

ITUC REPORT

ITUC, International Trade Union Confederation
September 2009

Jobs - the Path to Recovery

How employment is central
to ending the global crisis



The International Trade Union Confederation (ITUC) represents 170 million workers, 40 percent of whom are women, in 157 countries and territories and has 312 national affiliates.

The ITUC is a confederation of national trade union centres, each of which links together the trade unions of that particular country. Membership is open to all democratic, independent and representative national trade union centres.

The ITUC's primary mission is the promotion and defence of workers' rights and interests, through international cooperation between trade unions, global campaigning and advocacy within the major global institutions. Its main areas of activity include trade union and human rights, the economy, society and the workplace, equality and non-discrimination as well as international solidarity. The ITUC adheres to the principles of trade union democracy and independence, as set out in its Constitution.

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Front page photo:

The crisis stopped almost everything in Ukraine during the beginning of 2009. Most of the workers were sent home without salaries and many who could keep working, such as the bricklayers on the cement factory Doncement in eastern Ukraine, have been forced to accept at least a 50 percent decrease in pay.

© Photo: Anders Lindh for Byggnads (the Swedish Building Workers' Union), Sweden.

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Preface

The global economic crisis threatens millions of jobs and the future of people everywhere. The world unemployment rate is still on the rise and will continue to climb even when the economy returns to growth. Wages are under pressure, meaning lower purchasing power and the danger of a deflationary spiral of declining living standards, economic activity and trade. But it should not be forgotten that the pre-crisis situation was already dramatic in many countries in terms of growing poverty and inequality and lack of food and energy security.

Can the world emerge from this crisis different – and better? Despite the widespread public clamour for fundamental change as the crisis hit and deepened, the push for a return to “business as usual” is taking hold, Wall Street is again paying itself gigantic bonuses after having been bailed out with taxpayers’ money. Parts of the financial trading system are still operating in the shadow industry or are borrowing cheap from taxpayers, lending at high rates and raking in the difference. Clearly, opportunities for huge profits remain, for the wealthy and the few.

In the meantime workers are suffering not only the loss of jobs but reductions in social protection, and threats to their rights at work as well, with the prospects of years of austerity ahead.

This report sets out the impact of the crisis on labour and on economic growth, summarises trade union efforts to fight the crisis, and a detailed trade union strategy on how to beat it. International government action is vital to bring this deep crisis to an end through promotion of decent work. Alternatives to the polarised, market-driven system that brought about the crisis are needed to end it. That means a real recovery based on decent job creation, proper regulation and more public spending; a recovery in favour of the real economy and those who work in it.

The times ahead will bring many challenges for workers and their trade unions. They are already active in national follow-up to the Global Jobs Pact adopted by the ILO Conference in June to provide the needed decent work response to the crisis. Trade union leaders are putting forward their ideas and demands to the IMF and World Bank and to the G20 to ensure that labour issues will be an integral part of a new sustainable and socially just world order. The World Day for Decent Work on 7 October provides a focus for the international trade union response to the crisis.

The ITUC needs to be a strong, outspoken and visible actor in bringing an end to the crisis and in ensuring that what comes after it meets its goals and principles for a fairer more sustainable world. This report is part of our work to live up to that responsibility.

Guy Ryder, ITUC General Secretary



I. Executive Summary: the solutions to the crisis

In response to this global economic crisis, the worst since the Great Depression, the world has to establish a new model of economic development that is economically efficient, socially just and environmentally sustainable. This model must rebalance the economy: the financial and the real economy; the rights of labour and capital; the trade surplus and deficit countries; and industrialised and developing countries. Above all, it must bring an end to the policies that have generated massive inequalities over the past two decades.

- **A coordinated recovery and more sustainable growth** in jobs and incomes must remain a priority for the coming time to ensure maximum impact on active labour market policies, job creation, the provision of social protection and public expenditures and services. In the fight for recovery, it is crucial that low-income countries are not left behind and that they should be given the necessary resources and policy space to undertake counter-cyclical policies to escape the crisis.

- **New rules to regulate global financial markets** are required to help restore confidence in banks and in the real economy and provide for public control and oversight of all financial institutions, products and transactions. This must go beyond the financial system to cover areas such as pension regulation, household consumer protection and social finance, and put an end to the 'shadow' financial economy and the tax and regulatory havens it is built upon.

- **An end to wage deflation and inequality** is necessary to prevent a further deterioration of labour market conditions. Times of crisis do not allow for a pursuit of policies that weaken workers' rights and increase the precariousness of work. Instead a decent floor must be put in labour markets via social dialogue to prevent a downward spiral of earnings and to stop an increase in inequalities.

- **A green new deal will boost economic and jobs recovery** through large-scale and labour-intensive investments in green infrastructure such as energy efficiency, renewable energies and transport, and also help achieve international agreement to mitigate climate change with low-carbon development in developing countries and reduced greenhouse gas emissions worldwide through a 'green economy agenda'.

- **Effective and accountable global economic governance** is required that puts employment and incomes at the heart of economic recovery efforts. We need to set the ILO's decent work agenda at the heart of the international economic and social institutions – the IMF, World Bank, WTO and the OECD – and of a global charter for sustainable economic

activity built on overarching principles of labour, social, environment and development policies. At national and international levels, the trade union movement is ready to take part in this new model to tackle the crisis and to build a fairer world economy for future generations.

Trade unions have long been critics of the imbalances in the relative priority given to economic and social institutions and the growing dominance of the unregulated and unmanageable financial markets. It is too late to repeat our warnings, instead we must concentrate on getting the real economy through one of its roughest periods in its history.

II. The impact of the crisis

What began as a credit and mortgage crisis in the United States in mid-2007 and quickly spread through an unregulated financial system has now turned into a global economic crisis, the worst since the Great Depression, with unprecedented effects for the labour market and economic growth. As the world economy continues to deteriorate, the innocent victims of the crisis, hard-working women and men and their families, are losing jobs and incomes.

This chapter of the report analyses why free market policies failed to foster a global financial system in support of the real economy and decent work. The recession, the continuing rise in unemployment and the collapse in world trade have made it painfully clear to world leaders that this is more than a 'financial' crisis – it is a crisis of jobs, of inequalities and of global governance.

If the world of work is to recover from this crisis, macroeconomic policies and stimulus packages must be effectively linked to employment and social policies. Previous analyses of past financial and economic crises have shown us that while economic recovery takes place at a faster pace, it usually takes 3-5 years for the labour market to recover. So even though the International Monetary Fund (IMF) foresees that the global economy is beginning to pull out of the recession in its World Economic Outlook from July 2009¹, workers will have to brace themselves for times of hardship, remuneration and pension losses and increased informality. Moreover the surge in unemployment itself constitutes a major threat to recovery.

