THE IFIs AND G20 MUST LEAD A GLOBAL ACTION PLAN TO PREVENT A NEW SURGE IN UNEMPLOYMENT

Statement by Global Unions[1] to the 2011 Annual Meetings of the IMF and World Bank Washington, 23-25 September 2011

Introduction

1. The global economy is experiencing a new round of major financial upheaval just three years after the near meltdown of September 2008, which left in its wake tens of millions of people who lost their jobs or were driven into poverty. Rather than preventing a recurrence of financial crisis and putting a priority on attacking joblessness, as G20 governments and the international financial institutions (IFIs) promised to do in 2009, their attention has shifted to fiscal consolidation. The austerity policies applied with the stated intention of reducing deficits has contributed to a renewed economic downturn and could create several millions more job losses, making it even more unlikely that deficit targets will be reached. The IFIs and the G20 must assume leadership in putting a halt to these destructive and ultimately self-defeating economic policies that will lead to a new surge of global unemployment.

2. The IFIs and G20 should put job creation at their top of their agenda and quickly implement programmes to stimulate employment through infrastructure and climate-related investments and public services. The IFIs must act responsibly to protect quality public services vital to societies' development, such as education and health care, and support the introduction of a social protection floor in all countries. They should support fiscal consolidation plans only in those countries where economic growth is self-sustaining and unemployment is on a downward path. Such plans, when they are appropriate, should rely on additional sources of revenue, notably through progressive taxation and taxes on the financial sector, rather than being achieved through cutbacks in public services. The IMF should lead a coordinated effort to establish financial transactions taxes in as many countries as possible for financing job-intensive recovery programmes and meeting development and climate-finance commitments. Both IFIs should insist on the urgency of proceeding with pledges to re-regulate the financial sector before there is recurrence of another devastating financial crisis.

3. This statement also proposes that the IMF should refrain from promoting labour market deregulation measures, which it frequently does on the basis of error-fraught analyses, and instead work in cooperation with the International Labour Organization

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[1] The Global Unions group is made up of the International Trade Union Confederation (ITUC), which has 175 million members in 151 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.

(ILO) in carrying out the joint IMF-ILO employment-intensive growth initiative launched in September 2010. The World Bank should, in the course of the revision of its social and environmental safeguard policy currently underway, ensure consistency within the World Bank Group in its treatment of core labour standards and adopt a comprehensive safeguard requiring that all Bank-financed operations comply with these standards. Both IFIs should make supplementary assistance available for developing countries affected by the increased cost of basic food necessities, which in 2011, according to World Bank data, has almost reached the previous peak of the 2008 "Food Price Crisis". Additionally, the IFIs must contribute to efforts to achieve climate resilience and reduce greenhouse gas emissions, which will be a particular focus of international attention in the run-up to the June 2012 "Rio+20" Conference.

Prospect of a surge in unemployment

4. At the Spring Meetings of the IFIs in April 2011, the IMF declared the global recovery to be more self-sustaining, thus justifying the shift from employment-creating stimulus programmes to fiscal consolidation: "Earlier fears of a double-dip recession – which we did not share – have not materialized… [P]rivate demand has, for the most part, taken the baton... For the recovery to be sustained, advanced economies must achieve fiscal consolidation."[2] Global Unions urged the IFIs and G20 finance ministers to, instead, give top priority to the employment deficit, since a rapid reduction of fiscal deficits in the context of a fragile recovery would dampen already tepid economic growth and destroy any chance of reducing high rates of joblessness.

5. The financial market upheavals of August 2011 and indications of a global economic slowdown confirm that the recovery is anything but self-sustaining. Fiscal consolidation, on the other hand, is well underway around the world and contributing to the renewed downturn. IMF projections show that all but three of the G20 countries will reduce their deficit or increase their surplus in 2011, and all but two G20 governments engaged in fiscal consolidation will reduce public expenditures in proportion to Gross Domestic Product.[3] Governments, with few exceptions, have heeded the advice of the IMF and private lenders to try to reduce deficits through spending cutbacks, and the overall impact of the austerity policies has been a renewed global slowdown at a time when employment in most countries is still well below pre-recession levels. With social protection under pressure because of austerity policies and wages compressed as a result of new labour market flexibility measures, income inequality will increase.

