



A new social contract for sustainable recovery

Statement by Global Unions to the spring meetings of the IMF and World Bank, April 2023

The inadequate response to the cost-of-living crisis, the Covid-19 pandemic and long delays in addressing the climate crisis highlight the urgent need for a comprehensive overhaul of the multilateral system.

Guided by the global labour movement's demand for a new social contract, we join the call for reforms that will enable International Financial Institutions (IFIs) – the International Monetary Fund (IMF) and the World Bank Group – to lead an unprecedented expansion of public investment to create decent work, enable equitable growth, build a more resilient economy and fulfil the ambitions of the Sustainable Development Goals (SDGs).

To meet the challenges of the moment, the IMF and the World Bank must demonstrate:

- Bold leadership for sustainable debt resolution

As countries contend with the long-term effects of the Covid-19 pandemic, the war in Ukraine, inflation and global monetary tightening, the risks of a systemic sovereign debt crisis have grown—with workers around the world paying the price. Economic deadlock in Tunisia has led to trade unionists being jailed; Ghana faces a potential reversal of years of progress in healthcare and education; workers in Pakistan, Sri Lanka and Zambia have been waiting months for meaningful relief from economic disaster.

To achieve the SDGs and to restore credibility for overseeing a stable and prosperous global economy, the IFIs must finally broker long overdue improvements to debt resolution timelines and processes that would force all creditors, public and private, to approve rapid, deep and long-term debt relief to suffering populations.

Such reforms should form just the first step in a revived effort towards a lasting and permanent sovereign debt restructuring mechanism. Privatisation and austerity are not the antidote to debt distress and have repeatedly impeded growth and eroded countries' ability to repay loans while fuelling inequality and deprivation. Given the multiple challenges facing countries today, reaching for outdated austerity policies risks a repeated cycle of debt distress that threatens workers' livelihoods and aspirations for years to come.

- Support for decent work and universal social protection

The cost-of-living crisis has eroded workers' buying power, but central banks are focused on lowering wages even in the absence of wage-price spirals. Meanwhile the Covid-19 pandemic and recent economic shocks have exposed the deep inadequacy of existing social protections for vulnerable workers. These issues must be understood together: a liberalised financial system encourages speculation and discourages long-term investment, while large corporations and wealthy individuals raise prices, hide assets and undermine state revenue collection.

The solution to this imbalance must be as comprehensive as the problem: full employment with occupational safety and health standards and strong, universal legal protections for decent work. This, complemented by universal social protection, is the clearest path to a more prosperous and equitable society.

To enable equitable and sustainable growth, we encourage the IFIs to show leadership on policies that generate full employment, promote decent work and expand social protection. That will entail leadership on macroeconomic issues including a nuanced approach to inflation, an emphasis on social solidarity and progressive taxation, and in development finance a robust approach to ensure that workers enjoy the rights granted by environmental and social safeguard policies. It will require diligent defence of the freedom of association and collective bargaining in every country.

- Leadership toward democratic accountability over investments

There is a clear need for unprecedented levels of investment around the globe in economic resilience, public services and care work, and renewable energy and infrastructure. But while privatisation, deregulation and financialised schemes can deliver short-term injections of funds, they have historically undermined job quality and service provision while exacerbating fraud and informality.

The infusion of private finance in development must not dilute the voices of the people it is meant to serve nor diminish or replace public investment. Robust social dialogue and democratic accountability of projects and investments are crucial to ensure not only successful programs but also the ongoing democratic legitimacy of development finance work.

The World Bank and the IMF are leading multilateral institutions and powerful channels for much needed investments. As such, we call on them to strengthen democratic oversight of development finance and social dialogue around development projects.

- Commitment to a just transition for workers

The most recent IPCC report reaffirms that working people, their families and their communities will all be affected by what UN Secretary Antonio Guterres has called the “ticking time bomb” of climate change. The transition to clean energy is a tremendous economic shift and it should also be an opportunity to spur equitable and sustainable development. Failure to meet this challenge is not only dangerous for energy workers and their communities but will make broad-based and inclusive growth nearly impossible and endanger the political legitimacy of the energy transition and the fight against the climate crisis.

A just transition means not only proper attention to displaced energy workers but demands that the jobs created by the new energy economy offer good wages, safe and healthy workplaces, legal protections for the freedom of association and union representation and collective bargaining. It must expand beyond energy into agriculture, infrastructure, industry, transportation and beyond. If good, but carbon-intensive, jobs are replaced by worse jobs, then the transition will not only be a missed opportunity but a step backward.

The World Bank and the IMF must work closely with trade unions to ensure that the energy transition is an opportunity to offer decent work and affordable, sustainable energy to all.

- Diverted investments and a divergent recovery

In recent months multiple countries have advanced plans to curtail the right to strike or actively repressed protests, jailed union leaders and ejected international observers. As central banks step in to prop up the financial sector from the effects of rising interest rates, many workers are feeling the pain of job cuts and inflation has eroded their wages. Though there is no evidence of a wage-price spiral fuelling inflation, austerity and cuts leave little room for growth or optimism. Unfortunately, we know from history that these prescriptions will only exacerbate the underlying causes of our economic distress.