Trade unions have long been critics of the imbalances in the relative priority given to economic and social institutions and the growing dominance of the unregulated and unmanageable financial markets to the detriment of the financing needs of the real economy, undermining its ability to provide decent work for all. By now, it is too late to repeat our warnings, instead we must concentrate on getting the real economy through one of its roughest periods in its history.

What went wrong?

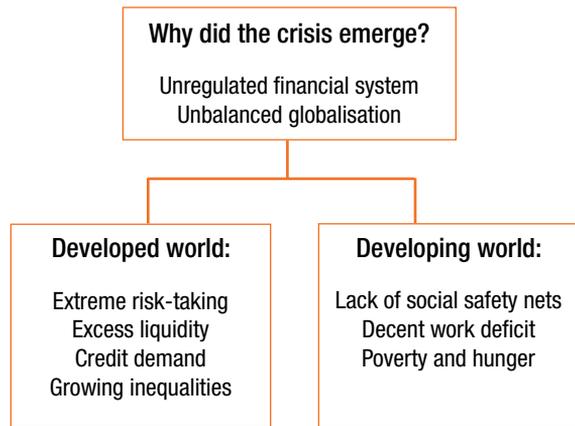
The question that people everywhere are posing themselves is what caused the failure of the financial markets and how did it develop into this epic challenge for world leaders and the world of work? Were there no warning signs? If so, why were they overlooked?

The key sources of the crisis were not only free market ideology, risk-taking and excess liquidity and equity but also rising economic and social imbalances, inadequate welfare spending, little or no social protection and an erosion of workers' rights over the past two decades. Even so, this does not explain how financial deregulation in the United States could develop into an all-encompassing economic crisis within 18 months. The crisis started in the financial markets – crises in credit, debt, derivatives and housing – and

developed into a general economic crisis now fostering an employment crisis that in many countries has turned into a social crisis and in some places, a political crisis as well.

To unravel the process and try to shed light on why the recession is so rapidly intensifying in both developed and developing regions, this report looks into the bigger picture of the crisis, a crisis that comes as a product of an unbalanced globalisation. In addition, the social repercussions of the crisis are turning out to be enormous and its impact on employment, remittances, informality and social spending affects individuals all over the globe.

It is estimated that global equity markets have lost approximately US\$ 32 trillion in value since their peak, which is equivalent of the combined GDP of the G7 countries in 2008.



The pursuit of a free market ideology

The emergence of the crisis and its many-faceted complexity makes it difficult to pin-point one precise area where things could have been done differently. Yet, the crisis of today is the result of 30 years of neo-liberalism that put its faith in free market forces and distrusted government interventions. Almost overnight, the banking system of the Western world collapsed and the failure of anti-tax, anti-regulation policies became vividly clear. A trust in the superiority of free and unregulated markets was sought but after the Great Depression, new rules and regulations were put in place to avoid another economic collapse. In the 1970's, a belief emerged once again in a fully efficient market that is self-adjusting if disruptions occur, such as price bubbles. Yet the "Washington Consensus" of trade liberalisation, privatisation and deregulation which we have witnessed for the past decades has not brought prosperity for all; instead it has deprived the labour market of workers' rights and protections, cut government spending in education, training and health and allowed tax cuts for the most wealthy.

Several analysts, commentators and politicians, such as Joseph E. Stiglitz and Kevin Rudd, the Australian Prime Minister, have pointed to one critical decision that is to be considered one of the root causes of the crisis, namely the repeal of the Glass-Steagall Act in 1999². This was established in 1933 in the aftermath of

The annual volume of US sub-prime and other mortgages rose from US\$ 160 billion in 2001 to more than US\$ 600 billion in 2006.

Estimates of losses by financial institutions range between US\$ 1 trillion and US\$ 2 trillion.

the Great Depression by President Roosevelt to prevent commercial banks from taking part in hazardous speculation and to solely concentrate on 'traditional' banking duties like taking deposits and granting loans. However, a US\$ 300 million lobbying effort by the banking and financial services industry ended the long-time separation of commercial and investment banks. A window of opportunity had now arisen to allow massive scale speculation.

Financial liberalisation along with low interest rates in the United States brought to the fore some of the big players of casino capitalism, the unregulated financial institutions like hedge funds, private equity funds and mortgage brokers with an uncontrolled thirst for profit that led them to take unjustifiable risks in a shadow financial economy. And along with a new class of borrowers with a weak credit history, the heavily indebted housing and credit market put immense pressure on the banking system. At an international level, the sub-prime mortgage crisis triggered a collapse in credit derivative markets that had developed over the past decade without public regulatory oversight.

The ITUC and the Trade Union Advisory Committee (TUAC) to the OECD warned in their Statement to the G8 Heiligendamm Summit in June 2007 about the systemic risks to financial market stability that were exacerbated by the opacity in which these highly leveraged investors were operating. The international system to oversee and regulate bank risks, known as the Basel II guidelines, was not functioning properly because investors found ways to circumvent the rules, and therefore trade unions called for a new "Basel III" agreement to include the non-bank sector³. In 2003, Global Unions had already pointed to the urgency of establishing better regulation of international financial markets in the present context of stock market decline and exchange rate instability⁴. For years, the international trade union movement sounded the alert with regard to the crisis of the capitalism of financial hegemony, which neglects to give credit to productive activities and engages in unproductive speculation. Whilst this crisis was precipitated by greed and incompetence in the financial sector, it was underpinned by the policies of privatisation, inequality and labour market deregulation of preceding decades.

Growing income inequalities

According to the latest World of Work Report from the ILO, the period of economic growth between the 1990's and 2007 did not benefit all people equally in employment gains. In fact, it took place parallel to a redistribution of income away from labour and in 51 out of 73 countries examined, the share of wages in total income declined over the past two decades⁵. In the same period, the incomes of richer households increased relative to those of poorer households. The income gap between the top and bottom 10 percent of wage earners increased in 70 percent of the countries analysed by the ILO. So even prior to the crisis, income inequalities had risen both within and between countries. This income gap was a major factor in the economic meltdown and in determining its wide impact.

