



# GLOBAL UNIONS' STATEMENT TO THE G20 EMPLOYMENT AND LABOUR MINISTERS' MEETING

PARIS, 26-27 SEPTEMBER 2011

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*"[We pledge] ... to put jobs at the heart of the recovery, to provide social protection, decent work and also to ensure accelerated growth in low-income countries".*

Seoul, G20 Leaders' Declaration, November 2010.

## Introduction and Summary

**1** The global economy is facing a jobs emergency. The recovery from the Great Recession has now stalled. Growth in the second quarter of 2011 ground to a halt in OECD countries and slowed significantly in other parts of the G20; the OECD and the IMF have revised downwards their growth projections for the remainder of 2011. A significant number of G20 economies risk falling into a renewed recession with devastating economic, social and human consequences. Whether this risk materialises or not depends on G20 governments. Having pivoted prematurely away from supporting growth to cutting deficits, they must now muster the same level of collective political will used to bail out the banks to launch a coordinated recovery effort for growth and jobs.

**2** Initiatives to encourage employment undertaken by Employment and Labour Ministers will fail unless there is coordinated government action at the macro-economic level to support job-rich growth. G20 Employment and Labour Ministers have a responsibility to deliver a clear message to G20 Finance Ministers meeting in October 2011, and their Leaders meeting in Cannes in November 2011 – that our economies are facing a human crisis born of a weak recovery, jobless growth, rising unemployment declining wage share and growing inequality and that their economic policies are escalating this crisis. Unless they prioritise job rich growth and support wage levels, the result is likely to be inadequate investment that will lead to a collapse in growth and rising unemployment. Public deficits are the result, not the cause, of weak private demand; persevering with austerity measures risks pushing countries into a debt trap. Reducing public deficits must be addressed by faster growth in jobs and output, not austerity that will lock countries into stagnation.

**3** G20 Employment and Labour Ministers must also ensure that structural policies are reformed to improve the quality of employment and reverse the rise in income inequality, which was one of the contributory causes of the crisis. At their first meeting in April 2010, G20 Employment and Labour Ministers called for corrective measures to tackle “widening income disparities” *inter alia* through “minimum wage policies and improved institutions for social dialogue and collective bargaining”.<sup>1</sup> This needs to be acted upon through the implementation of policies targeted at strengthening labour market institutions and by shifting the policy focus away from the obsession with wage flexibility that has prevailed over the past two decades. On the contrary, Ministers need to recognise the beneficial impact of strengthening collective bargaining in terms of achieving higher demand and increased growth.

**4** The moment is ripe to take practical measures to strengthen social protection systems in all G20 countries, and beyond this to ensure that the least developed countries establish a Social Protection Floor, which would have a protective and transformative effect for the impoverished half of the world’s workforce that undertakes informal work activities – including the majority of women workers. Such measures would not only be socially just, they would also act as important economic stabilisers not least for the now more than 80 million people who have been pushed into extreme poverty in the recession.

**5** Beyond this, stronger mechanisms for G20 governance must be developed. The upcoming G20 meetings must institutionalise a G20 social pillar. And citizens must have confidence that decisions taken by G20 Leaders and Ministers will be translated into action. The Global Unions’ proposal that a Working Group on Employment and Social Protection be established in the G20 to accelerate action and assist governments in the preparation and implementation of G20 recommendations relating to employment and social protection must now be taken up (§23). G20 Labour Ministers must meet again in early 2012 to review follow-up to this second Ministerial and to formulate recommendations to the June 2012 G20 Summit in Mexico.

**6** In order to achieve these objectives, the G20 Employment and Labour Ministers must:

- Deliver a strong message to G20 Leaders and G20 Finance Ministers that employment creation must be placed at the centre of macro-economic policies and adjust fiscal policy to support growth and employment creation, meaning that employment targets and indicators to measure progress must be included in the G20’s Mutual Assessment Process (§7-8);
- Develop alternative sources of finance to provide funding for employment, quality public services and other social priorities and to help address the public sector deficit, including making domestic taxation more progressive, combating tax evasion and tax havens, introducing a Financial Transactions Tax (FTT) and, for the Eurozone, “Eurobonds” (§8 and BOX 1);
- Step up investment in infrastructure and “green” jobs, skills development and other active labour market policies (§8 and BOX 2);
- Strengthen labour market policies and institutions, including collective bargaining and social dialogue, in recognition of the fact that strong systems of social partnership have helped countries weather the crisis where deregulated labour markets have spread insecurity, and formalise social partner involvement and consultation in the G20 processes (§9-12);

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1 G20 Labour and Employment Ministers’ Recommendations to G20 Leaders, Washington, April 21, 2010.