The fundamental challenges that face our communities and our economies have not changed: chronic underinvestment in the real economy and speculative bubbles that provoke periodic crises are two sides of the same coin. The Covid-19 crisis, the effects of Russia’s aggression in Ukraine and climate chaos demonstrate the dramatic need for investment in care work and quality public sector services including education, the fragility and insufficiency of existing social protection systems and the importance of investments in

sustainable energy and economic resilience. The problem in each case is underinvestment, and austerity will only exacerbate it.

The World Bank's most recent Global Economic Prospects report predicts historically low rates of investment in emerging markets in the coming years. Coupled with existing debt, rising interest rates and volatile markets, this picture points to a "recovery" that leaves behind an even more unequal world. This trajectory will not only make SDGs impossible to meet but will make broad-based and inclusive growth within developing countries impossible as decent jobs are eroded, tax bases shrink and democratic legitimacy dwindles.

Behind this systemic underinvestment is financial speculation and corporate concentration. While workers' wages and countries' reserves are worth less and less, corporate price gouging and financial manipulation have padded profits. App-based gig work companies have cobbled together international monopolies in certain services to secure revenue, while tenants in cities across the globe face skyrocketing housing costs due to exorbitant rates for short-term rentals. In nearly each case, substantial private gains are the result of shortfalls in public services and underinvestment in transportation infrastructure, housing, education, healthcare and other human needs.

Comprehensive economic reform and massive investment is needed to meet the substantial challenges facing humanity at this moment and to reverse this inadequate, divergent and counter-productive economic trajectory. To address asset inflation, corruption and financial speculation, governance reforms such as progressive taxation must be paired with extensive investments in the public good.

For too long working people have borne the costs of economic shocks they did not create, while the wealthy profit. Instead of repressing and criminalising strikes and protests, governments must bolster democratic legitimacy by creating an economy that can provide sustainable and broad-based growth.

Recommendations for the IFIs:

- Work with governments and trade unions to support unprecedented public investment that meets social needs, boosts job creation and builds toward a sustainable and equitable future. These investments must enhance the protection of labour and human rights, including freedom of association and the expansion of collective bargaining as a means of improving job quality, ensure health and safety, guarantee lifelong learning and fairly distribute gains and losses in uncertain times.
- Ensure that private funds channelled toward development do not displace public investment, undermine the rule of law and erode democratic accountability but serve

public purposes and generate inclusive growth and decent work.

- Provide technical assistance as governments seek to implement fair taxes and industrial policies to keep the gains of development local.
- Support robust investment in health and other care work to recover from the Covid-19 pandemic, prepare for future public health crises and address unmet social needs.
- Support and promote increased investment in public education across all levels, ensuring that every child has a trained and qualified teacher.
- Promote better occupational health and safety standards through the ratification and implementation of core ILO health and safety conventions as well as Convention 190 to eliminate violence and harassment in the world of work and the inclusion of their key requirements in IFI policies and investment strategies.
- Guarantee decent work for employees affected by any green transition project, with robust social dialogue incorporated into project planning and execution, and the provision of quality public training opportunities to support workers' upskilling and lifelong learning.

Recommendations for the IMF:

- Support a comprehensive, fair and binding mechanism to restructure sovereign debt in accordance with UN Resolution A/RES/69/319 and incorporate the need for social and climate investments in line with the SDGs on debt analyses.
- Discourage financial speculation and promote productive investment and revenue-generating policies that share economic growth and do not lower living standards for workers.
- Promote progressive taxation and assist governments in implementing fair revenue-raising measures including higher corporate taxes, financial transaction taxes, wealth taxes and windfall taxes. This should include close collaboration with UN and OECD tax reform efforts.
- End public wage bill constraints that harm and exacerbate shortages of frontline public workers in healthcare, education and infrastructure. These workers are indispensable to the achievement of the SDGs; their decent working conditions are essential to ensure quality public services.
- End regressive and counterproductive surcharges that push indebted countries deeper into debt.
- Support further Special Drawing Rights (SDRs) and assist the reallocation of SDRs from high-income countries to developing countries via dedicated trust funds, direct

transfers or other institutions.

- Promote core OHS standards to enable higher levels of productivity, reduce the need for health and disability benefit spending and prevent workers from losing income due to work-related illness and injury.

Recommendations for the World Bank Group:

- Discourage a dangerous race to the bottom in global labour standards by omitting labour and tax and contribution indicators from the proposed Business Enabling Environment report.
- Develop a Jobs Flagship Report that promotes investment in decent work and incorporates international labour standards including fair wages, occupational safety and health protection, trade union rights, social dialogue and collective bargaining.
- Support investments in universal social protection that fight poverty and promote equity effectively.
- Stop promoting privatisation as a means to support development and instead support increased investment in public services.
- Ensure that all loans originating from World Bank Group align with international labour standards.
- Move forcefully to improve compliance with labour safeguards in development finance by engaging trade unions early in the investment process, employing the labour movement's expertise in due diligence and convening trade unions and bank clients for substantive discussions.
- Implement sector-specific solutions for improving labour standard compliance in development finance, including the Compliance Accountability Policy proposed in the hotel sector.
- Incorporate firm deadlines for identifying safeguard violations into development projects, implementing time-based corrective action plans, resolving violations and remedying harms.
- Collect and disclose data concerning the quantity and quality of jobs created by IFI development investments to facilitate continuous improvement in IFI development impacts and ensure that IFI projects contribute to inclusive growth.
- Ensure that contributions to climate finance incorporate just transition criteria that align with the Paris Agreement and the "Supporting the Conditions for a Just Transition Globally" declaration from COP26.