The impact of globalisation on employment, labour markets and wages, has become a key factor accounting for rising inequality. It has contributed to the

Instead of steady economic growth built on investment, productivity and the growing prosperity of working people, we have had a series of speculative bubbles that have increased the wealth of the few, but are now being paid for by the many.

process of downsizing and offshoring of industries, triggering increasing layoffs and involuntary displacements from permanent jobs. In addition, the process of financial globalisation along with capital flows and deregulation played a part in increasing income inequalities, not only at a global level, but also between the remuneration of chief executive managers and directors and the average worker. In the United States for instance:

- The top 50 hedge fund and private equity managers averaged US\$ 588 million each (19,000 times the pay of typical workers).
- In 2007, the five largest Wall Street firms paid bonuses of US\$ 39 million (the same banks that later received a financial bail-out).
- The average executive manager in the 15 largest US firms earned more than 500 times the average employee.
- Between 2003 and 2007, executive managers' remuneration grew in real terms by a total of 45 percent compared with less than 3 percent for the average American worker.
- The chief executive officers (CEOs) in Hong Kong and South Africa are paid between 160 and 104 times the wage of an average worker.

Source: ILLS (2008) and Rudd (2009)

In developing nations, even before the food price crisis of 2007-2008 and the current financial crisis, the World Bank noted that in 46 developing countries out of 59 examined, inequality had increased over the previous decade. The worsening economic situation, on top of the crisis in the world food system, will exacerbate these existing inequalities. Instead of steady economic growth built on investment, productivity and the growing prosperity of working people, we have had a series of speculative bubbles that have increased the wealth of the few, but are now being paid for by the many.

Erosion of workers' rights

For the past 25 years in most economies, the 'flexibilisation' of labour markets has increased the risk of wage deflation, weakened worker protection and enhanced the precariousness of work. In our globalised world, the competition for investment and profits has increased tremendously, most often based on low comparative labour cost at the expense of fundamental labour standards. This so-called "race to the bottom" strategy has continued to erode workers' rights and competitiveness over time and the trade union movement now fears that the global economic crisis will further weaken labour legislation, the freedom of association, the right to social dialogue and collective bargaining, which will represent a major setback in the fight for decent work for all and the elimination of poverty. Another concern relates to casual, temporary and sub-contract workers, many of them migrants, who are amongst the most vulnerable to job losses and often do not qualify for severance pay or unemployment benefits if they lose their job. Worse, the ILO reports that there are a growing number of unethical, fraudulent and criminal practices that lead people into situations of forced labour and that the negative impacts of the global economic and jobs crisis hinder efforts to eliminate it⁶.

Impact of Economic Crisis on Women

A report by the ITUC has revealed that the pay gap between men and women worldwide may be much higher than official government figures. The report, "Gender (in)Equality in the Labour Market", is based on survey results of some 300,000 women and men in 20 countries. It sets the global pay gap at 22 percent rather than the 16.5 percent figure taken from official government figures.

The report also examines the impact of economic recession on women's access to employment and incomes. Previous downturns have had a particularly negative effect on women in developing countries working in export industries and agriculture. Any reductions in government spending on health, social protection and education also often hit women hardest. The report highlights how special attention must be given to the impacts of policy responses on women in the context of government action taken to tackle the current crisis. "The global trend towards regular employment being replaced by contract labour and agency employment has had a particular effect on women, and these precarious jobs are the first to go as employers reduce their payrolls in this global recession. Millions upon millions of women working in domestic service and as migrant workers are facing unemployment or have already lost their jobs, and already-struggling households around the world are being hit hard because of this," said Guy Ryder, ITUC General Secretary.

Financial deregulation has diverted economic resources away from productivity-enhancing investment in the real economy and in people and this is reflected to some degree in the imbalance of bargaining power between workers and employers. In addition to that, relatively weak labour market governance in many developing countries – a small collective bargaining coverage rate – actually stands to exacerbate the risks to reaching negotiated solutions in support of workers and wages during these times of crisis. But the crisis and measures needed to cope with the crisis must not and cannot become an excuse to further erode fundamental principles and rights at work.

What are the social repercussions of the crisis?

Economic slowdown

The crisis has brought economic growth since the mid-1990's to a halt and advanced economies have already been experiencing negative growth. The latest forecast from the IMF predicts that global economic activity will expand by 2.5 percent in 2010 after having contracted by 1.4 percent in 2009. Emerging market and developing economies experienced a growth rate of 8.3 percent in 2007 but in 2009, the economic growth has paced down to 1.5 percent. China and India, two of the fastest growing economies, are coping with a slowdown from respectively 13.0 percent and 9.4 in 2007 to 7.5 percent and 5.4 growth in 2009. Among the largest national economies, Mexico's GDP shrinkage of 7.3 percent for 2009 is considered to be the most serious and is partly due to global trade slowdown⁷. The low-income

The year of 2009 will become the worst global performance in terms of employment creation ever registered.

Austerity for Latvian workers due to IMF bailout agreement

For a few short years, the three Baltic states experienced impressive growth compared to other EU countries - but now those countries are the ones that are suffering the most. Having fallen into deep recession, in late 2008 Latvia was forced to seek credit from the IMF and accept its terms in order to cover a growing budget gap. In December 2008, a group of international lenders pledged 7.5 billion Euros (US\$ 10.5 billion) to Latvia but not on easy terms. Latvia's bailout with the IMF and the European Commission requires the country to limit its budget deficit to 5 percent of gross domestic product and implement structural reforms.

Due to the budget cuts this requires, the people of Latvia are experiencing lower wages and reduced social protection. Despite such austerity for its people, the government bailed out the second biggest bank in Latvia, "Parex" Bank, to restore confidence in the financial sector.

Salaries for civil servants were reduced in December 2008 by 15 percent or more. Teachers and healthcare workers have been affected by major structural reform - there are plans to close dozens of schools and healthcare facilities as part of cost-cutting measures to reduce Latvia's budget deficit. Additional wage cuts of 20 percent in June 2009, and reductions in the education budget by 25 million Latvian Lats and in the healthcare budget by 40 million Lats, will inevitably lead to thousands more layoffs, as reported by the Free Trade Union Confederation of Latvia.

Latvia now has the second-highest unemployment rate in the EU, only surpassed by Spain and the Latvian trade union LBAS fears that the IMF loan and its subsequent conditions will cause the decline of industry and agriculture and growing social tension for Latvian citizens, especially teachers and workers in the healthcare and manufacturing sectors.

Source: ITUC Union View (Latvia forthcoming 2009)

countries are facing numerous challenges because official aid is likely to fall and these economies are particularly vulnerable to swings in commodity prices as the food crisis has demonstrated. Foreign direct investment (FDI) has been a significant contributor to growth in many Asian and African economies but overall, conservative estimates state that FDI stands to decline by more than 30 percent in developing countries in 2009. Given the fact that global activity is set to decrease substantially also in 2009, it is inevitable that the unemployment rate will continue to increase.