6. The situation for working people is particularly dire in those countries experiencing sovereign debt crises, which in most cases originated in financial booms and busts caused by reckless and insufficiently regulated practices of private financial institutions. Several of these countries have contracted emergency loans with the IMF, where additional austerity measures have been part of the loan conditions even as private banks have enjoyed publicly financed bailouts. It appears that financial markets, whose near meltdown in 2008 set off the global recession that eliminated more than 30 million jobs, are once again dictating economic policies that will lead to further suffering for

[2] IMF, *World Economic Outlook*, April 2011
[3] IMF, *Fiscal Monitor*, April 2011 and *Fiscal Monitor Update*, June 2011

workers. At the same time, no serious action has been taken to reduce the huge debt overhang that is preventing growth from materializing in several countries, both the consumer mortgage debt in countries that experienced real estate collapses and sovereign debt built up as a result of the crisis.

7. In a conference in Oslo held jointly with the ILO in September 2010, the IMF agreed that there had to be a greater focus on policies to promote employment-creating growth in response to the global economic crisis. The IMF has since engaged in joint analysis with the ILO in some countries, with the objective of placing greater emphasis on employment and improved social protection in recovery strategies, and to design these strategies by engaging in dialogue with trade unions and employers as well as the government. The ITUC and its national affiliates intend to participate fully in the joint work, in the expectation that all policies having a bearing on employment-creation are examined, and that social dialogue and respect for workers' rights are the basis of new employment-focused growth strategies. The IMF can show its full support for reducing unemployment and protecting vulnerable populations by assisting countries to put themselves on a job-creating growth path and to establish a sustainable financing mechanism for a social protection floor.

Vigorous support for employment-creating growth

8. There are several measures that the IMF should take to ensure that elimination of the employment deficit is given top priority in national recovery strategies:

- **Fiscal consolidation plans should be modified so as to avoid worsening the employment situation**, meaning that consolidation should be delayed or its pace slowed down and, if needed, IMF financial assistance should be extended over a longer period until a sustainable recovery is in place.
- **Greater emphasis should be paid to revenue-generating measures to achieve reductions of fiscal deficits, rather than the emphasis on expenditure reductions** that have taken place in most fiscal consolidation plans, which impose a disproportionate cost on beneficiaries of social programmes, particularly women, and on public sector workers and which have the strongest negative impact on employment.
- **The IMF should pay special attention to maintaining and increasing support for programmes vital to long-term social and economic development, such as infrastructure programmes, health care and education and climate-related investments;** reduced spending for education, for example, could create a lost generation of children and young people with insufficient and inadequate education.
- **In order to prevent a prolonged period of economic stagnation, the IMF should encourage countries to increase public investments in key growth areas, particularly recognizing the importance of "green economy" investments** because of their employment-creation potential and also because of the importance of achieving environmental sustainability
- **The IMF should encourage countries to reduce deficits through tax measures that have the least impact on employment levels and that help reduce income inequality**, such as the replacement of "flat taxes" by

progressive income taxes, measures to tax undeclared incomes and formalize informal economy activities, and financial transactions taxes.

- **The IMF should support debt restructuring where necessary in order to alleviate one of the most important obstacles to national economic recovery;** this restructuring should include reductions of home mortgages in countries where real estate values have collapsed, and rescheduling of sovereign debt repayments in countries with unsustainable levels of indebtedness.

