PROMOTING SUSTAINED ECONOMIC RECOVERY THROUGH A GLOBAL JOBS PACT

Statement by Global Unions[1] to the 2009 Annual Meetings of the International Monetary Fund and World Bank
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Introduction

1. Last April's London G20 Summit requested that the international financial institutions (IFIs) play a leading role for implementing a strategy for global economic recovery. The London Summit programme asserted the importance of a "sustainable recovery for all … by creating employment opportunities and through income support measures [and] a fair and family-friendly labour market for both men and women". Despite modest improvements in select financial and economic indicators in some countries, the world remains mired in a global employment crisis. It is essential that the IMF and World Bank consistently promote and apply a recovery strategy focused on employment creation as a means to ensure sustained growth. To this end, the IFIs' annual meetings should:

- Commit the IFIs to the consistent application of policies and programmes that promote an employment- and wage-centred recovery, in conformity with the Global Jobs Pact adopted at the 2009 International Labour Conference and with the IMF's long-neglected fundamental mandate to promote "high levels of employment and real income".
- Allocate fresh resources towards assisting the recovery of low-income countries, to be disbursed as concessionary loans or debt cancellation, in accordance with the G20's commitment to increase the financial support to those most vulnerable to the global economic crisis and to restore progress towards achieving the Millennium Development Goals.
- Encourage the participation of *all* countries in the global economic recovery effort by eliminating loan conditions that require the application of pro-cyclical policies and by consulting borrowing countries' trade unions and civil society organizations before loan agreements are concluded.
- On the basis of an assessment of the impact of fiscal stimulus and other counter-cyclical policies applied by member countries, promote the coordinated application of these policies and identify ways to improve their effectiveness.

[1] The Global Unions group is made up of the International Trade Union Confederation (ITUC), which has 170 million members in 157 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.

- In order to remove threats to renewed financial instability and re-establish access to credit, commit the IMF, jointly with the Financial Stability Board, to swift completion of the design and implementation of a comprehensive framework for global financial regulation and supervision through a transparent process that includes consultations with trade unions and other civil society organizations.
- Develop an expedited timeframe for the IMF and World Bank to undertake a long overdue revision of their governing structures, which should be designed to substantially increase developing country representation.
- Encourage countries to pursue carbon reduction initiatives as part of their economic recovery programmes, thus contributing to chances for adopting an ambitious agreement at the Copenhagen COP15 Conference on climate change in December 2009.

No signs of recovery for workers

2. The worst global recession since the end of the Second World War has had a devastating effect on workers around the world. In its latest assessment of employment trends, the International Labour Organization (ILO) determined that the global number of unemployed could be as much as 59 million higher in 2009 than in the pre-recession year 2007. Unemployment among women and young workers has increased at more than the aggregate rate. The ILO's projections also indicate that the number of working poor – those who, with their families, live on less than US$2 per day – could increase from 1.2 billion in 2007 to over 1.4 billion in 2009. This would represent a jump of almost six percentage points, from 40.9 per cent in 2007 to 46.8 per cent in 2009, of the proportion of working families living below the global poverty line.

3. Recent signs that the recession may be "levelling out" in a few countries are of little comfort to working men and women. Despite signs of positive GDP growth in the second quarter of 2009 in some Asian and European countries, it is most likely that any economic recovery will be slow and the unemployment rate will continue to worsen. Many workers who were able to draw extended unemployment benefits will soon see their benefits expire. In many other countries in Europe, the Americas, Africa and Asia-Pacific, the negative economic growth phase has not yet ended and workers are still feeling the full brunt of the recession. For those who still have jobs, lower real wages and reduced pensions and other social benefits are among the impacts of the crisis experienced around the world. Moreover, the majority of the global labour force has no income-replacement or social protection coverage whatsoever.