Increased unemployment

The International Labour Organization (ILO) estimates that global unemployment is likely to increase by 59 million unemployed people in 2009 compared to 2007 and that the total number of unemployed people could reach 239 million worldwide, equal to a global unemployment rate of 7.4 percent⁸. The ILO has examined data since 1991, representing the approximate starting point of

Joblessness in the US:

The United States was the first country to be hit by the recession, the credit crunch and the subsequent downturn on the labour market and the number of long-term unemployed (jobless for more than 27 weeks) has more than tripled since December 2007. According to the Bureau of Labor Statistics (BLS), the job loss was spread throughout most industries, moderating in construction and retail: *“Manufacturing employment fell by 156,000 in May [...] Employment in construction decreased by 59,000 in May, compared with an average monthly job loss of 117,000 in the industry for the previous six months [...] Job losses in professional and business services moderated in May, with the industry shedding 51,000 jobs [...] Retail trade employment was down by 18,000 in May; job cutbacks in retail have moderated markedly in the past two months.”*¹¹

Source: AFL-CIO: U.S. Unemployment Rate now 9.4 Percent by Tula Connell, 8 June 2009

a more integrated global economy, and it is clear that the year of 2009 will become the worst global performance in terms of employment creation ever registered.

When factory closures in Asia takes place because of declining demand in the Western world, the return of millions of workers to their residential rural areas affects the livelihoods of their families but it also leads to a sharp decline in remittance-receiving countries' GDP. In the early days of the financial crisis, it was believed that the impact on Africa would be minimal because of its low integration into the global economy. However, “in a globalised world, problems in one part of the system quickly reverberate elsewhere”⁹. The crisis stands to reverse the gains in economic performance and undermine people’s prospects for working their way out of poverty through decent jobs and it is likely that progress in achieving the Millennium Development Goals (MDGs) will be reversed substantially¹⁰.

Unemployment rate, world and regions (%)

| Total | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|------|------|------|------|------|------|------|------|------|------|------|
| World | 6.4 | 6.2 | 6.3 | 6.4 | 6.5 | 6.5 | 6.3 | 6.0 | 5.7 | 5.9 | 7.4 |
| Developed Economies and European Union | 6.9 | 6.6 | 6.7 | 7.3 | 7.3 | 7.1 | 6.8 | 6.3 | 5.7 | 6.1 | 9.0 |
| Central and South Eastern Europe (non-EU) & CIS | 12.7 | 10.8 | 10.3 | 10.1 | 10.1 | 9.9 | 9.4 | 9.1 | 8.4 | 9.0 | 12.1 |
| East Asia | 4.7 | 4.5 | 4.5 | 4.4 | 4.3 | 4.2 | 4.2 | 4.0 | 3.9 | 4.3 | 5.8 |
| South-East Asia and the Pacific | 5.1 | 5.0 | 5.8 | 6.0 | 6.2 | 6.4 | 6.4 | 6.0 | 5.4 | 5.4 | 6.2 |
| South Asia | 4.4 | 4.6 | 4.6 | 4.6 | 4.7 | 5.3 | 5.3 | 5.2 | 5.0 | 5.0 | 5.6 |
| Latin America and the Caribbean | 8.7 | 8.6 | 8.9 | 9.1 | 9.1 | 8.5 | 8.1 | 7.4 | 7.1 | 7.2 | 8.4 |
| Middle East | 10.0 | 9.5 | 10.9 | 10.8 | 12.1 | 9.2 | 9.8 | 10.1 | 9.5 | 9.0 | 11.0 |
| North Africa | 13.3 | 14.1 | 13.6 | 13.4 | 13.1 | 12.3 | 11.5 | 10.5 | 10.6 | 10.0 | 11.1 |
| Sub-Saharan Africa | 7.9 | 7.9 | 8.1 | 8.1 | 8.2 | 7.9 | 7.9 | 7.8 | 7.7 | 7.6 | 8.2 |

Source: ILO, Trends Econometric Models, May 2009

Key findings from the ILO:

- In the developed economies including the EU, total employment is foreseen to decrease this year by between 1.3 percent and 2.7 percent. The region is likely to account for 35 to 40 percent of the total global increase in unemployment, despite accounting for less than 16 percent of the global labour force.
- In Central and South Eastern Europe (non-EU) & CIS, the number of unemployed could increase by as much as 35 percent in 2009. Total employment rate is projected to contract between 1 and 2.8 percent.
- In East Asia, it is estimated that 267 million people, representing more than one third of the total employed, were living on less than US\$ 2 per day at the onset of the crisis. There were around 12 times as many people in vulnerable employment as in unemployment.
- In South East Asia and the Pacific, a slight increase in unemployment is projected for this region, though workers and firms in export-oriented industries are being hit hard.
- In South Asia, approximately 5 percent of the labour force is jobless but nearly 15 times as many workers are employed, but in vulnerable or precarious employment. The number of workers living on less than US\$ 2 per day is projected to grow by up to 58 million between 2007 and 2009.
- In Latin America, the unemployment rate is predicted to rise from 7.1 percent in 2007 to between 8.4 and 9.2 percent in 2009.
- The ILO projects an increase in the unemployment rate of up to 25 percent in the Middle East and up to 13 percent in North Africa in 2009 compared to 2007. Vulnerable employment is also expected to increase in both regions. Around one in three workers in each region are in vulnerable employment and this ratio could rise to as much as 4 in 10.
- In sub-Saharan Africa, an estimated 73 percent of the region's workers are in vulnerable employment, and this could rise to more than 77 percent in 2009. The crisis and the potential lowering of Official Development Assistance (ODA) pose a serious threat to investment in infrastructure and capital goods that are crucial for the region's continued development.
- Over 200 million workers could be pushed into extreme poverty, mostly in developing and emerging countries where there are few or no social safety nets, with the result that the number of working poor may rise to 1.4 billion.

Source: http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_106525/index.htm

In the textile, garment and footwear industry over eleven million jobs were lost in the past nine months and a further three million are at risk, according to the Global Union of International Textile, Garment and Leather Workers' Federation (ITGLWF) representing workers in the sectors.