- Launch a G20 “Youth Pact” that guarantees young people quality employment or a training place, once they have completed their formal education (BOX 3);
- Ensure that rising income inequality is reversed by strengthening systems of collective bargaining, minimum wages and progressive taxation (§13-15);
- Establish a “Social Protection Floor” and strengthen systems of social protection throughout the G20 (§16-19);
- Ensure policy coherence on workers’ rights between and within the international institutions, through impact assessments of their policies and activities conducted by the ILO that address core labour standards and the promotion of decent work (§20-21);
- Establish a G20 Working Group on Employment and Social Protection (§22-23 and BOX 4).

### **Economic Policy for Employment Creation**

7 The global economy faces a jobs emergency. In OECD countries 50% more people were unemployed in 2010 than in 2007. And globally, 84 million more people now live in extreme poverty than before the crisis, most of them in developing countries. For G20 countries alone, OECD and ILO estimates suggest that 110 million jobs must be created by 2015 to return to pre-crisis employment rates – 22 million jobs per year. Even before growth collapsed, it was clear that growth rates were too weak to deliver this jobs growth. Now a full scale jobs emergency confronts the G20.

8 Despite past commitments on jobs, G20 governments are failing to prioritise employment in their policy-making. Employment and Labour Ministers must insist on a coherent “whole of government” approach to tackling the jobs emergency. Global Unions are calling on G20 Labour Ministers to:

- Establish employment targets and indicators to be used in the G20 Mutual Assessment Process (the ILO should prepare relevant analysis and recommendations) and strengthen coherence between the actions of the G20 Labour Ministers and G20 Finance Ministers;
- Insist that G20 Finance Ministers and the central banks maintain support for consumption and investment until self-generating growth is restored, so as to prioritise employment creation;
- In the medium-term, ensure that fiscal imbalances are addressed through growth not austerity and by raising appropriate public revenues to sustain quality public services;
- Develop alternative sources of finance to provide funding for employment, quality public services and other social priorities and to help address the public sector deficits, including making domestic taxation more progressive, combating tax evasion and tax havens, introducing a Financial Transactions Tax (FTT) and, for the Eurozone, “Eurobonds” (BOX 1);
- Invest in infrastructure, prioritising projects that will strengthen growth and jobs, including “green” investment and “green” jobs within the framework of national green economic strategies in the context of the upcoming UN Conference on Sustainable Development (Rio de Janeiro, 2012) (BOX 2).

### **Strengthening Labour Market Institutions and Building a Skilled Workforce**

9 The crisis should once and for all put paid to the ideology that promotes models of deregulated and “flexible” labour markets. The dismal and faltering

recovery, spiralling unemployment figures and record poverty levels in the deregulated US labour market contrasts with stronger, job-rich growth in Germany, which harnessed strong employment protection, collectively negotiated flexible working time agreements and short-time working schemes to keep workers in jobs when the crisis hit. This has benefited not only German workers, but the economy at large.

**10** Furthermore, the continuation and indeed intensification of attacks on wages and collective bargaining structures in parts of Europe and in the US, where several states have outlawed public sector bargaining, is an enormous mistake. Employment and Labour Ministers must take a clear and forceful stand against such attacks.

**11** The focus of labour market policy must be to promote an inclusive, efficient and fair labour market that invests in the education and training of its workforce and prioritises the integration of young women and men into the labour force. Otherwise governments face the risk of a “lost generation” of youth scarred by unemployment and under-employment (see BOX 2).