4. **Above-zero economic growth figures in the second quarter of 2009 in some Asian and European countries, in most cases positive for the first time in several quarters, do show the concrete impact of a combination of "automatic stabilizers" and fiscal stimulus policies, both of which the global trade union movement promoted around the world.** The automatic stabilizers, such as longer-term unemployment payments, have been particularly important in counteracting the crisis in some European countries, while discretionary stimulus policies played an especially important role in the US and some Asian countries such as South Korea, Japan and China. **However as stimulus programmes wind down and some social benefit payments end, there is a real danger that economies will once again fall into**

recession because of high unemployment and depressed wages. The IMF, which commendably began promoting fiscal stimulus policies as an anti-recession strategy in early 2008, must continue to advocate the maintenance of these policies until the recession has ended but also shift to promoting employment- and wage-centred recovery programmes in order to create the conditions for sustained economic growth. Such an approach would be consistent with one of the primary objectives for which the IMF was created, notably "the promotion and maintenance of high levels of employment and real income" (Article 1 of the *Articles of Agreement of the IMF).*

5. Private-sector investments have declined sharply since the beginning of the global economic crisis, reflecting both the generalized depressed demand situation but also the difficulty firms have in obtaining credit from banks that, in many countries, either contributed to or fell victim to the global financial crisis. This will affect employment prospects for several years to come throughout the global economy, but particularly so in developing regions dependent on outside capital. The World Bank predicted in June that capital flows to developing countries would be 70 per cent less in 2009 than the peak reached in 2007. Although food prices and oil prices have also declined from the peaks reached in mid-2008, **food prices remain high compared to pre-2008 levels and fuel prices have been edging up again since the first quarter of 2009. Low-income countries are particularly affected by these prices, especially among households below or close to the extreme poverty line.**

Emergency assistance must support counter-cyclical action in all countries

6. Both of the IFIs scaled up their lending in response to balance-of-payments or budget difficulties experienced by countries affected, first by the food and fuel price crisis, and later the global economic and financial crisis. Last year's IFI annual meetings agreed to a substantial increase in lending, including through new lending instruments, to countries affected by the financial crisis, and the London G20 Summit meeting supported a tripling of the Fund's resources for this assistance. The World Bank has also increased its lending substantially over the past year. But for both IFIs, the increased total amount of financial assistance has overwhelmingly gone to middle-income or "emerging-economy" countries, rather than low-income countries.

7. The World Bank announced in July that its financial commitments during the 2009 fiscal year (ending 30 June) had increased 54 per cent from the previous year and that the Bank was "responding to the needs of countries hit by the financial crisis, with strong focus on initiatives to protect the most vulnerable in the poorest countries". In fact, by far the largest jump in lending, from $13.5 to $32.9 billion, took place in the interest-bearing loan division, the IBRD. Commitments from the concessionary IDA, which lends to poor countries, increased from $11.2 to $14.0 billion, a much more modest increase. The largest component of World Bank lending was for infrastructure investments in middle-income countries, which can play an important counter-cyclical role in appropriate circumstances; infrastructures now comprise 35 per cent of the World Bank Group's total commitments.

8. The World Bank's private-sector lending arm, the IFC, has also announced new programmes presented as anti-crisis initiatives, the largest of which is the Global Trade Liquidity Programme (GTLP), aimed at financing international trade contracts in

developing countries. While initiatives to provide financial resources to stimulate the production of goods and services in depressed economies are welcome, one questions the IFC's choice of beneficiary firms for its emergency financing. The majority of loans made by the GTLP to date have gone to very large banks in industrialized countries, including $400 million to the American bank JP Morgan Chase, an institution whose dubious lending and investment practices necessitated a massive bail-out from the US government and caused substantial harm to thousands of "real economy" firms that depended on it for their financing. One wonders why the IFC, whose mandate is to help the development of the private sector in the developing world, does not give priority to financial firms in the developing countries themselves.

9. The most important increase in lending has taken place at the IMF, which began granting large emergency loans starting in October 2008. Approximately twenty of these loans have been granted to date, and some have exceeded $10 billion. Almost all of this new lending took place in middle-income emerging economies, with a particular concentration in Central and Eastern Europe. Trade union organizations affiliated to the ITUC and Global Union Federations in the borrowing countries have called attention to the conditions attached to many of these loans, which have included restrictions on social expenditures such as pensions, reductions in public-sector wages, increased tariffs for public services, cancellation of infrastructure investments and privatization of state-owned entities.