In China, job losses from large-scale factory closures, not only because of the crisis but also due to the industrial restructuring to higher value-added production prior to the crisis, have caused more than 20 million retrenched workers to return to their native countryside in pursuit of rural employment. During the

Gender pay-gap could widen due to the crisis

Unions in Australia are concerned that the gap between men's and women's pay will widen following a decision in July 2009 to freeze the minimum wage. The ACTU has reported how women are over-represented among low-paid and part-time jobs – almost one-third of women earn less than the Federal Minimum Wage. The unfortunate decision to freeze the wages of low paid workers will worsen that inequality.

last two months of 2008, dismissals in Indonesia exceeded 40,000 workers, mostly in the electronics and manufacturing sectors. Manufacturing jobs have decreased by 120,000 in the Philippines and by 20,000 in Singapore¹².

Long-term unemployment can ultimately be more costly for society as a whole than the initial shock of the financial crisis because some workers will need re-skilling in order to return to the labour market, others might never return because of despair or failure to find work and those who initially did receive unemployment benefits in the initial phase of job loss might fall out of the social system after a certain time period. On average, it takes three to five years for the labour market to recover to its normal level after economic activity recovers. At the same time, businesses, especially small and medium enterprises are under economic pressure causing an increase in bankruptcies that will inevitably lead to a shortage of new employment opportunities. And according to the International Institute for Labour Studies (IILS), more than 300 million new jobs worldwide would have to be created within the next five years to maintain a pre-crisis level of employment¹³.

Lower purchasing power – erosion of people's savings

Millions of people have seen their pensions, life savings, homes and jobs suddenly disappear. The immediate effect of redundancy is a real income reduction that impacts workers' health and social security coverage and that of their families and puts additional pressure on government budgets. Like ripples in the water, the effects of the crisis from the financial world spread quickly to the world of work and other sectors, where it is frequently the low-skilled workers that are the most affected by dismissals. They often have great difficulties in finding new employment and the social and economic blow of unemployment is often harder felt on middle- and low-income households.

The steep fall in demand and the fact that consumers are spending less because of the crisis affects the exporting industry and the demand for labour, especially in Asia, the Americas and Europe. In February 2009, exports from China fell nearly 26 percent compared to the previous year, while in Indonesia exports contracted about 33 percent¹⁴. And in an attempt to minimise financial losses, many businesses, factories and companies have sought different solutions, some of them being a reduction in employees' working time or asking workers to take unpaid leave.

According to the ILO Regional Office for the Asia-Pacific between 2001 and 2007, a period of tremendous economic growth, average annual real wages in parts of the region grew at a rate of 1.8 percent, far below the average annual growth in labour productivity over the same period¹⁵. Even before the crisis, the share of wages in national income has been shrinking in many countries for the past years. The economic slowdown is putting additional pressure on workers' wages and wages may remain stagnant or even fall in the coming months. A worrying development because maintaining people's purchasing power and consumer demand by keeping wages at a decent level is key for crisis recovery. Yet on an overall level, many workers have already agreed to modest or no pay increase in order to save their employer and their jobs and

Pressure on Australian workers:

A pay freeze for workers reliant on minimum wages will affect more than 1.3 million workers already at the bottom of the pay scale and comes at the expense of the living standards and purchasing power of working families. Executives' pay and other people receiving high incomes are not affected by the Australian Pay Commission's decision applying from July 2009. Instead low paid workers will lose AUD\$ 16 a week for the next year.

the tendency of applying a general pay freeze across our economy will only exacerbate the downturn.

Many workers who have worked hard all their life and saved up for retirement have been passive bystanders to a deterioration of their pension savings as a result of the financial crisis and its risky instruments to generate fast profits. Many pension programmes and funds are linked to stock-market performance, which in turn has plummeted since 2008 with severe negative impacts on workers' pension wealth. In the United States, the value of pension plans has dropped by approximately 15 percent in 2008 or according to the Federal Reserve, US\$ 1 trillion has been lost from the second quarter of 2007 to the second quarter of 2008¹⁶. With such a massive erosion of people's pensions, we are facing serious implications for the safety and financial stability of workers close to retirement. It is vital that pension security and the right to decent, adequate and predictable pensions be placed at the heart of economic recovery plans because the global crisis has exposed the dangers of unprotected individualised contribution pension schemes, in which most, if not all, the pension risks are borne by the workers¹⁷.

Women are particularly hard-hit by the crisis, seeing their already underpaid work evaporate as a result of the economic downturn, leaving them to shoulder the burden of household care activities without income or social compensation. Women are often the pillar in industries that have been negatively affected by the falling demand; the services, export manufacturing and garment sectors are employing approximately 60-80 percent women workers and the World Bank estimates that these sectors will shrink substantially in the coming months. Women in those industries are often contracted in low-paid, low-skilled, temporary jobs with very few rights and they are now in the risk-zone because of the crisis¹⁸.

Growing informality

The quality of jobs and lives is getting worse due to the crisis. In some developing countries, up to 60 percent of the labour force works informally – without written contracts or social security¹⁹. In India, for example, the official unemployment rate was 4.7 percent in 2005, but 83 percent of non-agricultural workers were informal, with jobs but without the benefit of employment protection, unemployment insurance or pension entitlement or safe and healthy working conditions. Any progress that has been achieved in reducing informality is threatened by the crisis as millions of formal sector jobs are lost.

The current global economic crisis is likely to lead to a surge in rural, vulnerable and informal employment due to job losses in the formal sector, which will result in deteriorating working conditions and lower wages for the poorest. This is of particular concern for people in emerging and developing economies and will constrain any hope of moving to the formal sector for millions of workers. Instead the existing share of workers in hazardous and precarious employment will expand. Those workers who do continue in employment will face deteriorating labour conditions. Women workers are likely to have to work without leave pay and social insurance in parts of Asia and Latin America²⁰. And this trend stands to be exacerbated by the global economic crisis.

The impact of the crisis on HIV prevention and treatment

The financial and economic crisis has started to affect the HIV/AIDS response. India recently reduced its budget allocation to AIDS for the current financial year. A recent analysis by UNAIDS and the World Bank shows that in some of the most affected countries treatment programmes are being hit; more than 3.4 million people living with HIV stand to be affected and the outlook for the 7 million who need treatment but do not have access to it is grim.

Source: UNAIDS, 2nd Newsletter/09

Social protection measures to cushion the shock and pain of income loss due to unemployment are lacking in many countries in the developing world, and certainly lacking for the majority of women and men working in precarious, low-income informal and unprotected jobs. 80 percent of the world's population are without any social safety net that can assist them if their income evaporates because of loss of their jobs and those people may have to accept any means of employment despite it being hazardous, poorly paid or on a short term basis.

Less social spending

Many governments are aware of the potentially grave impact that a cut in public services or social spending will have on the most vulnerable parts of the population, mostly women and children; as revenues shrink and deficits rise, it will affect social safety nets, cash benefits, children's schooling and many vulnerable parts of the population. According to the ILO, education and training may also be affected, particularly in developing countries because children are dropping out of school to contribute to household income instead or because families no longer can afford to finance education due to the credit crunch²¹.