9. In the area of new IMF initiatives or policy reviews, the Fund should support approaches that entail a refocusing of policy priorities towards those that promote creation of decent work:

- In the current Conditionality Review, for which Global Unions made a submission,[4] **the IMF should ensure that the new conditionality criteria that it uses are consistent with national development plans seeking to achieve full employment, universal social protection, reduced income inequality and respect for fundamental workers' rights.**
- **In the joint initiative with the ILO on employment-focused growth, the IMF should support a comprehensive approach that takes into consideration all of the determinants of job-rich growth strategies:** macroeconomic policy including employment; fiscal and exchange rate policies; issues related to income distribution and wage levels; social protection for all; and a significant discussion on the employment policies that will promote high-productivity job creation including investment in value-adding sectors and active labour market policies.

A coordinated international strategy for implementing an FTT

10. Support for a financial transactions tax (FTT) continues to grow, as governments seek new sources of revenue to face the huge fiscal challenges created by the global crisis. Global Unions, jointly with a broad alliance of international development and environmental organizations, support this tax as a means to finance job creation and public services as well as international development and climate change finance commitments. Along with some business leaders and organizations seeking better control over the financial sector, Global Unions have also supported the FTT because it would create incentives to reduce "short-termism", the creation of asset-price bubbles and recurrent financial crises, and instead encourage productive job-creating investments in the real economy.

11. In 2010, the IMF completed a report requested by G20 leaders at their Pittsburgh Summit to identify a mechanism for making the financial sector assume "a fair and substantial contribution" to offset the cost of the global crisis, which ultimately created thousands of billions of dollars of losses in the world economy. In the report, the IMF concluded that "sufficient basis exists for practical implementation of at least some form of FTT", while expressing its preference for other types of financial taxes.[5]

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[4] ITUC, "Submission from ITUC/Global Unions to IMF's 2011 Review of Conditionality", May 2011

[5] IMF, *A Fair and Substantial Contribution by the Financial Sector: Interim Report for the G20*, April 2010

12. IMF spokespersons have stated that there is no incompatibility between the FTT and the options it prefers and that it would be best to have some form of financial sector taxation than no tax at all. However its promotion of alternatives that have garnered little support could be counterproductive to the wide-scale adoption of an FTT, which now enjoys support in official bodies ranging from the UN's Leading Group on Innovative Financing for Development to the European Parliament and the European Commission. The government of Brazil recently decided to implement an FTT on foreign exchange transactions, including derivatives, while the governments of France and Germany have agreed to formulate a joint proposal for an FTT in Europe.

13. The IMF's detailed working papers on the FTT show that such a tax can be successfully applied in one or a few jurisdictions, but that "the viability of an FTT would be enhanced by international cooperation".[6] **Given the growing worldwide support for an FTT that would finance job-intensive recovery programmes and achievement of development and climate-finance goals, the IMF should offer its assistance for coordinating the effective implementation of an FTT in as many countries as possible.**

IMF's involvement in labour market reforms

14. IMF country missions have little expertise in labour market issues especially as compared to the primary international agency on labour, the ILO, but that has not prevented the Fund from formulating analyses and recommendations on labour topics in many countries, sometimes on dubious grounds. For example, in July 2010 the IMF recommended that Romania engage in reforms to increase labour market flexibility on the basis of the discredited "Employing Workers Indicator" of the World Bank's *Doing Business* report (which the Bank ordered its own staff to stop using in 2009).[7] The government of Romania took the IMF's advice to heart and, as a subsequent report notes, in April 2011 it enacted a new labour code promoting fixed-term and temporary employment contracts (with reduced access to benefits), increasing flexibility of working hours and abolishing collective bargaining at the national level.[8] The Fund's reports note that although wages in Romania are already among the lowest in Europe, real wage growth has been negative since 2009.

