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L20 TRADE UNION STATEMENT TO THE G20 FINANCE AND LABOUR MINISTERS' JOINT MEETING

MOSCOW, RUSSIAN FEDERATION
18-19 JULY, 2013

“Jobs with labor rights, social security coverage and decent income contribute to more stable growth, enhance social inclusion and reduce poverty.”

G20 LEADERS DECLARATION, LOS CABOS, JUNE 2012

“... global growth has continued to be too weak and unemployment remain too high in many countries.”

G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS' COMMUNIQUÉ, WASHINGTON, 18-19 APRIL 2013

Executive Summary

1 The initiative to create the G20 Leaders' Summits in 2008 was a critically important response by the World's leading economies to the global financial crisis. The G20 reflected the new reality of shifting distribution of economic power integrating the industrialised and the emerging economies. Coordinated action by the G20 to support demand and the banking system avoided a global economic meltdown in the first two years of the crisis. From 2010 onwards many governments opted for austerity measures rather than focussing on building inclusive and sustainable long-term growth. As a result, five years into the crisis, the global economy is on a dangerous slide into a further recession in industrialised G20 member states, while growth in emerging economies is stalling. The very financial institutions that were saved by tax-payers are speculating against the states that saved them. The G20 countries now face a jobs emergency and a crisis of confidence in leadership that may prove just as dangerous as the crisis of 2008. The G20 must strive for a renewed momentum for economic leadership and show that it is prepared to deliver on past and future commitments.

In partnership with

2 Rising unemployment levels and the deficit of decent work have become the key problems faced by the G20. With output stagnant or falling in significant parts of the G20 area, unemployment is set to rise in many countries, pushing it globally above the already unacceptable level of 200 million people out of work. These figures mask the 39 million women and men, who have withdrawn from the world labour force since the crisis began. In many of the developing countries and emerging economies, the continuation of the crisis is pushing efforts to reduce informality by shifting to more productive jobs off track. The fact that more than 40% of the unemployed, almost 75 million, are young people under the age of 25 is equally alarming. Youth unemployment rates of 56 percent in Spain and 38 percent in Portugal and Italy mirror the devastating extent of the crisis. In the EU, they will remain above 17 percent until 2015, according to the International Labour Organization. This is a waste of our most precious resource - the young - who risk becoming permanently scarred by the experience of being neither in employment nor in education or training.

3 Social protection systems in the industrialised countries acted as important stabilisers in the first years of the crisis, however, these are now under attack through cuts in government expenditure. Austerity also leads to mounting disrespect for core labour standards. Moreover, at global level, 84% of those, who lost their jobs in the crisis, have no unemployment insurance. As a result, they are forced to accept informal activity to survive. 21 million jobs are needed each year to return to pre-crisis employment rates by 2015 - G20 countries are far away from meeting this target. The ILO estimates that 600 million jobs over the next decade are necessary to bring unemployment down to pre-crisis levels and create new jobs for those entering the labour force. In this respect, the global economic situation and current policies are off course and need to be rapidly adjusted.

4 Rising income inequality is now recognised as a contributory factor to financial bubbles and market instability. Yet, inequality has continued to increase unabated in most of the G20. Whilst median income has stagnated in industrialised countries in 2012, the world's wealthiest people became 241 billion dollars richer – while the bottom 10% of the population's income fell by 2% per year since 2007¹. The inequality in pre-tax and benefit incomes increased in 17 OECD countries more in the last three years than in the previous 12 years. Although the private sector continues to accumulate wealth, it is failing to invest at adequate levels to drive economic growth. In the US, the top one percent of the income distribution received 98% of the increase in GDP in 2010. This is not only unjust, it is preventing any hope of renewed growth in consumption or private sector investment and therefore sapping any sustainable, long-term economic recovery. By contrast public services, which disproportionally increase the social wage of the least wealthy and provide countercyclical investment, are being cut exactly at the time when low income earners are most vulnerable and automatic economic stabilisers are most desperately needed².

5 This grim economic and social situation is leading to a breakdown of trust in leadership in many G20 countries and results in a crisis of public confidence. A Global Poll of the general public in 13 countries undertaken in 2012³ showed that: for 35% of people the threat of not having a job has increased in the last two years; 71% think that labour laws do not give them adequate protection; 58% saw their income fall behind their costs of living; 1 in 7 people perceive themselves as poor – without sufficient means for basic essentials as housing, food and electricity; 67% assume that future generations will be worse off than they personally are right now, and 58% think their

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1 The recently released data of the OECD Income Distribution Data Base showed that higher unemployment and lower real wages reduced household income (including incomes from capital) by 2% per year from the onset of the crisis.

