

A New Reality for Workers?

Statement of Labour Leaders to the World Economic Forum

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Introduction

1. During 2010, the world economy continued its uneven recovery from the economic crisis. While economic growth has resumed, it is painfully slow in many countries and unemployment remains unacceptably high. The International Labour Organisation's recent Global Wage Report confirms that workers' pay has stagnated. The shift toward fiscal austerity – especially in Europe – threatens to further weaken the recovery, worsen unemployment and aggravate downward pressure on wages. Recent unrest in Tunisia reflects a failure to promote inclusive growth and create job opportunities for young people.

2. Labour's main message is that policymakers must stay focused on stimulating enough economic demand to achieve full employment. The ultimate solution to government budget deficits is more employment, higher wages and hence increased tax revenue. While benefits for unemployed and retired workers often represent a fiscal cost for governments, they are also a vital source of consumer spending and social stability for the wider economy.

3. The overarching theme of this year's World Economic Forum is *Shared Norms for the New Reality*. To promote inclusive growth, perhaps the most important shared norms are international labour rights and social-protection standards. Labour rights allow workers to increase wages along with productivity, ensuring sufficient consumer demand to sustain economic growth. Social protection ensures that people can live with dignity, supports additional consumer demand, and provides an automatic stabilizer against future downturns.

WEF Sub-Theme 1: Responding to the New Reality

4. Unfortunately, the new reality looks very similar to the old reality. The root causes of the crisis remain largely unaddressed. Significant portions of global financial markets remain unregulated. Indeed, not long after being bailed out by governments, financial markets are again dictating government policy. A new reality should include a reregulation of international finance to limit purely speculative activity and facilitate its only reasonable function: the intermediation of real economic activity.

5. Governments have returned to the pre-crisis focus on international “competitiveness” against other countries. Economic policymakers, especially those at international institutions, should recognize that not all countries can grow by running trade surpluses simultaneously. Competitiveness in export markets is a zero-sum game. The priority should be to expand the world economy by bolstering demand in all countries.

6. Another way in which the world economy has gone “back to future” is the recent surge in food prices. Taking account of exchange rates and general inflation, food prices are still below their 2008 peaks in most developing countries. But if current trends continue, higher food prices could significantly worsen global poverty. Climate change threatens to aggravate this problem by disrupting agricultural production.

7. Several responses are needed to the looming food crisis. Regulators should limit financial speculation in commodity markets, which has contributed to food-price volatility. Policies to reduce greenhouse-gas emissions and limit climate change are urgently needed. Governments should redistribute income so that all people can afford to eat, even given somewhat higher prices.

WEF Sub-Theme 2: The Economic Outlook and Defining Policies for Inclusive Growth

8. The economic recovery is fragile and partial. With private consumption and investment still below pre-crisis levels in many countries, public investment in infrastructure and services remains an important driver of economic growth. Stimulus programs should be continued, but also evaluated and revised to ensure that they support the maximum amount of employment. Public investments can and should also address longer-term challenges, such as building a low-carbon economy.

9. In addition to physical infrastructure, governments should invest in social infrastructure. Expenditure on education and training contributes to future growth. Even in the short-term, it adds to aggregate demand, directly creates jobs, and can engage those workers who remain jobless. Periods of high unemployment are the best time for workers to participate in formal education and training programs outside the workplace.

10. For growth to be inclusive, workers must have the right to join unions and bargain collectively. Labour rights allow workers to negotiate a fairer share of the fruits of growth. Enabling wages to rise along with productivity is not only a matter of fairness, but also the only sustainable way of ensuring that consumer demand keeps up with productive capacity.

11. Governments should not simply tolerate existing trade unions and labour-market institutions, but actively encourage collective bargaining and social dialogue. In particular, governments should work with the labour movement to promote union representation for the growing number of agency and precarious workers such that they can meaningfully negotiate with their ultimate employers.

12. Rising minimum wages can ensure that workers receive at least a minimum share of economic growth, whether or not they are unionized. Even Hong Kong, long touted by free-market fundamentalists for having no minimum wage, recently legislated one. In addition to helping low-wage workers, minimum wages place a floor under the broader labour market and provide a safeguard against deflation.

13. Social protection is needed to ensure that growth is inclusive of everyone regardless of employment status. The crisis has underscored the importance of social safety nets to protect people from economic circumstances beyond their control. Continuing high unemployment should prompt improvements in the accessibility, level and duration of unemployment benefits. More poverty should prompt stronger income-support programs. The widespread loss of private savings during the stock-market crash should prompt enhanced public pension benefits.

14. Unions, collective bargaining, minimum wages and social protection are particularly beneficial to women and other groups that often face discrimination in the labour market.

WEF Sub-Theme 3: Supporting the G-20 Agenda

15. The question for trade unionists is, “Which G-20 agenda?” The G-20 summits in London and Pittsburgh in 2009 played a key role in coordinating the international response to the economic crisis. They helped ensure that almost all major economies contributed to monetary and fiscal stimulus, rather than trying to free-ride on each other’s efforts. The labour movement supported that cooperative agenda and would like to build upon it.

16. However, the G-20 has drifted away from a coordinated focus on jobs and growth. The Toronto and Seoul summits in 2010 were dominated by talk of “exit strategies” and competitiveness. But international coordination is not needed to encourage countries to pursue austerity or engage in a competitive race to the bottom.

17. Unions welcomed the recommendations of last year’s G20 Labour and Employment Ministers’ conference. We propose the formation of a G20 Working Group on Employment to assist governments in implementing those recommendations. We also seek confirmation that the G20 Labour and Employment Ministers’ conference will become a regularly-scheduled annual event.

18. The Seoul G-20 Declaration referred to “fulfilling the Official Development Assistance commitments by advanced countries.” In fact, plans to achieve the Millennium Development Goals are far off track. Yet recent bailouts demonstrate that governments have the capacity to provide huge amounts of financing when the political will exists. Reviving the Millennium Development Goals should be a major priority for the G-20.

WEF Sub-Theme 4: Building a Global Risk Response Mechanism

19. Unemployment should be viewed not only as an ongoing social problem, but also as an economic risk. Not only has the crisis increased the number of workers who are unemployed, but many are now unemployed for longer periods of time. The longer a worker is unemployed, the more his or her skills may deteriorate or become outdated. The risk is that cyclical unemployment from the recession could become long-term structural unemployment. Rather than accepting a higher “natural rate of unemployment,” policymakers should make determined efforts to get people back to work – or at least into training programs with income support – before structural unemployment sets in.

20. Climate change is among the greatest risks facing the world. However, responding to it is also an opportunity to create green jobs and build a more energy-efficient economy. An important principle is that society must provide a Just Transition for workers and communities disrupted by policies to reduce greenhouse-gas emissions.

21. In addition to responding to risks, policymakers should try to avoid them. A financial transactions tax would help reduce the risk of financial collapses by dampening speculative activity before bubbles are created. The tax rate would be set so low as to not affect transactions needed to finance real economic activity. However, even at a fraction of one percentage point, the tax would deter destabilizing activities like high-frequency trading and currency speculation that rely on huge numbers of low-margin trades. A financial transactions tax would also generate substantial revenues that could fund quality public services, international development and environmental initiatives.