15. An IMF report for Spain issued in July 2011 contains detailed recommendations for labour market reform, including decentralization of collective bargaining to the firm level, elimination of indexation of wages to inflation and lowering of severance payments. The IMF defends these policy recommendations by presenting "strictness of employment protection" indicators that show Spain to have the most rigid labour market rules among all countries included in the report, including Portugal and Germany.[9] However a report issued by the IMF a month earlier for the neighbouring country shows Spain's strictness of employment protection indicator to be less than those of Portugal, Germany and

[6] IMF, *Taxing Financial Transactions: An Assessment of Administrative Feasibility*, August 2011
[7] IMF, *Romania: Staff Report for the 2010 Article IV Consultation*, July 2010
[8] IMF, *Romania: First Review under the Stand-By Arrangement,* June 2011
[9] IMF, *Spain: Staff Report for the 2011 Article IV Consultation*, July 2011

several other countries.[10] The latter report asserts that it is Portugal that most urgently needs to undertake reforms to reduce labour costs. The significant inconsistencies in data presented in reports produced almost simultaneously by the Fund gives the impression that the labour market indicators are agenda-driven rather than fact-based, and seriously undermines the IMF's credibility in this area.

16. Other recent IMF Article IV reports that recommend substantial labour market reforms include those for Colombia (July 2011), where the Fund proposes a reduction of the minimum wage, which currently stands at about $300 a month, and for Mexico (August 2011), where the IMF endorses a recent legislative proposal for labour market flexibility without explaining its relevance to the Fund's objectives in the country. Both of these countries are under arrangements from the IMF's Flexible Credit Line.

17. **The IMF should refrain from making recommendations for labour market reforms, especially when they are based on indicators and data that are discredited or unreliable. The IMF should defer to the competent international organization in this field, the ILO, and should be supportive of reform processes that are based on tripartite dialogue, protect workers' fundamental rights and are consistent with the ILO's decent work objectives.**

World Bank's social protection and labour strategy

18. The World Bank is currently formulating its first social protection and labour strategy since 2001, for which it established an external advisory group and prepared a Concept Note.[11] Global Unions expressed their regret that trade unions and other civil society organizations were excluded from the advisory group, in contradiction with the Bank's terms of reference for it. However, they welcomed the Bank's announced intention to pay more attention to the needs of low-income countries. Unions have frequently criticized the Bank's past focus of advising middle-income countries with comprehensive public social protection to reduce the scope under the pretext of assuring fiscal viability, while largely ignoring the needs of low-income countries that had no social protection regimes whatsoever. In centring more on the needs of low-income countries, the Bank should first and foremost support the ILO's initiative of a social protection floor and assist countries in developing an adequate financing mechanism for it.

19. Rather than reasserting the outdated concept that social protection can be reduced to a question of individual risk management, the World Bank should acknowledge that finding oneself in precarious, unprotected work devoid of any social protection is not a risk but a certainty for an increasing share of the population. The problem became more acute since the onset of the global recession in 2008, and is likely to deepen with the prospect of a renewed downturn in 2011. The Bank must work with countries to address the root problems of increasing inequality and informality, including the structural and systemic problems that create these phenomena – such as discrimination, disempowerment, abusive exploitation of workers and denial of rights – and assist governments to adopt corrective strategies.

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[10] IMF, *Portugal: Request for a Three-Year Arrangement Under the Extended Fund Facility*, June 2011

[11] World Bank, "Building Resilience and Opportunity: The World Bank's Social Protection and Labor Strategy 2012-2022 – Concept Note", January 2011

20. The adoption of a revised social protection and labour strategy provides an opportunity for the Bank to put forward an approach on labour market policy that supports the ILO's decent work agenda. The Bank's Concept Note in fact barely deals with labour issues except to iterate some questionable articles of faith, such as the precept that job creation will be improved in each and every context through a "narrowing down of the scope of labor market regulations". The Bank's own Independent Evaluation Group found no empirical evidence behind such assertions when they were repeatedly made in the Bank's highest-circulation publication, *Doing Business.*[12] It is surprising and disappointing to see such unsubstantiated claims revived by the Bank's social protection and labour unit, particularly in light of the Bank's decision in 2009 to suspend the *Doing Business* labour indicators, remove them from its overall framework for determining access to the Bank's concessionary resources (the "CPIA") and undertake a process of revision of the labour and paying taxes indicators.[13]