2 OECD data showed that it had been social transfers and fiscal stimulus that boosted demand that kept/offset further rises in inequality in check.

3 ITUC, Global Poll 2012, Brussels.

country is going in the wrong economic direction. Additionally, 67% of people in the poll thought that voters do not have enough influence over economic decisions. The services that the survey shows people most value – affordable access to health care (93%), education (94%), decent retirement incomes (91%) and access to childcare (90%) are those that governments are currently cutting under austerity measures. These results mirror the current lack of trust and confidence in political and economic decision makers.

6 The L20 have called consistently for G20 governments to make employment central to their recovery strategies, and to strengthen labour market institutions in order to achieve a fair income distribution. The L20 and the B20 jointly urged to address employment as a central issue at the Cannes and Los Cabos Summits “*in order to reduce unemployment and prevent the risk of a growing share of the population losing faith in the global economy*”⁴. The employment commitments of G20 Labour Ministers and Leaders at the Los Cabos Summit, if acted upon, would make a significant difference in restoring employment growth. But as long as they remain only sentences in communiqués and are not transformed into action, the result will be a further decline in trust from citizens in the G20 governments’ willingness and capability to follow-up with policy action. Now is the time to take concrete steps. The B20 and the L20 submitted a joint call for investment in infrastructure, scaling up of apprenticeships and formalising business and jobs in the expanding informal sector. The L20 and B20 have concluded an agreement on high quality apprenticeships to implement their provision at company and national levels on a major scale.

7 The decision of the Russian G20 Presidency to hold the first joint meeting of Labour and Employment and Finance Ministers provides an opportunity to re-launch a Jobs Plan for the G20 economies, to restore confidence that past commitments will be acted upon and to implement the ILO’s Global Jobs Pact as reaffirmed by the ILO’s Europe-Central Asia regional meeting. The L20 calls for the G20 Labour and Employment Ministers and the G20 Finance Ministers to:

- Take targeted action to support aggregate demand and employment in those countries facing a serious slowdown in growth or slipping into recession;
- Put an immediate halt to austerity measures and corresponding cuts in public spending in areas that provide social support, facilitate productive economic activity and provide the basis for functioning stable government services;
- Invest in infrastructure, education and quality public services including in the care economy to improve long-term productive potential, and support the transition to a low-carbon economy by, amongst others, engaging with workers’ pension funds to achieve this goal;
- Take determined action to counter the erosion of tax bases and achieve reform of tax systems, so as to move towards broader-based and more progressive taxation; Support this by shifting taxation from employment to environmentally damaging and non-productive activities;
- Fund measures by ensuring revenue is not lost through tax havens by requiring automatic exchange of information and country by country reporting and supporting action to stop Base Erosion and Profit Shifting by multinational enterprises;
- Maintain and increase expenditure on active labour market programmes and implement schemes to promote job retention and job sharing until a recovery in employment growth is assured;
- Expand cooperation with the social partners to scale up apprenticeships and training programmes and put in place a “Jobs Guarantee” for young people;
- Reverse the rise in income inequality by strengthening collective bargaining and set robust minimum wages as part of a coherent set of labour market policies for more inclusive growth;

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4 B20-L20 Joint Statement, Cannes 2011, Los Cabos 2012.

- Ensure that women benefit from these policy actions to avoid a further deterioration of gender gaps in employment and income levels;
- Improve the provision of affordable finance to small and medium-size enterprises (SMEs), facilitate their insertion into global value chains, and ensure that they can provide decent work to their employees;
- Develop an action plan to support the implementation of a global social protection floor as agreed at past G20 meetings and support the ratification of the ILO Conventions on social security so as to develop more generally the coverage of social protection systems;
- Establish employment targets or indicators to be used in the G20 Mutual Assessment Process for “Strong, Sustainable and Balanced Growth”;
- Commission the G20 Employment Task Force with a permanent mandate to carry out regular monitoring of the implementation of past agreements, starting with the implementation of the 2012 strategies for increasing youth employment and quality apprenticeships.

8 For these policies to work, it is essential that the G20 countries regain their political will to act in a coordinated manner. The Joint Ministerial Meeting’s conclusions should form a central component of the St. Petersburg Summit Leaders’ Statement and Action Plan. We urge that a further meeting is organised in association with social partners under the Australian G20 Presidency in 2014 to enable an assessment of the implementation of the measures agreed.