**12** Global Unions are calling the on G20 Employment and Labour Ministers to:

- Step up efforts to support social dialogue to help implement the ILO’s tripartite Global Jobs Pact;
- Invest in active labour market policies that keep workers attached to the labour force;
- Speak out against the attacks on wages and collective bargaining structures;
- Increase training opportunities, in particular workplace-based training;
- Give a strong message of the value of union involvement in the design and implementation of training policy, as well as in the assessment and revision of training curricula;
- Support collective bargaining in relation to participation in and access to training;
- Tackle under-investment in skills, development and training by the private sector through the implementation of train-or-pay levy/grant schemes so as to encourage employers to increase their levels of investment and commitment;

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#### BOX 1 IMPLEMENT NEW AND INNOVATIVE FORMS OF FUNDING

It is essential that G20 governments identify new and innovative forms of financing to support the investment needed to grow our economies, create jobs and reduce public sector deficits. A Financial Transactions Tax (FTT) covering *inter alia* derivatives – traded on organised exchanges and over-the-counter – would help tackle volatility in asset prices, in addition to raising vital funds for public investment and tackling the debt crisis. A number of G20 governments together with the European Commission have already expressed their support for an FTT. Implementation would not require the agreement of all G20 governments – a well designed FTT could be implemented by a “coalition of willing countries” – but it needs to be addressed multilaterally, with the G20 playing a key role. Governments should also act at the regional level. The European Trade Union Confederation (ETUC) is calling for Eurobonds, a European Public Bank for Sovereign debt and for the ECB to take up its role of a ‘government banker’ to address the Eurozone debt crisis, together with a European investment programme to revive the hardest hit economies and a range of EU level tax reforms including measures to raise taxes on extreme wealth and the harmonisation of the corporate tax base, in addition to an FTT.

- Promote high performance workplaces that increase the effective use of skills;
- Increase training opportunities, in particular workplace-based training, and promote social dialogue and collective bargaining at the enterprise, sector and national levels to create incentives for investment in skills and knowledge, as outlined in the G20 Training Strategy (the ‘Toronto’ training strategy)<sup>2</sup>;
- Introduce workplace training entitlement for workers as a means to secure higher take-up of skills training and subsequent occupational mobility;
- Ensure universally-accessible and well-resourced education;
- Support the extension of social partner consultation on a systemic basis throughout the G20 processes.

## Tackling the Crisis of Income Inequality

<sup>13</sup> Governments must address the “crisis before the crisis” of rising income inequality in almost all of the OECD and G20 countries. The growth in inequality of income distribution over the past two decades, documented by the OECD,<sup>3</sup> is increasingly recognised to have been a key contributory factor to the financial crisis<sup>4</sup> and reflects the weakening of labour market institutions able to deliver better shared wealth.

<sup>14</sup> There is clear and consistent evidence across countries and sectors that trade unions reduce the gap in incomes between low and high earnings and between men and women. Wider collective bargaining coverage and more coordinated systems of collective bargaining also reduce earnings inequality.<sup>5</sup>

<sup>15</sup> G20 Labour Ministers must act now to implement the conclusions of their first meeting in April 2010: “Measures such as minimum wage policies and improved institutions for social dialogue and collective bargaining may need to be strengthened”. Global Unions are calling on Labour Ministers to:

Ensure that policies strengthen labour market institutions;

- Encourage the wider coverage of collective bargaining in the private sector;

2 A Skilled Workforce for Strong, Sustainable and Balanced Growth, A G20 Training Strategy, ILO, Geneva, November 2010.

3 “Growing Unequal”, OECD, 2008.

4 “Inequality, Leverage and Crises”, Michael Kumhof and Romain Rancière, IMF, November 2010.

5 “Collective Bargaining and Wage Inequality” by S. Hayter and B. Weinberg in *The Role of Collective Bargaining in the Global Economy*, ILO (ef. S. Hayter), 2011.