21. **The Bank's new social protection and labour strategy should:**

- **Be based on a serious analysis of the problems faced by working people in every region, which include persisting high unemployment and under-employment, a jump in income inequality that reflects reduced income share and declining bargaining power of workers and continued violations of workers' rights;**
- **Promote the need for a balanced and comprehensive approach to labour market issues, where respect for fundamental workers' rights, adequate labour regulations, better enforcement, improved social protection and adequate public financing play key roles;**
- **Promote extension of coverage as the primary goal of the Bank's social protection interventions, ensure equal outcomes for women and men in the provision of social security and support the development of a social protection floor through an integrated approach developed in cooperation with the ILO, which would include appropriate financing mechanisms.**

Gender equality and sustainable growth

22. The World Bank's new social protection and labour strategy must also address the problem of gender inequality in the labour market, which is not adequately treated in the Bank's Concept Note for the strategy. The Bank's gender analyses have chiefly focused on unequal access to education, restrictions on property rights for women and barriers to women's entrepreneurship. While these are very important issues, the question of lack of gender equality in the labour market, which is a main factor explaining income differences between women and men, has not been seriously taken up. **The launch in September 2011 of the World Bank's *World Development Report 2012* on the theme of *Gender Equality and Development* presents an opportunity for the Bank to devise strategies for improving gender equality in the labour market.**

[12] World Bank Independent Evaluation Group, *Doing Business: An Independent Evaluation*, 2008

[13] World Bank, " Guidance Note for World Bank Group Staff on the Use of the Doing Business Employing Workers Indicator for Policy Advice", October 2009

23. Both the IMF and World Bank should also study the gender impact of restrictions in public spending as governments engage in fiscal consolidation. When governments cut back social programmes and other types of public expenditures that have played a key role in improving the situation of women, the gains that women have made in many societies could be seriously compromised. **The IMF and World Bank should advise countries on the maintenance and expansion of programmes that have helped women enter the workforce and make other strides towards achieving gender equality.**

Protecting fundamental workers' rights in World Bank operations

24. The core labour standards (CLS) were identified as fundamental rights that all countries should respect and that create the basic conditions required for working people to be able to improve their working and living standards.[14] They are the underpinning of well-functioning labour markets and effective industrial relations systems that allow for an equitable distribution of income, and should be promoted as such in the World Bank's social protection and labour strategy and throughout the Bank. However, the IFIs' most effective contribution to policies that are consistent with CLS is to make certain that their own operations comply with them.

25. Over the past decade, parts of the World Bank Group have taken important steps towards ensuring that their operations do not violate CLS. The Bank's private sector lending arm, the International Finance Corporation (IFC), has required since 2006 that client companies comply with CLS as part of its Social and Environmental Performance Standards. IFC recently completed revisions of the standards, which will go into effect in January 2012, that reaffirm the importance for borrowing companies to respect CLS and that expand on some other basic working condition requirements, such as occupational health and safety and workers' right to information. The revised Performance Standards include protections for migrant workers, stipulations regarding accommodations for workers (when provided), the obligation for borrowing companies to consider alternatives to retrenchment of workers and the requirement to monitor the standards' application to contract workers and some labour practices in supply chains.

26. IFC's Performance Standard on labour, if fully complied with, would ensure that workers' fundamental rights are respected in all IFC projects. However some serious lapses in implementation remain. Global Unions' affiliates in developing countries have encountered some problems of non-compliance of which they have informed IFC. In some cases the problems were corrected but in others companies repeatedly failed to carry through on promises to correct situations of non-compliance. The enterprises' lack of commitment has been compounded by the absence of clear timelines and insufficient transparency regarding action plans for achieving full compliance. Global Unions, during a workshop held in July 2011, proposed that **IFC should improve its monitoring and**

[14] 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).

implementation procedures. It should make clear to borrowing companies that compliance is not voluntary and that failure to meet the Performance Standards will lead to loss of financial support. Global Unions also recommend that IFC must take measures to ensure that the standards are fully applied to the projects financed through financial intermediaries; the latter comprise 45 per cent of IFC's current investment portfolio.

