numerous cases of Bank-financed restructuring, trade unions representing the workers learned of the restructuring plan only after all of the decisions had already been taken, even though the Bank has produced toolkits and best practice guides recommending early consultations with workers' representatives on the labour impact of its restructuring projects. The International Transport Workers' Federation (ITF) has submitted a proposal whereby the Bank would support the training of trade unions on engaging with the Bank and government officials to deal with the labour impact of enterprise and service restructuring. The Bank should accept this plan and other Global Union Federations should be able to join in this proposal for restructuring projects in other sectors.

A comprehensive global framework of financial regulation

28. The current crisis has revealed the catastrophic failure of the "delegated supervision" approach, which prescribes that only a small part of the financial system, such as commercial banks, requires some degree of oversight, while other institutions or activities

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[2] Core labour standards are internationally-agreed fundamental human rights for all workers, irrespective of countries' level of development, that are defined by the ILO conventions that cover freedom of association and right to collective bargaining (Conventions 87 and 98); the elimination of discrimination in respect of employment and occupation (Conventions 100 and 111); the elimination of all forms of forced or compulsory labour (Conventions 29 and 105); and the effective abolition of child labour, including its worst forms (Conventions 138 and 182).

are allowed to self-regulate. Although the IMF's first reaction to the sudden freezing-up of the global credit market in mid-2007 was to caution against public intervention that might stifle the benefits of financial "innovations", namely the exotic investment instruments that are as complex as they are opaque, it is gratifying to observe that the Fund's position has evolved considerably since then and that it now supports a substantial overhaul of finance sector regulation. **The IMF should encourage the creation of a comprehensive framework of financial regulation and supervision at the global level.**

29. **Global Unions have put forward a detailed action plan for the international regulation of financial markets. The G20 summit statement in London has accepted several of these principles, but we note that many require further development and that the G20 calls upon IMF to play a key role for a number of them:**

- **Clamp down on the shadow financial economy:** Hedge funds and private equity groups must be regulated to ensure a level playing field as regards accountability to investors, transparency and employer responsibilities. The London summit accepted this principle as regards "systemically important" institutions and has requested that the IMF and Financial Stability Board (FSB) determine criteria for this. The IMF and FSB should recognize that herd behaviour on the part of institutions which may not individually be of systemic importance means that a wide range of institutions should be regulated. Additionally, all forms of credit-related off-balance sheet transactions should be prohibited and access to complex structured products severely restricted until there is an adequate level of public oversight and transparency.
- **End tax and regulatory havens:** The London summit statement declared that G20 leaders are prepared to "take action against … tax havens" including through sanctions, and that "the era of banking secrecy is over". Following through on this commitment, financial institutions should be prohibited from engaging in financial transactions with companies or persons registered in such havens until their standards are consistent with international norms. The IMF must promote international and regional tax cooperation to stop the race to the bottom in corporate taxes and take steps to ensure that access to foreign investment and capital flows is subject to internationally recognized governance and transparency standards, with attention to pricing policies of multinational enterprises and to capital flight.
- **Integrate asset and leverage risks in prudential rules for banks:** Capital adequacy rules must be designed so that capital reserve requirements are tied to the growth of the bank's holdings in assets and to the degree of risk borne by the assets. This would discourage banks from exposing themselves to excessive asset risks, help drive asset allocation toward socially desirable goals and facilitate central banks' control of asset price inflation.
- **Rein in corporate and financial firm remuneration schemes:** Remuneration schemes should reflect and promote positive economic, social and environmental performance and, in the case of financial services, responsible sales and lending practices. For management and traders, remuneration should be capped in line with workers' pay and pensions. Cashing in of bonuses or other performance related schemes within five years would be prohibited and claw-back provisions would be obligatory. This would be consistent with the G20 leaders' support, expressed in the London statement, for "tough new principles on pay and compensation" in financial institutions.