## BOX 2 INVEST IN “GREEN” INFRASTRUCTURE AND “GREEN” JOBS

An employment-intensive strategy based on green investment would generate millions of new ‘green’ and decent jobs, as well as making existing jobs ‘greener’ and more decent. The United Nations Environment Programme (UNEP)<sup>1</sup>, estimates that investing 2% of GDP in the “green” economy could bring a 5-10% increase in jobs in the transport sector, a 26% increase in energy sector jobs and a 30% increase in water utilities by 2050, compared to a “business as usual” scenario. The conditions for a “Just Transition” to the “green” economy, however, have still to be met. Governments should develop strategies based on skills development and retraining, active labour market policies, social protection and social dialogue with trade unions.

1. “Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication”, UNEP, 2011

- Support greater wage equality in their own role as public sector employers and in state-owned enterprises;
- Ensure that tax systems are reformed to become more progressive and reduce wage inequality;
- Through corporate governance reforms and direct government intervention limit the excesses of top corporate remuneration;
- Agree to set minimum wages through law or collective agreements at a level that ensures a “living wage” and by doing so establish floors in labour markets to prevent a worsening spiral of deflation of earnings and prices;

### Implement the Social Protection Floor Initiative

**16** With 1.4 billion people in extreme poverty, struggling to survive on less than \$1.25 a day, some 84 million more than before the crisis, action must be taken both to get progress towards the Millennium Development Goals (MDGs) back on track and to place social protection at the heart of the international development agenda. Yet, all too many governments are cutting back and reducing social protection due to the crisis.

**17** The April 2010 G20 Washington Labour Ministers’ called for “*income support to poor households through cash transfers, nutritional assistance, publicly funded access to basic health services, housing assistance and support for children, the elderly and disabled*”. The 2011 International Labour Conference committed all ILO members to establishing national social protection floors so as to extend a minimum level of social security to all: nationally-defined minimum levels of income security during childhood, working age and old age, as well as affordable access to essential healthcare. G20 Ministers must now act to deliver on these commitments and guarantee universal access to essential services, such as healthcare, education, housing, water and sanitation, as well as putting in place social transfers to guarantee income security, food security and adequate nutrition and addressing the challenges of population ageing.

**18** Good social protection systems are a key element of economic and social

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#### BOX 3 SUPPORT A “YOUTH JOBS PACT”

Youth unemployment is a critical issue for G20 countries and beyond. Youth unemployment rates, already high, understate the problem as they exclude those discouraged young people who are no longer seeking work. Young people are also over-represented in temporary and other form of precarious work, which no longer provide a pathway to permanent jobs or a source of skills and training for the future. With 45 million young people forecast to enter the labour market every year for the next decade, youth unemployment represents an economic and social threat that the world’s leaders ignore at their peril. The Global Unions are calling on the G20 to respond to this crisis and develop a “Youth Jobs Pact”, building on the ILO’s Global Jobs Pact. At the national level it should be designed and implemented through social dialogue with employers and unions and include: vocational education and training guarantees, whether full-time or associated with employment, which lead to qualifications; apprenticeship and quality internship programmes together with incentives for workers and employers that make them effective; job guarantee schemes; active labour market programmes; and social security safety nets. At the international level Global Unions are calling on the G20 to work with the L20 and the B20, international organisations and the G20 Working Group on Employment and Social Protection to target international effort to support initiatives in priority countries, including Tunisia, Egypt and Yemen, as a constructive step towards building cohesion and to demonstrate the workability of the “Youth Jobs Pact”.

progress in industrialised as well as in developing countries. Overall, those countries with developed systems of social protection managed to weather the crisis better than those without. Social protection systems act as automatic stabilisers and help maintain the confidence of workers and their employers in a climate of uncertainty. In emerging economies examples of successful social protection programmes that have been used in response to crises include: in Argentina, the *REPRO (the Federal Productive Reconversion Programme)*; in India, the National Rural Employment Guarantee Scheme; in Mexico, the *Oportunidades/Progresas Programme*; and in Brazil, the *Bolsa Familia*.