27. In 2010, the World Bank and the regional development banks jointly incorporated CLS clauses into their harmonized procurement of works documents, applicable to lending for major construction projects. The Bank's procurement and infrastructures departments need to move forward in adopting implementation measures to ensure full compliance with the CLS in Bank-funded projects. These measures consist of training of Bank officials and project managers and appropriate monitoring and follow-up at the project level, including the establishment of a complaints mechanism to signal cases of non-compliance. Global Unions have offered to cooperate with the World Bank and the regional banks in implementation of the requirements.

28. . The World Bank must update its social and environmental safeguards to ensure that the public sector divisions of the World Bank Group, IDA and IBRD, respect internationally agreed fundamental rights of workers just as IFC and MIGA (Multilateral Investment Guarantee Agency) require. The Bank's Independent Evaluation Group underlined the inconsistency of practices across the World Bank Group (WBG) in this regard: "[T]he thematic coverage of the [IFC] Performance Standards is more relevant to the WBG's investment project portfolio than the policies in the current safeguards suite, due to the addition of explicit provisions on labor impacts, community impacts, and pollution prevention and abatement… There is no obvious reason to presume that community and labor impacts are not relevant to the Bank's portfolio".[15]

29. **The revision of the World Bank's safeguard policies, which began this year and is scheduled to be completed at the end of 2012, should include a safeguard on labour standards. The policy should require compliance with all four of the core labour standards and also properly adapted requirements such as those found in IFC's Performance Standards for other basic working conditions, namely the provision of information to workers on conditions of employment, retrenchment procedures, grievance mechanisms, occupational health and safety standards and supply chain standards.[16]**

Need to advance on financial re-regulation

30. The institutions responsible for global financial governance are nowhere near to enacting the "sweeping reforms to tackle the root causes of the crisis and transform the system for global financial regulation" that G20 leaders stated were urgently necessary in their Pittsburgh Summit declaration of September 2009. In a few countries, positive but partial initiatives to re-regulate financial sectors have taken place on the national

[15] Independent Evaluation Group-World Bank, *Safeguards and Sustainability Policies in a Changing World: An Independent Evaluation of World Bank Group Experience*, 2010

[16] For more detail see: Global Unions, *Labour Standards in World Bank Group Lending: Lessons Learned and Next Steps*, 2011

level. However some measures could be rolled back due to pressure from private financial institutions, which apparently feel they should have the right to return to earning super-profits in a deregulated environment while relying on the state to bail them out after bad investment decisions.

31. It is ironic that in some regions still deeply affected by the impact of the global financial crisis governments and international institutions are now talking more about labour market deregulation, which will do nothing to address the root causes of the crisis, than about the pressing need for serious financial sector reform. Even though mandates have been given to the Financial Stability Board (FSB), of which both the IMF and World Bank are member institutions, progress is proceeding at a snail's pace. In July 2011 the FSB announced an agreement to increase capital ratios of "systemically important financial institutions", otherwise known as the "too-big-to-fail" institutions, but only in 2016 would these start to phase in. The FSB also asserted the importance of regulating the shadow banking system and derivatives markets, but despite having considered the matter for more than two years, it could only agree to engage in further study.