Restoring Job Creation, Growth and Trust

“We are committed to adopting all necessary policy measures to strengthen demand, support global growth and restore confidence, address short and medium term risks, enhance job creation and reduce unemployment...”

“Should economic conditions deteriorate significantly further, those countries with sufficient fiscal space stand ready to coordinate and implement discretionary fiscal actions to support domestic demand, as appropriate. In many countries, higher investment in education, innovation and infrastructure can support the creation of jobs now while raising productivity and future growth prospects.”

G20 LEADERS DECLARATION, LOS CABOS, JUNE 2012

9 Growth of the world economy has again weakened during 2012 and is expected to remain subdued in the coming two years. Since September 2011, the IMF has revised downwards its global growth forecast six times successively. The forecast of global output growth of 3.2% for 2013 yet again marks a downward revision from the beginning of the year. Eight Euro-zone countries are forecast to stay in recession throughout 2013. Overall growth prospects are insufficient to prevent unemployment from rising in most of the G20 countries and beyond. The OECD's Economic Outlook of 2013 predicts that unemployment levels across the OECD will increase to 8.1% in 2013. The real GDP growth in the OECD area is projected to fall to 1.2% in face of a continuing recession in the Euro area (-0.6%). This data and the IMF's admission to have made mistakes regarding the Greek consolidation package clearly display that the insistence on austerity does not lead to “self-sustained growth” or investors' and consumers' confidence.

10 Given this sombre economic outlook, G20 governments have to live up to their commitments made in Los Cabos and take action to support domestic demand, including by investing in education, innovation and infrastructure. Measures have to simultaneously ensure a transition to a “green economy” as it opens up possibilities to create jobs if skills match new structural conditions. Such opportunities exist in a range of sectors including power generation, energy efficiency and retrofitting, public transportation and rural development. Policy action promoting green, sustainable and inclusive growth would rebuild public confidence in politics and the economic future.

11 This implies that national governments have the capacity to implement high quality public policy and provide the services necessary for a productive and growing economy. Rebuilding trust in government, particularly in the face of reforms, presupposes that the social contract is strengthened not weakened. Ensuring that public sector services are provided and that social infrastructure such as public administration, a strong legal system, health, education and other essential services are available, contributes to restoring public confidence.

12 In the face of this situation, the L20 is calling on the Ministers to agree - as part of a G20 Jobs Plan - to a series of measures to support demand, whilst also improving social and economic infrastructures. They should:

- Shift the fiscal policy focus away from austerity to the support of quality employment creation and address fiscal imbalances through growth inducing measures over the medium term by raising appropriate tax revenues;
- Take determined action to counter the erosion of tax bases, commit to automatic exchange of information between national tax authorities and support the creation of a financial transaction tax;
- Expand investment in infrastructure and prioritise projects that will strengthen growth and jobs including “green” investments and jobs within the framework of national green economy and sustainable development strategies;

- Engage with workers' pension funds to raise finance for sustainable long-term investment and improve accountability, reporting and transparency all along the investment chain;
- Support quality public services in the “care economy” such as child care, services for the elderly and the sick, so as to alleviate inequality, unpaid work, create employment, enhance women's participation in the labour market and reduce precarious work;
- Invest in public education, lifelong learning and innovation to support the creation of decent work;
- Commit to an agreement on the principles of the green economy, which must include equity, gender equality, decent work including trade union rights, democracy and a just transition for workers.

Strengthening Active Labour Market Programmes and Action for Youth

“Improve employment policies, particularly for young people and the most vulnerable groups: Promoting smooth transitions from education, learning and training into decent jobs is a shared concern.”

G20 LABOUR AND EMPLOYMENT MINISTERS' CONCLUSIONS, PARIS, SEPTEMBER 2011

13 G20 governments must learn from the labour market measures that have been effective since the onset of the crisis in countering the rise in unemployment. Keeping workers in work or training places is less costly economically or socially than seeing them being unemployed or falling out of the labour force. As long-term unemployment is rising with the duration of the crisis, it risks creating devastating long-term economic and social damage.

14 Past G20 Labour Ministers' meetings have recognized the value of job sharing and short-time working schemes agreed between firms and unions and supported by government expenditure. They proved to be most effective when linked to the expansion of training opportunities, which in turn ensures a continuous re-investment in the skills of the labour force. ILO and OECD research has shown that targeted spending in active labour market and skills programmes can increase employment over the medium term. Yet, in the face of cuts in government expenditure, these schemes are scaled back or limited in some G20 countries, when they should be increased. In several of the emerging G20 countries, active employment schemes have been highly efficient, in particular those in the rural sector.