**19** The G20 Employment and Labour Ministers, drawing on the ILO and World Health Organisation Social Protection Floor Initiative, with the UN Social Protection Floor Advisory Group, should:

- Guarantee that the Social Protection Floor is inclusive, rights-based, nationally-owned, part of an ongoing process and tripartite involvement in social security funding systems;
- Ensure that funding to accelerate progress towards a Social Protection Floor is made available through UNDP, the World Bank and regional development banks, as well as bilateral ODA and that the concept becomes embedded in development strategies, with improved collection of statistics in order to optimise results;
- Instruct the IMF to continue its collaboration with the ILO to define policies to secure affordable social protection floors in all countries including the least developed, as well as to ensure that adequate fiscal capacity is available to maintain social protection during the economic recovery process.

### **Reinforce Respect for Fundamental Workers' Rights – A Coherent Approach**

**20** The world economy cannot be allowed to return to the failed development model of the past decades. Strengthening the social dimension of globalisation is essential and central to this must be the stronger enforcement of fundamental workers' rights, as agreed in the tripartite forum of the ILO of which all G20 countries are members.

**21** The G20 Employment and Labour Ministers must:

- Progress action by all G20 countries to ensure respect and ratification of ILO core conventions;
- Ensure that the policies and programmes of the international organisations (IMF, World Bank, OECD, WTO) do not in any way undermine these rights;
- Ensure that the ILO is given the resources and tools to achieve strengthened compliance with international labour standards;
- Request the ILO to undertake impact assessments of the policies and programmes of all international organisations in terms of core labour standards and to monitor their promotion of decent work;
- Develop reciprocal arrangements for observer status between all international economic organisations;
- Ensure the highest levels of workers' health and safety, tackling occupational diseases and strengthening international norms (notably the Rotterdam Convention's coverage of asbestos);
- Support the rights of migrant workers, including through the promotion of intergovernmental cooperation on social security schemes;

- Ensure that trade and investment agreements require the respect and enforcement of both national labour law and internationally-recognised labour rights;
- Support the effective implementation and promotion of relevant international instruments for responsible business conduct, including most notably the recently updated OECD Guidelines for Multinational Enterprises.

## Strengthen G20 Governance – A G20 Working Group on Employment and Social Protection

<sup>22</sup> The G20 Employment and Labour Ministers Meeting in April 2010 provided important recommendations on creating quality employment. While these recommendations remain either under-implemented or not implemented at all, the jobs emergency continues to wreak havoc with the lives of workers and their families. In order to realise the G20's commitments on jobs, the G20 must establish a Working Group on Employment and Social Protection to follow-up past recommendations and ensure continuity in the future including under the incoming G20 Presidency of Mexico. Given the diverse nature of employment policies across the G20, the purpose of the Working Group would be to share good practice and identify shared priorities.<sup>6</sup>

<sup>23</sup> Global Unions are calling on the G20 Employment and Labour Ministers to:

- Establish a Working Group on Employment and Social Protection to ensure continuity and to promote policy coherence on employment and social protection;
- - Play a full role in all ongoing G20 processes and ensure that G20 Leaders endorse their recommendations on labour and economic policies as a fully integrated part of the G20 Cannes Conclusions;
- Hold a third Ministerial meeting early in 2012 to review follow-up to their second Ministerial and to formulate recommendations to the June 2012 G20 Summit in Mexico.

6 ITUC/TUAC Statement on a G20 Working Group on Employment and Social Protection, July 2011.

### BOX 4 G20 WORKING GROUP ON EMPLOYMENT AND SOCIAL PROTECTION—STRENGTHENING G20 GOVERNANCE

The aim of the Working Group on Employment and Social Protection would be to ensure follow-up of recommendations, continuity in the future and to support policy coherence across the G20. Its mandate would be to: consider assessments of the employment impact of the crisis prepared by the relevant international organisations; analyse the effectiveness of the labour market measures implemented in G20 countries with attention to their disaggregated impact on different categories of the workforce (including, women and men and young and older workers); and make recommendations for targeted and co-ordinated packages to maximise the positive impact on growth, employment and equity. It would also consider the priorities for employment targets comparable to the fiscal and other macro-economic targets analysed within the G20's Mutual Assessment Processes. In line with other G20 Working Groups, such as that on Development, the G20 Working Group on Employment could be co-chaired by a number of interested G20 members. In addition to including representatives of G20 labour ministries and relevant international organisations, it should also involve finance and development ministries and consult social partner representatives from G20 countries.



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