32. **Global Unions urge the Financial Stability Board, the IFIs and member countries to take swift and coordinated action for adequately regulating the global financial system before a new crisis occurs, including:**

- **Rapid implementation of rules and procedures to break up and rein in "too-big-to-fail" financial institutions, which pose real and immediate threats for public finances**
- **Strong controls over the non-bank shadow financial economy, hedge funds and private equity firms**
- **Regulations for separating risky investment banking activities from other banking operations**
- **Elimination of tax and regulatory havens**
- **Curbing bonuses and other irresponsible and excessive financial sector remuneration plans**
- **Strict regulations over credit rating agencies to end the current oligopoly situation and limit conflicts of interest**
- **Providing consumer financial protection, for example against predatory lending, through regulation and full employee involvement in supervisory processes**
- **Support for financial services that serve the real economy, such as cooperative banking, mutual insurance and public financial services.**

A new growth model is necessary

33. The popular uprisings in countries of the Middle East and North Africa showed the short-sightedness of analytical frameworks that ignore key phenomena such as persistent high joblessness, particularly among youth; exorbitant income inequality; concentration of wealth from the exploitation of natural resources, industry, trade and finance in a few hands, often as a result of privatization of state assets; lack of freedom of association and expression and political repression. Some of the countries whose regimes were overthrown were designated top global performers by the World Bank's

Doing Business or declared by the IMF to have exemplary macroeconomic performance. For example, in February 2011 the IMF's executive board stated that it "welcomed Libya's strong macroeconomic performance and the progress on enhancing the role of the private sector and supporting growth in the non-oil economy [and] … commended the authorities for their ambitious reform agenda".[17]

34. Ultimately, the model proved to be economically and socially unsustainable. Policies supported by the IFIs in the Middle East and North Africa, such as structural adjustment programmes that increased unemployment and privatizations that benefited only kleptocratic political elites and exacerbated inequality, contributed to the problems in those countries. On the other hand, countries in other regions that rejected the privatization and deregulation model and instead developed new public programmes and supported the workers' rights and interests sometimes made important gains in building more equitable societies. One such example is Brazil, previously one of the most unequal countries in the world, where improved access to education, increased state benefits for the poor and higher minimum wages all contributed to reducing income inequality over the past decade.

35. On the global level, IFI member countries and in particular the G20 have addressed the issue of global economic imbalances – referring to persistent high current account deficits or surpluses – when identifying the root causes of the global financial and economic crisis that broke out in 2008. More attention should be paid to the internal imbalances, including high inequality and declining labour share of income that contributed to the global crisis. In many countries, real wages have not kept up with productivity increases, sometimes because of restrictions on freedom of association and collective bargaining. To circumvent the stagnant domestic market to which these practices lead, countries adopted policies seeking to increase their exports without increasing imports, which obviously cannot be applied by several countries simultaneously.

36. The IMF and World Bank should work on developing approaches that demonstrate a decisive break with the failed "Washington Consensus" policy paradigm. Policies that centred on reducing the size of the state, dismantling regulations and liberalizing labour markets all exacerbated the problems of an out-of-control financial sector, rising inequality and declining real incomes for working people. These circumstances contributed to the 2008 financial and economic crisis. The IMF has already made a welcome change to its earlier policy of opposing capital controls in all circumstances and now supports their use to curb destabilizing speculative capital movements. The IFIs should similarly review and change previous orthodoxies in other areas of economic policy. The international trade union movement has taken part in the debate by publishing a book on a new growth model, and invite the IFIs to engage in broader discussions with academics and civil society on the issue.[18]

[17] IMF, "IMF Executive Board Concludes 2010 Article IV Consultation with the Socialist People's Libyan Arab Jamahiriya", Public Information Notice No. 11/23, February 2011

[18] ETUI/ITUC/TUAC, *Exiting from the Crisis: Towards a Model of More Equitable and Sustainable Growth*, 2011 http://www.ituc-csi.org/IMG/pdf/Exiting_from_the_crisis_Washington.pdf

37. **The IMF and World Bank should review their policy frameworks and ensure that their country-level advice and loan conditions are consistent with the lessons learned from the global financial and economic crisis and contribute to a more equitable and sustainable model of growth and development. In addition, the analytical function that the IMF has assumed under the G20's Mutual Assessment Process for "Strong, Sustainable and Balanced Growth" should be used to identify and correct the policies that have resulted in skewed income distributions and declining labour share and have contributed to the global crisis.**

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