15 The urgent necessity for active labour market policies is most obvious in the case of the youth. The G20 Employment Task Force (ETF) made extensive recommendations on youth employment in 2012. G20 governments' policies now have to follow suit as they are confronted by alarming rates of youth unemployment that in many cases double adult rates. Young people are frequently forced to accept precarious or informal work. The OECD Action Plan on “Giving Youth a Better Start” is an important starting point. The L20 are ready to work with governments and business to meet this challenge, starting with implementing the L20/B20 apprenticeship initiative.

16 The L20 is calling on Finance and Labour Ministers to:

- Increase expenditure on active labour market programmes and support short-time working schemes where necessary as an alternative to unemployment;
- Ensure - within the G20 Youth Jobs Pact - that young people receive quality employment or a training place once they have completed their formal education;

- Invest further in vocational education and training;
- Work with the social partners to establish national commitments on apprenticeship and quality internship programmes, and ensure that young workers are paid fairly and have adequate income support in the event of unemployment;
- Encourage trade union and social partner involvement in the design and implementation of training policies, introduce workplace training entitlement for workers to assure occupational mobility and work with other ministries on investments in infrastructure, education, training and innovation.

Building Inclusive Growth and Reducing Inequality

“Even before the current crisis erupted, a number of countries had experienced deteriorating or stagnant conditions with respect to wages and terms of employment and widening income disparities. Measures such as minimum wage policies and improved institutions for social dialogue and collective bargaining may need to be strengthened in such cases.”

G20 LABOUR AND EMPLOYMENT MINISTERS’ RECOMMENDATIONS TO LEADERS, WASHINGTON, APRIL 2010

“We commit to take concrete actions to overcome the barriers hindering women’s full economic and social participation and to expand economic opportunities for women in G20 economies. We also express our firm commitment to advance gender equality in all areas, including skills training, wages and salaries, treatment in the workplace, and responsibilities in care-giving.”

G20 LEADERS DECLARATION, LOS CABOS, JUNE 2012

17 Governments must revise structural policy recommendations to reverse the rise in income inequality by moving to a model of more inclusive growth that strengthens labour market institutions such as collective bargaining and wage floors. Public services and transfers, as well as robust minimum wages have proved to have a stabilising effect on demand during the crisis years. In the longer term, they are necessary for more inclusive growth. The G20 should embrace these measures and push for the inclusion of decent work, social equity, quality public services, trade union and workers’ rights, and equality as principles in the new post-2015 Millennium Development Goals.

18 Despite evidence to the contrary, some G20 governments continue to press for “flexibility” that is synonymous to labour market deregulation and reduced public spending as a crisis response alongside austerity policies. Structural reforms have often masked attacks on wages, collective bargaining structures, trade union rights and public assets. Such “reforms” damage the economic and social fabric in the long run, increase the already rising inequalities further and restrict public policy space for future action by ceding service delivery to the private sector. Cuts in public expenditure also have disproportionate effects on women, increasing their care burden and restraining their participation in the formal labour market. In addition, austerity measures prompt economic and public confidence losses that are reflected in insufficient aggregate demand and investment levels. This is exacerbated by rapid rises in cuts to public sector jobs that have traditionally acted as anchors to consumer spending in downturns. There is moreover an unprecedented rise in informal and precarious work. In general, such policies will therefore neither achieve sustainable growth nor long-term fiscal consolidation.

19 Global demand and economic recovery are hindered by rising income inequality and loss in confidence by both consumers and investors. The G20 must take the lead towards a policy change that:

- Strengthens labour market institutions and promotes effective wage formation;
- Increases productive investment and restores global aggregate demand;
- Reinforces social cohesion;
- Invests in public services that improve the redistribution of wealth —and public education that allows skills formation to underpin individual economic prosperity;
- Enhances labour market policy, especially for vulnerable groups;
- Promotes equality and ensures that gender gaps in employment do not deteriorate further with the help of systematic gender impact assessments to inform policy options.