10. **Although the measures governments took to apply loan agreements with the IMF have had substantial impacts on working men and women, trade union organizations were not consulted by the Fund in most of the borrowing countries before the agreements were concluded.** In some countries, governments are instructed to review social safety nets with a view to reducing their costs by concentrating on assistance to the most vulnerable, without any obligation to consult those affected by the cutbacks. In most of the borrowing countries, the IMF has instructed governments to practice pro-cyclical fiscal discipline, at the same time that it has encouraged industrialized-country governments to engage in counter-cyclical fiscal stimulus even when this results in large increases of public-sector deficits. **Global Unions have urged the IMF to support counter-cyclical recovery programmes in all countries.**

Shortcomings in assistance to low-income countries

11. The World Bank created a Global Food Crisis Response Programme (GFRP) in May 2008 and later, after the outbreak of the financial crisis, established its Vulnerability Financing Facility, which had a broader mission to channel funds to those most affected in low-income countries by the twin food and global economic crises. It can be observed that the level of assistance granted to low-income countries under most of those programmes, which have generally been used for seeds, fertilizers, nutrition or social safety nets, has been modest. In a compilation of GFRP allocations to low-income countries posted by the Bank in August 2009, only eight out of 39 exceeded $10 million.

12. The relatively modest proportion of short-term financial commitments made to low-income countries by the World Bank may in fact be even less than it initially appears, since part of the increased allocation from the concessionary IDA consists of "front-loading" of payments, meaning that countries receiving more assistance now will receive

less later on. A substantial increase in concessionary loans and grants from the World Bank to low-income countries will require additional donor contributions. No firm commitment for such an increase has yet been forthcoming. The London G20 Summit statement, for example, only made an appeal for "voluntary bilateral contributions to the World Bank's Vulnerability Framework".

13. The lack of resources to assist low-income countries beset by the impact of the global recession, continued high food prices and a new resurgence of higher oil prices, have resulted in both IFIs recommending that some countries reduce generally available assistance, such as low-cost basic foodstuffs, and focus on more "targeted" transfers to the poorest households. Such targeting can result in lost benefits and significant hardships for those who may be just above the designated poverty threshold, such as poor urban workers and their families, and can lead to many particularly vulnerable and disadvantaged individuals, often women and girls, being denied all aid because of deficient administrative capacities. A recent UNDP analysis determined that the conditional cash transfer programmes which have successfully contributed to poverty reduction in middle-income countries such as Brazil and Mexico, reached a much smaller proportion of extremely poor people in low-income countries.

14. Similarly to the World Bank, the IMF responded to the rapid increase of food and fuel prices during 2008 by granting several emergency loans for balance-of-payments support in low-income countries. The average loan augmentation during this period was about $20 million spread over up to three years, far below the additional balance-of-payments financing needs which the IMF itself evaluated for a group of 48 low-income countries (according to an assessment published in March 2009) to be an average of $2.9 billion per country, or a total of $138 billion. In July 2009, the IMF announced that it would boost the IMF's concessionary lending by up to $8 billion in the next two years. However, only a portion of planned gold sale proceeds will go to assistance for low-income countries and the Fund relies on yet-uncommitted donor support to be able to extend this additional lending. The general allocation of special drawing rights (SDRs) approved by the IMF will make an important contribution to the needs of the low-income countries, but only about 7 per cent of the total allocation will go to them. As described further on, **additional IFI initiatives specifically directed at low-income countries will be required to overcome the impact of the global crises in those countries.**

The need to end economic policy conditionality

15. Both the IMF and World Bank have announced reduced conditionality for the emergency loans, which is a main reason that funds have been disbursed more quickly than traditional loans. But this does not mean the end of structural adjustment or austerity conditionality. The IMF announced in March that it would discontinue using structural performance criteria in all loans, but when it announced new lending instruments for low-income countries in July it stated that structural conditions would be maintained, though they would be "more flexible and focused on core goals". It should be noted that no announcement has been made regarding reduction of the use of quantitative performance criteria, which have been used to establish austerity conditions in IMF loans. As yet, no details on the new low-income country lending programmes have been provided, but past experience demonstrates that the IMF, which in the last decade has made numerous announcements about "streamlining" or reducing

conditionality, has been very slow to implement real change, as the Fund's own Independent Evaluation Office concluded in 2008.

16. Consistent with the G20 leaders' statement in London that additional resources granted to the IMF must be used "to support growth in emerging market and developing countries by helping to finance counter-cyclical spending", Global Unions believe that ***all*** **countries should be encouraged to participate in the global economic recovery effort through the application of appropriate stimulus policies. This entails putting an end to structural or austerity conditions in IMF and World Bank loans, whether for emerging-economy countries or low-income countries. Countries' obligations should be limited to fiduciary controls and those concerning respect for internationally agreed standards, including the core labour standards. The IFIs should consistently advise countries to adopt anti-crisis strategies that maximize employment creation and assist the vulnerable, in conformity with the Global Jobs Pact adopted by the ILO's annual conference in June 2009. The IMF and World Bank should furthermore ensure that before concluding any new lending agreement, which can have profound implications on economic and social conditions, they consult with trade unions and other civil society organizations in the country.**

