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Investing in Decent Work – the Key to a New Global Economy

ITUC Statement to the Financing for Development Review Conference

Doha, 29 November to 2 December, 2008

INTRODUCTION – ADDRESSING THE GLOBAL ECONOMIC CRISIS THROUGH THE UN FINANCING FOR DEVELOPMENT PROCESS

1. The International Review Conference on Financing for Development (FfD) is taking place against the backdrop of a global financial crisis and economic slowdown that is already having disastrous consequences for the lives of working people worldwide. The crisis threatens to increase economic hardship for millions of people, putting them out of work and turning the clock back on years of efforts to eradicate hunger and poverty and achieve the Millennium Development Goals (MDGs). The Review Conference of the United Nations on Financing for Development must therefore constitute a forum for government representatives of industrialised, emerging and developing countries to come together at highest level to agree on firm measures to bring about global economic recovery with a strong development focus, infusing it with a clear social dimension. It must be a space where they engage with trade unions and other civil society organisations that have long been proposing alternatives to the model of economic globalisation that has brought us to the current impasse.

2. The International Trade Union Confederation (ITUC), representing 168 million workers, organised in national trade union centres in 155 countries world wide is particularly concerned that the Declaration of the G20 Summit on Financial Markets and the World Economy (November 15, 2008) failed to link the measures proposed to tackle the financial crisis with concrete and targeted measures to alleviate its negative impacts on employment in the real economy. The looming jobs crisis, the weakening of labour markets, the erosion of incomes and social security, and the dim prospects for poverty eradication were not mentioned in the G20 Declaration. Through the Financing for Development Review process, the United Nations must provide that link, and propose ways to overcome this serious policy deficit.

The Six Thematic Areas of the Monterrey Consensus

3. The Review Conference Outcome Document must come up with a range of policy measures to deal comprehensively and for the long term with the challenges posed by the crisis. The six thematic areas of the financing for development agenda are instrumental when formulating such a comprehensive policy response:

- Mobilizing Domestic Resources for Development
- Mobilizing International Resources for Development, including Foreign Direct Investment and Portfolio Capital flows
- Trade as an Engine of Growth and Development
- Enhancing Development Cooperation
- Addressing External Debt
- Addressing Systemic Issues and Policy Coherence

Social Justice for a Fair Globalisation

4. Governments present in Doha must therefore agree to a strong political declaration and commitment to action in all these six areas of the Monterrey Consensus adopted in 2002, for which the current Conference is meant to undertake an appraisal of progress, and propose new commitments and steps forward. In this regard, trade unions wish to highlight full and productive employment and decent work as central policy dimensions to be mainstreamed throughout all the thematic areas of the Monterrey Consensus. Further, the recently adopted *ILO Declaration on Social justice for a Fair Globalisation* calls on the international community “to examine and consider all international economic and financial policies in the light of the fundamental objective of social justice...and to place full and productive employment and decent work at the centre of economic and social policies...”.

I. MOBILIZING DOMESTIC RESOURCES FOR DEVELOPMENT

5. A starting point for domestic resource mobilization must be agreement on the end goals and priorities of such mobilization. This will help to shape the attendant policies in a sustainable, results-oriented manner. At national level, resource mobilization must focus on fiscal reform, strengthening tax administration, and broadening the tax base. On the investment side, the attendant focus must be on enabling measures for public finance management, as well as social infrastructure, including health, education, and decent work strategies.

Fiscal Reform and Tax Justice

6. The issue of tax justice is key. Governments should seek to establish or strengthen progressive regimes that place the highest tax requirements on capital gains and on the wealthy, and provide tax relief for low-income families and the poor. There is a need for intergovernmental cooperation to fight tax evasion, as well as practices such as mis-pricing and transfer pricing followed by many multinational enterprises. On the issue of addressing tax malpractice, the G20 Summit Declaration does not go far enough. It merely calls upon the relevant actors to increase their cooperation in tax matters. Capital flight through mis-pricing, transfer pricing and tax evasion results annually in trillions of development dollars foregone. This is a critical area for the Financing for Development follow-up process to address. Effective measures should be adopted to recapture these lost resources, and they should, in turn be channelled into achieving decent work objectives, and supporting Decent Work Country Programmes (DCWPs). The UN Committee of Experts on International Cooperation in Tax Matters needs to be strengthened by being turned into an intergovernmental body that can deal adequately with this range of contentious and complex issues.