Important lessons from previous crises have taught us that cuts in social development spending can have long-term effects on middle- and low-income households, workers and the sick and elderly. The East Asian crisis that hit in 1997-1998 caused median wages in Indonesia to decline by 20-30 percent and households to cut spending on health care and education. Both in Argentina and Mexico targeted social spending contracted in the 1990's during recession and the World Bank reports that it is common for governments to decrease social expenditures when experiencing low or negative GDP growth and macroeconomic shocks²².

The most recent data from the AidWatch Report states that since December 2008, four European governments have already cut their aid contributions: Estonia, Ireland, Italy and Latvia. According to official estimates of the European Commission, the 15 old Member States (EU-15) will not reach its collective target of 0.56 percent of Gross National Income (GNI) in aid for 2010 until 2012, two years behind schedule. The 12 new Member States (EU-12) countries are also behind and not expected to achieve their common target of 0.17 percent on time²³.

The consequences of the economic recession and the slowdown in trade will be felt in a decrease in tax revenues across the globe. For those countries who rely heavily on aid, remittances or exports, the short-term shock and the heavy financial burden of higher interest rates and devaluing currencies could lead to less spending on social assistance programmes, pension schemes, schools and credit transfers. Yet in the long term, it will be more costly not to invest in social protection instead of seeking to make cuts due to short-term financial concerns.

Fall in remittances

Unlike previous financial crises, the interconnectedness of this one with the

severe impact on labour market and economic growth also in the developing world makes it highly unlikely that a continuous flow of remittances will help to stabilise receiving countries. In fact remittance flows from migrant workers have started to shrink everywhere; at a global level they will decrease by more than 7 percent. Yet the amount migrant workers send home to their families is crucial for development and constitutes more than three times the volume of aid – US\$ 328 billion or about 2 percent of developing countries' GDP, according to the World Bank²⁴. Female wages are one of the most important sources of income for families who depend on remittances to be able to sustain their livelihood but women migrant workers are often an easy target for employers who exploit them to evade their statutory labour rights²⁵.

Remittances to Latin America are predicted to decrease by 2 percent, the first decline since 2000 and a similar tendency is seen in Asia, where remittances are likely to decline especially to the Philippines and Bangladesh as migrant workers in the Middle East experience redundancy and subsequently will have to return to their home countries²⁶.

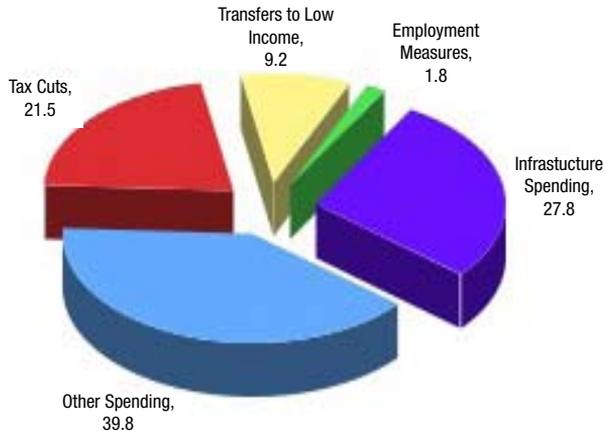
Are governments keeping their promises?

As the financial crisis tightened its grip, governments have intervened to support their financial systems and indeed their economies in general. The fiscal stimulus and spending packages undertaken by more than 40 countries worldwide can be categorised into three types: 1) financial rescue efforts such as a guarantee of private deposits and bank loans, capital injections and buying of “toxic” assets; 2) monetary rescue efforts like interest rate cuts and 3) fiscal rescue efforts, for instance corporate and consumer tax cuts and increased spending on public goods and services.

But how large a portion of the stimulus packages is devoted to investments in public spending and infrastructure for instance to create jobs and stimulate higher productivity? If government are intend on restoring confidence, growth and jobs, as stated in the London G20 Communiqué, how is employment addressed in various fiscal stimulus measures and at global level and are they putting concrete action behind their own words? The International Institute for Labour Studies (IILS) has analysed the fiscal rescue efforts in 10 advanced and 12 developing and emerging economies and found remarkably little emphasis on employment measures and social transfers when examining the overall picture of spending (see graph next page).

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Composition of spending:



Source: Data from the ILS, showing the composition of spending (as a % of total package) based on 22 countries.

On the positive side, 16 of the 22 countries will spend some part of the economic stimulus packages on infrastructure and public works projects, which should help to create jobs. Such efforts have so far been three times higher in the developing and emerging economies considered (46.5 percent) compared to the advanced economies (14.9 percent). It includes stimulus spending in countries like China, Germany, Japan, Portugal, Saudi-Arabia and the United States on areas such as building and repair of roads, bridges, railways and rural infrastructure as well as energy-efficient projects. However employment measures such as training programmes, unemployment benefits and job creation only comprise 3 percent of total spending among the advanced economies whereas the developing and emerging economies spend merely 0.2 percent of their total fiscal packages on such labour market initiatives²⁷.

Furthermore, these stimulus packages were agreed upon in late 2008 or early 2009 but since then, the world economy has worsened considerably and it is quite possible that spending will turn out to be insufficient to counter the mounting recession. While the IMF has recommended a global stimulus amounting to 2 percent of world output, currently it only amounts to 1.4 percent at the global level. In addition, it is unclear how much is old and new spending and what the time frames are for implementation. Lastly, the financial rescue efforts are substantially larger than the fiscal rescue efforts; the UK has allocated 28.6 percent of GDP on financial rescue efforts and only 1.3 percent towards fiscal rescue efforts, similarly Germany has directed 19.8 percent on the aforementioned and 2.8 percent on the latter²⁸.

The ITUC is concerned that the promised commitments on employment and social protection will not materialise because governments may not make the necessary resources available for implementation. The recently concluded G8 Summit in July 2009 offered no additional funding to tackle the high and rising unemployment rates – especially as these figures fail to capture the

The ITUC is concerned that the promised commitments on employment and social protection will not materialise because governments may not make the necessary resources available for implementation.

number of workers who have retained their jobs through short-time working or by taking unpaid leave, or changes in the quality of jobs or the levels of under-employment.