17. Global Unions have supported the $250-billion general allocation of Special Drawing Rights (SDRs) put forward by G20 leaders at the London Summit and approved by IMF member countries in August. The SDR allocation can provide additional resources, unburdened by conditionality, to finance countries' anti-recession programmes. As noted above, only a small portion of the allocation – about $18 billion or 7 percent of the total – will go to the 78 low-income countries that are IMF members. **Global Unions call on the IMF to establish and administer a mechanism whereby wealthier countries that do not need their share of the SDR allocation could transfer or re-allocate their share to low-income countries that do need and intend to use them for anti-crisis policies. The mechanism should allow the beneficiary low-income countries to receive the allocation without interest cost or policy conditionality.**

Turning the page on one-sided deregulatory approach to labour markets

18. The ITUC and other Global Unions organizations have long urged the World Bank to cease encouraging countries to eliminate or weaken legislation that protects workers through its highest-circulation publication, *Doing Business,* which gave its best ratings to countries with the weakest labour regulations and the lowest levels of mandatory contributions to social protection. On 27 April 2009 the Bank announced that it would remove the *Doing Business* labour market flexibility indicator from its overall policy conditionality framework (the CPIA: Country Policy and Institutional Assessment) and would advise staff that the indicator "does not represent World Bank policy and should not be used as a basis for policy advice or in any country program documents". The Bank also announced that it would henceforth give appropriate weight to "issues as diverse as political stability, social safety nets to shield vulnerable parts of society from intolerable levels of risk and protection of rights of workers and households as well as for firms". The Bank's decision to turn the page on a one-side deregulatory view of labour markets issues is a welcome development.

19. It would have been logical for the Bank, which has continued publishing its *Doing Business* labour market flexibility indicator (EWI: "Employing Workers Indicator") even while telling its staff not to use it, to drop the indicator altogether. The Bank must be vigilant in assuring that the EWI is indeed not used, as it has been in the past, to formulate country policy and to design loan conditionality. The IMF decided before the World Bank to stop using the EWI, regarding which the Bank's Independent Evaluation Group found no justification for *Doing Business*'s claim that countries with superior rankings had better economic performance. The indicator has been effectively removed from the Fund's policy documents. The ITUC has agreed to work jointly with the ILO and other organizations in advising the Bank on the development of an alternative approach to *Doing Business*. Such an approach should encourage countries to promote the creation of adequately remunerated and regulated employment, appropriate social protection and respect for workers' rights. Decent work policies should be encouraged, not denigrated as being anti-business.

20. The World Bank explained that it decided to end the use of its labour market deregulation indicator in light of the important labour market challenges created by the current global economic crisis. The Bank should similarly revisit its approach to pension reform in developing countries. Over the past several years, the Bank has advised countries to engage in the partial and sometimes total privatization of public pension schemes on the grounds that governments should be relieved of the financial burden of old-age security, while the financial services industry would benefit from the mandatory transfer of contributions to private funds.

21. According to the Bank's own calculations, these mandatory private pension funds have experienced huge decreases in value, and the Bank is now calling on governments to assume the financial cost of the losses incurred by the private funds. The Bank's approach has thus proved to be a failure on both counts: it has failed to assure adequate protection of workers' retirement income through the private financial sector, and has also failed to relieve the state of the financial cost. **The World Bank should completely revise its approach to pension reform and support reinforced comprehensive public pension or social security programmes rather than a reduction of their scope, and should give priority to extending coverage to those workers who are currently not covered.** All of the Bank's interventions in this area should be carried out in close cooperation with the ILO and should not go forward unless trade unions are consulted and agree with the reforms.

Contributing to the global recovery effort

22. The IMF and World Bank can and should play a positive role in support of the global economic recovery effort. This will require abandoning excessive reliance on market mechanisms in policy and programmes and recognizing the fundamental role of the state both in crisis management and in post-crisis situations. This could be done through several initiatives:

- **Intensified support for infrastructure projects to immediately create jobs and for longer-term sustainable development**, especially investments to improve energy efficiency and reduce dependence on fossil fuels. "Green jobs" strategies have been shown to be particularly effective in creating employment.