Decent Work as central to a New Policy Paradigm

7. The G20 Declaration affirms the need to restore prosperity in the Global Economy. Trade unions contend that the objectives to be attained should specifically be shared prosperity, with decent jobs and livelihoods for all. Indeed, the period prior to the financial crisis **was** characterised by satisfactory GDP growth, but this failed to generate decent jobs and to extend benefits to working people and the poor. A new impetus to jumpstart the global economy must adopt an alternative paradigm that promotes fair distribution of wealth created and resources generated in the economy, based upon the centrality of decent work as a mechanism for employment generation, social protection, social dialogue and rights at work

8. A sustained focus on employment and decent work will shift policies and regulatory frameworks towards investments in human resource development, training, income-generating activities including for women, and decent jobs, as well as the provision of quality public services as a foundation of decent livelihoods for all.

9. The Doha Outcome Document (DOD) must affirm the need for incorporating these elements into a framework for sustainable growth and development. In this regard, trade unions call for the strengthening of para 6 of the DOD in order to read as below:

“Human labour is the most precious and valuable asset of our societies. The realisation of decent work for all, including investment in women and men through better designed and better funded health and education policies, coupled with better social protection active labour market policies, and observance of core labour standards is essential. Such policies have begun to show results, but increased efforts are needed.”

10. Trade unions and social justice partners present in Doha will be reiterating their Call to Action for Decent Work, including in its gender dimensions. They will be highlighting the achievements of the World Day of Decent Work (7 October, 2008) as an important mobilizing opportunity aimed at securing broad civic engagement in the realisation of these important development objectives.

Investing in Gender Equality and Women’s Empowerment

11. The provision of basic public services is an essential pre-requisite for achieving gender equality and empowering women. It therefore constitutes an important dimension for resource mobilization and allocation, when implementing decent work strategies. Building social infrastructure through public investments in basic utilities, health and education, and ensuring women’s access to these services, is vital for securing a decent quality of life for women. It helps to compensate women for their unpaid labour in the care economy by providing the social services needed to support their activities and free women from domestic, unpaid duties, enabling their access to other economic activities. Trade unions call for the mainstreaming of gender equality objectives into the Doha Outcome Document.

II. MOBILIZING INTERNATIONAL RESOURCES FOR DEVELOPMENT

Corporate Social Accountability

12. With regard to the DOD's call for "an enabling business environment" as "fundamental to fostering domestic and foreign private investment", trade unions wish to highlight the potentially pernicious effects of the World Bank's Doing Business report and its Employing Workers Indicator, in undermining decent work objectives while aiming to create a supposedly business-friendly environment. Trade unions welcome the DOD's pledge that governments "will continue to put in place transparent, appropriate and enforceable regulations and laws for doing business, improve the availability of finance for enterprise, upgrade the skills and technical capabilities of human resources, and facilitate public/private consultative mechanisms".

13. Trade unions call for tripartite consultative mechanisms and core labour standards as explicit components of "enforceable mechanisms" and maintain that any socially responsible, corporate practices must be consistent with decent work objectives, including in export processing zones which employ a majority of women. The full observance of the ILO Tripartite Declaration of Principles on Multinational Enterprises and Social Policy must be promoted by the DOD, as integral to socially responsible FDI.

III. TRADE AS AN ENGINE FOR GROWTH AND DEVELOPMENT

14. Trade unions call upon Member States to use the FfD Doha process as an opportunity to reshape the WTO Doha negotiations towards a genuine development round. In the interests of policy coherence, outcomes should be fully aligned with the Internationally Agreed Development Goals (IADGs) including the MDGs, as well as with decent work objectives and the observance of core labour standards. The pressure put on developing countries for rapid trade and financial liberalisation leaves them vulnerable to increased risks of economic slowdown in the current crisis. Developing countries must be accorded the policy space to determine the extent and pace of market liberalisation, including in the area of services.

Promoting development-friendly Trade

15. Trade unions contend that trade and investment have the potential to serve as effective instruments to raise financing for development, but only in the presence of a number of complementary policies. Such policies should target:

- Restrictions on profit repatriation;
- Balanced rules on investment, with rights and obligations for investors, and the observance of workers' protections and rights;
- Value-addition, technology and skills transfer, technology content and creation;
- The creation of backward and forward linkages with the domestic economy;
- Linkage to development and decent work outcomes;
- Accompanying welfare-enhancing measures, including income-generating schemes, social services, social protection, and social dialogue and decent work.

These policies, aimed at establishing a basis for fair, development-friendly trade are, for the most part, not being promoted by the WTO, and must therefore be affirmed by the FfD Doha Outcome Document.