Instead the ILO Global Jobs Pact, agreed upon by governments, trade unions and employers in June 2009, should be at the centre of global policy making to make a break with failed free-market policies and to ensure that governments and employers strive to maintain and create employment and avoid deflationary wage spirals and worsening working conditions. The ILO Pact highlights the importance of public job-creation schemes such as infrastructure development, as well as help for the unemployed and training and skills development. But the most important task still lies ahead – to ensure that action speaks louder than words.

The increased joblessness that the world is experiencing does not leave much hope of labour market recovery in the near future. In order to boost the economy, the world leaders and governments will have to deal with the employment crisis, otherwise the heart of our economy – the workers – will remain those paying the highest price. The following chapter will show how trade unions are stepping up to the challenge and demanding to be heard.

Council of Global Unions – working for recovery

Alternative trade union strategies for the global economy, focused on getting people back in work and for a recovery plan based on humanitarian values, are set out in a Council of Global Unions publication from May 2009. Global Unions argue that the economic crisis requires a fresh look at what is driving the global economy and policy and emphasise the devastating impact of financial deregulation on jobs.

The report sketches out various areas of Global Unions' co-operation, with the international trade union movement joining its political and industrial forces at a time of crisis in areas such as democratic control of the economy; commitment to quality public services and education; arresting the development of income inequalities in the global economy and the vital need for redesigning the financial architecture.

Put simply, the articles in the publication: Global Unions: Getting the world to WORK – Global Unions Strategies for Recovery set out the labour movement's demand for a change of direction and a break with the greed, self-interest and inequalities of the past, insisting that governments put people first for a change.

III. Trade unions and the Global Crisis

Chapter I showed the unprecedented impact of the global economic crisis, unheard of for this generation of workers, their families and livelihoods and with the worst level of unemployment since the Great Depression in the 1930's. Workers across the globe, from the Americas to Asia, from Bulgaria to Burkina Faso and from Canada to Colombia, are now coping with the reality of precarious working conditions, wage pressures, massive unemployment and widespread lack of social protection. The world as a whole is paying for a crisis precipitated by greed, reckless speculation and neo-liberal policies.

The following chapter serves as a testimony of trade unions' determination to fight the crisis and to establish a new and socially just world order. And whether unions are undertaking demonstrations, researching new proposals to overcome the crisis or mobilising political pressure, one thing is clear – there can be no return to 'business as usual'. The world has to look very different after the crisis is over, both at the financial level and also in the labour market. This chapter reports on the messages and actions of trade union organisations across the globe to achieve that new world order.

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ITUC: Day of Action

In a worldwide push to pull the global economy out of recession and chart a new course for job creation, financial regulation and global governance, the ITUC called upon trade unions not only from the G20 countries but across the globe to deliver a common set of demands to world leaders and governments on 23 March 2009. The five-point plan called the "London Declaration" set out a comprehensive package of actions which the G20 Summit needed to agree in order to tackle the crisis and build a fairer and more sustainable world economy for the future, including:

- 1) Coordinated international recovery and sustainable growth plan to create jobs and ensure public investment;
- 2) Nationalisation of insolvent banks and new financial regulations;
- 3) Action to combat the risk of wage deflation and reverse decades of increasing inequality;
- 4) Far-reaching action on climate change;
- 5) A new international legal framework to regulate the global economy along with reform of the global financial and economic institutions (IMF, World Bank, OECD, WTO).

National union centres in a wide range of countries, including Albania, Argentina, Belgium, Bulgaria, Canada, Czech Republic, Japan, Mali, Morocco, Poland, South Africa, Spain and Sweden handed over to their governments the "London Declaration". The package was also discussed in a specially-convened meeting of the ITUC and the European Trade Union Confederation with European Commission President José Manuel Barroso in Brussels.

Central America and the Caribbean: fighting the erosion of workers' rights

The Coordinadora Sindical de América Central y El Caribe (CSACC) used the 1st May, Labour Day to call for unity in the struggle against the erosion of workers' rights. The CSACC warned about anti-union policies and a reduction of labour standards that risk being compromised when dealing with the challenges of the economic crisis. The process of maintaining a respect for labour standards and human rights is key to the development of democracy and social justice and in the end, it can help to reactivate the economy. The CSACC urges governments to undertake coherent solutions far away from the prevailing model.

“There seems to be movement towards effective regulation of financial markets and banking, as well as tackling the destructive effect of tax havens on government revenues and the need for determined action on climate change, however agreement on needed economic stimulus is not yet in reach. It is also still unclear whether the International Labour Organisation will be accorded a central role along with the international financial and trade bodies in shaping the new global economy,” said ITUC General Secretary Guy Ryder who addressed a special High Level Tripartite Meeting on the crisis at the ILO's Governing Body in Geneva on the same day.

Advocacy work by trade unions around the world, including meetings with G20 leaders in the days prior to the Summit and in London itself, was a major factor in ensuring that employment is included as a top priority in the reform and recovery plan.

The long 'road to recovery' in the Americas

The devastating impact of the global crisis was highest on the agenda when the trade union confederations of Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela met in March 2009 for the annual Andean Union Summit. The direct consequences of the crisis were discussed - factory closures and the subsequent dismissal of millions of workers in the Andean region and how to ensure the safety and survival of those people. Little has been initiated to guarantee a fair distribution of social and economic wealth to the people or to ensure a well-functioning public sector that can invest in people and infrastructure. The participants of the Andean Union Summit endorsed an agenda for a new economic order with emphasis on sustainable development and an inclusive society that allows for active labour participation in all aspects of decision-making.

At a meeting with President Lula da Silva of Brazil in April 2009, the CUT (Central Única dos Trabalhadores) discussed the state of the Brazilian economy, how to establish new measures to fight the crisis and how to protect jobs and wages. During the meeting with the President, CUT highlighted among other things the need to approve a new law on minimum wages as a powerful instrument of income distribution and reinforcement of the domestic market.

In the state of Mato Grosso do Sul in Brazil, Força Sindical and civil society organisations have created a committee to put forward suggestions to fight the crisis and to counter growing unemployment with its harmful effects on the population. The committee has written an open letter to decision-makers explaining that the people are not the culprit for this crisis and that solutions must therefore not affect working hours, wage level and labour rights negatively. In Mato Grosso do Sul, social spending and public investment have been reduced at a time when they are most needed, and to aggravate the situation even further taxes on public utilities such as water, electricity and transport have even been raised in recent months.

Colombia: Demanding an Alternative Model of Development

In addition to vicious attacks on trade union rights, Colombian workers must now contend with the economic crisis as well. To fight the deep unemployment and economic crisis, the CGT (Confederación General del Trabajo) proposes intensive tripartite negotiations to agree upon an alternative model of development that secures the stability of wages, pensions and of employment; a model that promotes the agricultural and tourism sectors to improve productivity and competitiveness, indeed a model that stimulates the world of work by focusing on construction, infrastructure and the creation of new companies and jobs.