- **Restrict shareholder dividends, share buyback programmes and leveraged loans:** Profits must be allocated to reserves, as opposed to dividends and buy-backs, in sufficient amounts during growth periods so as to withstand economic downturns and solvency risks. The unsustainable financing of leveraged buy-out schemes, which has allowed private equity groups to plunder companies and leave them with huge debts to repay, should be prohibited.
- **Credit rating agencies must be strictly regulated:** Consistent with the G20 leaders' London statement, credit rating agencies must be independent and prohibited from providing consultancy services, in particular regarding the design of financial instruments for which they subsequently give ratings. Regulators should facilitate the creation of competitors so as to end the global oligopoly of agencies that presently exists.
- **Protect working people against predatory lending:** There must be security of lending by requiring transparency of financial contracts (housing finance, credit cards and insurance), access to effective recourse against abusive practices, proximity of services, and affordability, that is, ceilings on interest rates and fees. The remuneration and incentive schemes of banks and other credit-suppliers should be designed to ensure responsible sales and lending practices that serve the interests of clients.
- **Enhance the mandate and resources of supervisory authorities:** Supervisory authorities must have sufficient enforcement powers, proper staffing and access to expertise and technology to fulfil their tasks. UNI Finance, the Global Union that represents millions of finance industry employees, has proposed that these employees must be integrated into enhanced supervisory frameworks through regular exchanges between regulators and representatives of financial institutions' workers. The framework must include the protection of whistle-blowers who report non-compliance with regulations to regulators and supervisors.
- **Build a new financial service landscape that works for the real economy:** Encourage the growth of credit unions, cooperative banking, mutual insurance, and other community-based and public financial services. Such diversity of services and legal forms will help build a balanced and robust domestic financial services sector that serves the real economy and meets the needs of working people, small and medium enterprises and agricultural producers. Any restructuring of financial institutions, such as mergers, acquisitions, disposals or outsourcing, should be conducted with regard to protection of employment and working conditions, respect of core labour standards and consultation with unions.

30. In addition to supporting a comprehensive framework for financial regulation, the IMF should encourage developing countries to adopt or extend the use of capital controls, which several developing countries have found effective during the current crisis to mitigate the destabilizing effects on their economies. A recent IMF publication (*The Implications of the Global Financial Crisis for Low-Income Countries*) observed that "the existence of capital controls in several countries … helped to moderate both the direct and the indirect effects of the financial crisis". The IMF should also support the introduction of an international financial transactions or Tobin tax, which could limit damaging speculative movements of capital and could generate additional needed income for a "vulnerability fund" or another instrument for financing attainment of the MDGs. Both IFIs should also expand their debt cancellation initiatives to include a larger number of low-income indebted countries, which could be partly financed by the IMF gold sales supported by

G20 leaders, and the IMF should support the creation of a fair and transparent sovereign debt restructuring mechanism for orderly workouts of debts.

31. Both the IMF and the World Bank must engage in a governance reform that substantially increases the representation of developing countries in the institutions' decision-making structures, which the G20 leaders have also endorsed. Global Unions support the proposal that developing countries achieve at least parity representation to industrialized countries at the World Bank, by virtue of its role as a development institution. The effects of the current economic crisis show that governance reform is no less necessary at the IMF. Two groups of countries are currently under-represented in the Fund's decision-making structures: the group of "emerging economy" countries which have been called upon to make additional resources available to the Fund, and other middle- and low-income countries currently using the IMF's assistance where the Fund's lending policies have major implications for domestic policy. **Global Unions encourage both the IMF and World Bank to engage in a revision of their governing structures to increase developing-country representation substantially, and to do so more quickly than the time-scale proposed by G20 leaders.**

Conclusions: Policy coherence for decent work

32. Following the London G20 Summit, it is more essential than ever that both the IMF and World Bank take an active and supportive part in the construction of a new structure of global social and economic governance that works to achieve policy coherence between institutions on some fundamental objectives, such as the ILO's Decent Work Agenda. **The possibility that the number of global unemployed could increase by 50 million in 2009 and that hundreds of millions of others will not earn enough from their labour to reach the poverty line, gives urgency to the central priority of achieving economic recovery through the creation of decent work.**

33. It is critical that the IFIs' Spring Meetings support the direction charted by the G20 London Summit towards the strengthening of multilateral authority to regulate market-driven globalization processes. Trade unions will work intensively to maintain pressure on governments and international organizations to undertake the practical actions required to implement the aspirations of the London G20 Summit. However, major reform processes cannot be left to bankers and finance ministry officials meeting behind closed doors, but must include representatives of those who have been the biggest victims of the governance failures and policy blunders that led to the current global crisis. Trade unions are prepared to engage constructively in such a process, and need to be a full part of new governance and advisory structures to international organizations such as the IMF and World Bank.

08-04-09