IV. ENHANCING DEVELOPMENT COOPERATION

Decent Work at the heart of development effectiveness

16. Trade unions reiterate the calls made in the ITUC Statement to the Accra 3rd High Level Forum (HLF) on Aid Effectiveness (AE), that decent work lies at the heart of development effectiveness, and should be an important objective for development cooperation. We highlight the importance of an AE process that is democratised through genuine partnerships and mutual accountability, as well as full civil society and trade union engagement. Democratic ownership of the development strategies by the people through representative political institutions and civil society organisations including trade unions, is the main challenge to effective governance for development. Effective coordination with the relevant UN processes, the Development Cooperation Forum (DCF) and the FfD is of equal importance. The AE agenda needs to make significant progress with regard to the untying of aid, the removal of harmful policy conditionalities and the promotion of local procurement. Adopting local procurement policies would be consistent with employment and decent work objectives as part of a process of strengthening country systems.

Staying on Track with ODA Targets

17. Disappointingly, even though the G20 governments acknowledge the potentially serious impacts of the crisis on the poorest countries, no promises were made at the Summit to increase official development assistance (ODA) commitments. Trade unions insist that industrialised country governments should not use the current financial crisis as an excuse to renege on their ODA commitments. Rather, among industrialised countries that have not yet reached the UN's target of 0.7% of GNI to ODA by 2015, timetables for reaching this target must be set, and must stay on track. Such national ODA timetables should state clearly the increases in their annual quantitative financing pledges, and committing to increasing the grant component of ODA over loans.

18. Development actors must harmonise their policies with sustainable development objectives, including decent work objectives. With due attention paid to national ownership and preservation of national policy space, multilateral and bilateral donors should prioritise support for national decent work strategies as part of development cooperation, and maintain adequate and predictable levels of ODA budgetary allocations for this purpose. Consultations with trade unions and other representative actors in partner countries constitute an important aspect of governance for aid effectiveness.

Innovative Financing and the Currency Transaction Tax (CTT)

19. Trade unions welcome the work of the Leading Group on Innovative financing and call for this group to fully take on the promotion of the Currency Transaction Tax (CTT). Given the tremendous development financing needs, including for climate change adaptation and mitigation, funds generated through innovative financing mechanisms should be additional to and not substituted for ODA.

V. ADDRESSING EXTERNAL DEBT

20. Trade unions welcome para 46 of the DOD, which calls for the establishment of a sovereign debt work out mechanism, and expresses the hope that this will be adopted by governments in Doha. We insist that the “equivalent treatment of all creditors” should be matched by a major focus on equal treatment of debtors facing crucial development challenges. Debt sustainability assessments should be linked to a country’s capacity to achieve the MDGs. Other issues related to unsustainable debt burdens and their root causes must be decisively addressed. These include vulture funds and exploitative debt litigation, the issue of odious and illegitimate debt, and continued predatory lending.

21. The G20 Declaration recognised the need for regulation to protect investors against manipulative and fraudulent practices, but fell short of mentioning vulture funds which have exacerbated the debt burdens of some developing countries. However, the G20 Declaration’s call for support to the UN Stolen Asset Recovery (StAR) Initiative is to be welcomed. Resources obtained through regulation and such initiatives should be channelled towards achieving the MDGs.

VI. ADDRESSING SYSTEMIC ISSUES AND POLICY COHERENCE

The Washington Declaration – Trade Union proposals for restoring global sustainable growth

22. Progress in addressing systemic issues since the Monterrey Conference has been highly unsatisfactory. The current financial crisis is ample proof of that. The world's trade unions are therefore calling for a series of urgent actions to stave off the prospect of deep and long-lasting global recession, coupled with major changes in the running of the global economy to turn back decades of deregulation policies that are at the root of the current crisis. A fresh push for development and decent work is needed, as well as a "Green New Deal" to tackle climate change effectively through substantive commitments at the UN Conference of the Parties (COP14) in Poznan, Poland in December 2008. The detailed union proposals are set out in a recovery and reform programme entitled the "Washington Declaration" [http://www.ituc-
csi.org/IMG/pdf/0811t_gf_G20.pdf](http://www.ituc-csi.org/IMG/pdf/0811t_gf_G20.pdf), and these are commended to the governments present in Doha for their consideration.

Beyond Doha – Towards effective follow-up mechanisms

23. The FfD Doha Outcome Document should commit Heads of State to decisive agreements and follow-up actions on adequate financial market regulation and oversight, transparency and strict reporting requirements. Indeed, major changes in the governance of the global economy should be developed and promoted by the proposed new inter-governmental body of FfD (para 65 of the DOD). Top of the agenda for this new body must be a remit to ensure policy coherence between the economic, financial and trade systems in the interest of development, with decent work as an integral component, in line with the ILO’s Social Justice Declaration. Consultative mechanisms should be put in place in this new body to ensure the continuing engagement of trade unions and other representative civil society organisations in follow-up and implementation of measures for effective governance of the global economy, restored global growth and shared prosperity for all.