- **Assistance for much needed investments in agriculture**, including through the improvement of rural infrastructure, re-establishment of state services to provide low-cost seeds and fertilizer, and assistance for marketing of crops. Countries should be supported in their efforts to pursue food security objectives so as to ensure steady access to food staples at affordable prices.
- **Investment in public services,** such as education and health care, to stimulate economic activity and create the conditions for long-term growth. The immediate multiplier effects on economic activity are much higher than tax breaks, and investment in people through quality public services that are accessible and affordable is essential for sustained improvements in countries' productivity.
- **Additional assistance to allow countries to meet the Millennium Development Goals (MDGs)**, which include specific objectives to reduce extreme poverty, enhance access to water and sanitation, improve health conditions and achieve equality between women and men.
- **Support for economic strategies that increase workers' wages and improve social protection as priority goals**. This would allow countries overly dependent on external markets to build stable domestic demand bases as part of a development strategy that puts the improvement of people's living standards at the centre of economic policy goals. Consistent with this goal, the IFIs must support the strengthening of trade union rights including collective bargaining, social protection accessible to all workers and protection of the most vulnerable through improved social safety nets. Negotiated government-supported agreements to avoid job reductions – involving working-time reduction, training programmes or maintenance activities – have been successful in reducing unemployment in some countries.
- **Support for appropriate labour market regulation, adequate social protection and respect for workers' fundamental rights** as essential ingredients for a sustainable development strategy which ensures that the benefits of economic growth are broadly shared and do not enrich a minority at the expense of most of the population. Remembering that women and young workers are the most heavily affected by the crisis, a particular emphasis must be on social protection programmes that respond to the needs of women workers and on enforcement of anti-discrimination measures.

Protecting workers' rights in IFI-financed activities

23. The IFIs' capacity to promote improved respect of workers' fundamental rights depends above all on ensuring that their own operations comply with the core labour standards (CLS).[2] The World Bank Group has made significant strides in this area, beginning with the IFC's requirement in 2006 that all of its projects must be in conformity with the CLS and some other labour requirements. IFC's performance standard on labour has contributed to resolving labour issues in several projects over the past three

[2] 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).

years, although difficulties remain particularly with regards to IFC investments in countries where there exists widespread abuse of workers' rights.

24. The IFC has begun a revision process of its social and environmental performance standards, during which IFC should examine what supplemental monitoring and enforcement mechanisms need to be created in contexts of generalized workers' rights abuse, or whether it should simply refrain from making investments in countries with widespread lack of compliance with the CLS. The performance standards should also be updated in view of the massive job losses that have resulted from the global economic crisis. Currently, IFC's standards do not include requirements for firms to apply measures for avoiding dismissals of workers to the greatest extent possible, through negotiated work-sharing or training programmes for example. IFC's labour standards and guidance notes should include advice and encouragement to client companies to contribute to the global economic recovery effort through such measures.

25. The public-sector lending divisions of the World Bank made further progress since 2007, when they began incorporating the CLS into the Bank's master procurement documents and the standard bidding documents for procurement of works. Earlier this year, the regional development banks and World Bank jointly agreed to incorporate CLS clauses into their harmonized standard bidding documents. **The World Bank now needs to undertake implementation actions to ensure full compliance with the core labour standards, which will require training of Bank and government officials and appropriate monitoring and follow-up at the project level. Global Unions have offered to cooperate with the Bank in implementation strategies of the new CLS requirements.**

26. **The World Bank must also ensure that workers and their unions are consulted in all enterprise or service restructuring projects in which the Bank is engaged**, as well as requiring full respect for the CLS in those projects. In numerous cases of Bank-financed restructuring, trade unions representing the workers learned of the plans only after all of the decisions had already been taken, even though the Bank has produced toolkits and best practice guides recommending early consultation with workers' representatives on the labour impact of its restructuring projects. Global Unions have submitted a proposal, which the Bank should support, for the training of trade unions on engaging with the Bank and government officials to deal with the impact on the workforce of enterprise and service restructuring.