20 In combating inequality and the devastating labour market conditions, the L20 urge the G20 Labour and Finance Ministers to ensure coherence between economic and social policies at national and global levels with close cooperation with social partners and international organisations to promote decent work and sustainable demand by:

- Taking measures to halt precarious, irregular and contract work by extending social protection and labour rights and invest in active labour market policies that keep workers in the labour force;
- Ensuring well-set minimum wages and preventing a downward spiral of deflation of earnings and prices;
- Strengthening compliance with the ILO's international labour standards and ensuring ratification and implementation of the ILO Core Conventions;
- Encouraging inclusiveness through strengthened collective bargaining and social dialogue;
- Undertaking affirmative action and introducing better legislation to eliminate the gender pay gap;
- Reforming tax policy to ensure it is both progressive and enforceable.

Creating Good Jobs in Small and Medium-Sized Enterprises

“We are committed to strengthen policies that support small and medium sized enterprises, especially to formalize their workforce and improve working conditions.”
G20 LABOUR AND EMPLOYMENT MINISTERS’ CONCLUSIONS, PARIS, SEPTEMBER 2011

21 The G20 has drawn attention to the importance of small and medium-sized enterprises (SMEs) as a source of employment creation. Reinforcing smaller enterprises capacity to grow and create quality jobs should be a part of a G20 Jobs Plan. One immediate concern is the shortage of funding for SMEs as a result of the banking crisis. Governments need to reach agreement with banks on lending targets and expanding credit for SMEs. This can be backed up by measures to provide loan guarantees and programmes to enable SMEs to develop their export potential and profit from global value chains. Currently, the market power of a few international buyers too often squeezes not just profits but also leads to worsening working conditions and labour rights abuses. SME's are also at a disadvantage in regards to tax regimes that allow multinationals to avoid taxes that they must pay.

22 Governments should opt for integrated policies designed to:

- Ensure the provision of necessary finance for SMEs expansion;
- Promote business models that allow quality employment growth by encouraging cooperatives and networks of firms;
- Guarantee that SME's are not put at a competitive disadvantage by ensuring that MNE's pay appropriate and comparable effective tax rates;

- Guarantee the observation of fundamental workers' rights along supply chains, and ensure that multinational companies and brands apply both due diligence in respect to human rights and in view of their pricing policies to allow the creation of decent work;
- Take a major initiative to ensure the transition of jobs and activities lying outside the formal sector.

Delivering on Past Commitments and Building Hope for the Future

“We reaffirm the importance of policy coherence between growth and employment, and between macroeconomic and employment policies at the national and international levels. Therefore, we recommend our Leaders strengthen the cooperation between G20 Finance and Labour and Employment Ministers on the links between growth and employment.”

G20 LABOUR AND EMPLOYMENT MINISTERS' CONCLUSIONS, GUADALAJARA, MAY 2012

23 In order to start rebuilding trust of citizens in the G20 process, it is necessary for the G20 governments to show that they have a coherent set of policies at the international level to tackle the social and employment impacts of this global crisis. The joint Labour and Finance Ministers' meeting provides an opportunity to achieve this. Thereby, it is imperative that governments deliver on past and future commitments. It is welcome that the Employment Task Force (ETF) received reports on action taken by G20 governments to implement past commitments. The ETF should operationalise reviews on the implementation of decisions. This should commence with the implementation of the 2012 Strategies on Youth Employment. In cooperation with the G20 Development Working Group, the Task Force should put forward an Action Plan to operationalise recommendations on the development and financing of a global Social Protection Floor. The Task Force should also establish clear employment targets and indicators, and the G20 Finance Ministers' Framework Group should incorporate these into the Mutual Assessment Process for “Strong, Sustainable and Balanced Growth”.

24 In the light of this the G20 should:

- Renew the mandate of the Employment Task Force and instruct it to operationalise a review process so as to monitor the implementation of G20 Employment Action Plans and the decisions taken at the Ministerial meetings;
- Commit to the implementation of the G20 Task Force's reports on Youth Employment and Quality Apprenticeships;
- Support the B20-L20 Initiative on scaling up Quality Apprenticeships;
- Upgrade the level of G20 social dialogue and consultation at national and international levels so as to ensure effective implementation of policy commitments;
- Ensure the Social Partners presence at the St Petersburg summit to report on the recommendations of and action taken by the L20 and B20.

25 The L20 calls on the first joint meeting of Ministers of Labour and Employment and Ministers of Finance to use this opportunity to redouble their efforts and intensify their cooperation. The economic, financial and social crises are interconnected and stem from systemic inequalities and imbalances that can be addressed only with a coherent set of policies. The joint meeting is a step into this direction: it should not be an isolated event but become a key part of the Australian G20 Presidency in 2014.

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