27. Consistent with respect for the CLS, the IMF should similarly ensure that it consults trade unions whose members are affected by its lending programmes before the terms of the loan are concluded. Many of the IMF's emergency loans over the past year have had a major impact on employment levels, wages, benefits and working conditions, particularly among public sector workers. In most cases, workers and their organizations have not been informed until the agreements are already completed. **Particularly in countries where governments neglect to consult trade unions on the impacts on their members, the IMF should directly inform and consult with the workers' organizations involved before finalizing any loan agreement with the government.**

A comprehensive global framework of financial regulation

28. It is widely recognized that the current global financial crisis was the result of a massive regulatory failure, notably a failure of the "delegated supervision" approach, which prescribes that only a small part of the financial system, such as commercial banks, requires some degree of oversight, while other institutions or activities are allowed to self-regulate. This approach proved to be particularly deficient in keeping up with financial globalization, as a result of which the difficulties of one country's banks and finance firms spread quickly throughout the global financial system. In spite of the widespread recognition of the need for re-regulating the global financial system, progress has been piecemeal and uncertain. **As long as the current failed framework is not overhauled, not only will threats of new financial collapse remain but it is likely that credit conditions will continue to be difficult for many firms and consumers**, notwithstanding the historically low interest rates prevailing in most countries. The G20 leaders requested that the IMF and Financial Stability Board (FSB) assume a coordinating role in developing a framework of financial regulation and supervision at the global level. There is no indication that such a comprehensive framework has been designed and is ready to be implemented.

29. **Global Unions have put forward a detailed action plan for the international regulation of financial markets. The G20 London Summit endorsed several of the proposed actions and called upon the IMF, jointly with the Financial Stability Board (FSB), to play a key role in their development, but many have not been completed:**

- **Controls over the shadow financial economy:** Regulation of hedge funds and private equity groups is required to ensure a level playing field as regards accountability to investors, transparency and employer responsibilities. The London Summit accepted this principle concerning "systemically important" institutions and requested that the IMF and FSB determine criteria for this. They should recognize that herd behaviour on the part of institutions which may not be systemically important individually requires that a wide range of institutions must be regulated. Additionally, all forms of credit-related off-balance-sheet transactions should be prohibited and access to complex structured products severely restricted until there is an adequate level of public oversight and transparency.
- **Elimination of tax and regulatory havens:** The London Summit statement declared that G20 leaders are prepared to "take action against … tax havens" including through sanctions, and that "the era of banking secrecy is over". Following through on this commitment, financial institutions should be prohibited from engaging in financial transactions with companies or persons registered in such havens until their standards are consistent with international norms. The IMF must promote international and regional tax cooperation to stop the race to the bottom in corporate taxes and ensure that access to foreign investment and capital flows is subject to internationally recognized governance and transparency standards, with attention to pricing policies of multinational enterprises and to capital flight.
- **Integration of asset and leverage risks in prudential rules for banks:** Capital adequacy rules must be designed so that capital reserve requirements are tied to

the growth of the bank's holdings in assets and to the degree of risk borne by the assets. This would discourage banks from exposing themselves to excessive asset risks, help drive asset allocation toward socially desirable goals and facilitate central banks' control of asset price inflation.

- **Reining in corporate and financial-firm pay plans:** Remuneration schemes should reflect and promote positive economic, social and environmental performance and, in the case of financial services, responsible sales and lending practices. For management and traders, remuneration should be capped in line with workers' pay and pensions. Cashing in of bonuses or other performance-related schemes within five years would be prohibited and claw-back provisions would be obligatory. This would be consistent with the G20 leaders' support, expressed in the London statement, for "tough new principles on pay and compensation" in financial institutions.
- **Restriction of shareholder dividends, share buybacks and leveraged loans:** Profits must be allocated to reserves, as opposed to dividends and buybacks, in sufficient amounts during growth periods so as to withstand economic downturns and solvency risks. The unsustainable financing of leveraged buy-out schemes, which has allowed private equity groups to plunder companies and leave them with huge debts to repay, must be prohibited.
- **Strict regulation of credit rating agencies:** Consistent with the G20 leaders' London statement, credit rating agencies must be independent and prohibited from providing consultancy services, in particular regarding the design of financial instruments to which they subsequently assign ratings. Regulators should facilitate the creation of competitors so as to end the global oligopoly of agencies that presently exists.
- **Protection against predatory lending:** Borrowers must be protected by requiring transparency of financial contracts (housing finance, credit cards and insurance), access to effective recourse against abusive practices and ceilings on interest rates and fees. The remuneration and incentive schemes of banks and other credit-suppliers should be designed to ensure responsible sales and lending practices that serve the interests of clients.
- **Enhancing the mandate and resources of supervisors:** Supervisory authorities must have sufficient enforcement powers, proper staffing and access to expertise and technology to fulfil their tasks. Global Unions have proposed that financial industry workers must be integrated into enhanced supervisory frameworks through regular exchanges between regulators and representatives of financial institutions' employees. The framework must include the protection of whistle-blowers who report non-compliance with regulations to supervisors and regulators.
- **Building financial service sectors that serve the real economy:** The growth of credit unions, cooperative banks, mutual insurance and other community-based and public financial services must be encouraged. Such diversity of services will help build balanced and robust financial sectors that serve the real economy and meet the needs of working people, small and medium enterprises and agricultural producers. Any restructuring of financial institutions, such as mergers, acquisitions, disposals or outsourcing, should be conducted with regard to protection of employment and working conditions, respect for core labour standards and consultation with unions.

IMF policy advice, surveillance and governance reform

30. In addition to supporting a comprehensive framework for financial regulation, the IMF should encourage developing countries to adopt or extend the use of capital controls, which several countries have found effective during the current crisis to mitigate the destabilizing effects on their economies. An IMF publication issued in March (*The Implications of the Global Financial Crisis for Low-Income Countries*) observed that "the existence of capital controls in several countries … helped to moderate both the direct and the indirect effects of the financial crisis". The IMF should furthermore discourage member countries from including prohibitions of capital controls in bilateral or multilateral investment and trade treaties to which they are party.

31. **In exercising its responsibility to discern financial sector vulnerabilities in the global economy, the IMF should carry out its surveillance function irrespective of the level of development of member countries. The IMF should focus its surveillance in particular on systemically important economies whose vulnerabilities may have important regional or global impacts**, something that it failed to do prior to the 2008 financial collapse. Surveillance of countries' exchange rate regimes should be an essential part of this function when these have important consequences for other countries' economies.

32. The IMF should also support the introduction of an international financial transactions or Tobin tax, which could limit damaging speculative movements of capital and could generate additional needed income for a Vulnerability Fund, the Global Jobs Pact or instruments for financing attainment of the MDGs. Both IFIs should also expand their debt cancellation initiatives to include a larger number of low-income indebted countries, which could be partly financed by IMF gold sales, and the IMF should support the creation of a fair and transparent sovereign debt restructuring mechanism for orderly workouts of debts.

33. **Both the IMF and World Bank must engage in governance reform that substantially increases the representation of developing countries in the institutions' decision-making structures and that improves accountability for IFI programmes.** Global Unions support the proposal that developing countries achieve at least parity representation with industrialized countries at both the World Bank and IMF. The IFIs should enhance their accountability by requiring that loans and conditions attached to them are made public before their adoption, encouraging governments to submit loan agreements to parliamentary approval, broadening negotiations on loans beyond the finance or economic ministry and central bank officials with which the IFIs traditionally deal and requiring consultations with civil society organizations on proposed loans.

34. On the global level, the IFIs should work more closely with the rest of the United Nations system in ensuring follow-up to the UN Conference on the Financial and Economic Crisis and its Impact on Development (June) and with the resolution adopted in July by the UN Economic and Social Council, which invites the IFIs "to integrate, in accordance with their mandates, the policy contents of the Global Jobs Pact in their activities". Finally, the IFIs' global dialogue with civil society should be given a higher profile, including through a formal trade union advisory structure similar to those existing in some other international agencies.

Conclusions

35. The IFIs have taken steps to promote much needed fiscal stimulus policies, but they must be sustained and applied consistently in all countries. It is clear that workers around the world, who are not to blame for the global economic crisis, continue to shoulder the greatest burden. The IFIs have announced revisions of earlier policies that diminished workers' protection, such as the promotion of labour market deregulation, but they must follow through by supporting policies that improve workers' living standards through adequately remunerated and regulated employment, respect for workers' rights and appropriate social protection. The IFIs have been given greatly expanded responsibilities and influence, but the resources devoted to the protection of the most vulnerable in low-income countries, a declared priority of the London G20 Summit, are insufficient and must be supplemented by additional commitments.

36. Rapid headway must be made in establishing a new global regulatory framework of the financial system, for which the IMF was given a leading role, so as to remove threats of further financial collapse and to open up access to affordable credit. As the world struggles to emerge from the global recession, the focus must turn to global employment creation. A fundamental and immediate objective of the IFIs must be the creation of decent work through the types of strategies articulated in the Global Jobs Pact adopted at the 2009 ILO conference. The IMF and the World Bank must demonstrate their commitment to this priority as the most important means for overcoming the global recession and putting the world economy onto a sustainable growth path.

28-08-09