In April 2009, representatives of UGT (União Geral dos Trabalhadores of Brazil) filed a lawsuit at the Supreme Federal Court to request that the extension of unemployment cheques benefit all workers, not solely former employees from the metallurgic, mechanic, textile, chemical, automotive and rubber industries, as determined by the Labour Minister. Since September 2008, more than 700,000 thousand workers have lost their jobs but only 103,000 of them have been entitled to receive adequate unemployment benefits.



On 1 May 2009, an estimated 1.5 million workers took to the streets of Sao Paulo to demonstrate for decent work and to show how workers are ready to fight against the economic crisis (Photo taken by Força Sindical).

The CTA (Central de los Trabajadores Argentinos) initiated a national campaign in July 2009 to ensure the ratification of ILO Convention nº 102 on Social Security. Convention 102 is the only international instrument, based on basic social security principles, that establishes world-wide agreed minimum standards in medical care, sickness, unemployment, old-age, employment, injury, family, maternity, invalidity and survivors benefits. To the CTA, it is essential that the government recognises the need to establish a social security floor in these times of crisis, one that could serve as a permanent redistributive tool in a new period of growth but at the same time allow for economic and social protection in periods of downturn.

For the past 25 years in the United States, wages stagnated while investors and owners of capital took a larger share of profits. Household debt and consumer spending kept rising in the US and kept the inflated economy afloat until it burst, triggering a financial and economic crisis unheard of since the Great Depression in the 1930's. Many working families in America were struggling to make ends meet even before the current downturn and in a context of persistent attacks on the right to collective bargaining, the growing income gap will keep widening unless institutional and regulatory frameworks are put in place, reports the American Federation of Labour and Congress of Industrial Organizations (AFL-CIO) – adding that the problem inherently wrong is that

Invest in young people in Latin America:

The slowdown of economic growth in Latin America will affect youth employment and the attainment of decent work. A study from the Trade Union Confederation of the Americas (TUCA) points to the credit crunch and lower export prices as factors that are having a negative impact on the youth job situation in the region. TUCA emphasises the necessity of putting economic and social policies in place to guarantee the flow of credit, stimulate demand, ensure skills-upgrading and enhance the human capital of young people.

people are employed in low-paying jobs with little or no health benefits and job security.

In the United States, unions are deploying creative and collaborative ways to address the energy crisis, guarantee employment and a return to work and use the many billions of stimulus dollars to build sustainable economic growth while restoring fairness to the workforce. The AFL-CIO believes that there is an unprecedented opportunity to ensure fundamental economic transformation and to put together a new economic model to bring about recovery and shared prosperity. And decent, green jobs can create the type of real sustainability that is much needed to economic well-being. In this respect the AFL-CIO and other unions have launched a Center for Green Jobs to help prepare Americans for the next generation of jobs in energy efficiency, protection of the environment, retrofitting of buildings and the renewable energy sector.

Sit-ins to stem the employment collapse in Forestry:

The International Federation of Chemical, Energy, Mine and General Workers Unions' (ICEM) affiliate the Communications, Energy and Paperworkers (CEP) Union of Canada has staged seven sit-ins at the offices of key lawmakers in the country. The union is demanding financial support for the hard-hit industry at federal level, iron-clad protections on pensions and a national summit on the forestry crisis to target employment stabilisation and regeneration measures. The CEP estimates that 55,000 jobs in the forestry sector have been lost over the last two year period.



Photo taken from sit-in at the office of Canadian Member of Parliament Jim Flaherty (Photo: CEP, www.cep.ca)

The Canadian Labour Congress (CLC) is mobilising a campaign for change: "Get real! It's the economy – make it work for us"²⁹. It is a threefold campaign that first addresses the continuous erosion of workers' rights for the past 25 years, second puts forward a plan to stimulate the economy and to create and protect jobs, pensions and public services and third, aims to prove how the labour movement can play a role in the fight for equality and be part of the

Singapore: "Upturn the Downturn"

The National Trades Union Congress (NTUC) is determined to "upturn the downturn", so that they have a stronger and more resilient economy by the time of global recovery. Part of this focus is to help workers to stay in employment by re-skilling and up-skilling; to assist women and older workers to come back to the labour market and to strengthen tripartism so that businesses can survive and upgrade and more jobs can be saved for workers.

solution. According to the President of the CLC, Ken Georgetti, Canada has now lost 406,000 full-time jobs since October 2008, and 1.55 million Canadians are unemployed; the unemployment rate stood at 8.4 percent as of May 2009 - the highest in 11 years. In fact, only 46.8 percent of the unemployed actually receive Employment Insurance benefits even though they have already paid for the programme through their premiums. This affects thousands of workers, their families and communities and is a flawed system when the security net that workers should be able to count on is not helping them in tough times. The CLC campaign is running across Canada throughout 2009.

Asia-Pacific workers seek to protect jobs and rebuild the economy

A national protest day organised by Pakistan Workers' Federation (PWF) was observed all over Pakistan on July 15 2009 with the purpose of convincing the government that the wages of workers employed in industrial and commercial sectors should be raised to conform to price hikes and to express resentment against anti-worker policies of the government. There is growing discontent among the population because political parties have failed to put together a joint strategy to deal with the economic crisis.

The Australian Council of Trade Unions (ACTU) put forward a new plan to protect employment and workers' entitlements at their triennial ACTU Congress in Brisbane, June 2009. The unions are strongly committed to implement the plan, which includes a call for the Federal Government to tie stimulus and infrastructure spending to support for local industries. In addition, the ACTU supports measures to rebuild the economy that address the underlying causes of instability, such as effective business regulation and caps on executive salaries, that led to the global economic crisis. Finally, the Congress concluded that it is imperative to seek major reforms to ensure income and asset security for workers and their families, including security for workers' entitlements and subsidies for companies in industries under threat and forced to downsize production.

The Korean Confederation of Trade Unions (KCTU) is concerned with the rapid casualisation of the workforce that began after the first financial crisis and now stands to worsen. In fact precarious workers on contract, part-time or self-employed have become the majority of the South Korean workforce. According to the Korean National Statistical Office, in 2005 at least 56 percent of the entire earning workforce was precarious workers. 70 percent of women workers are precarious workers and they are often paid less, work longer hours and have little or no benefits.

The Federation of Korean Trade Unions (FKTU) and the Korea Employers Federation (KEF) are looking to overcome the current economic crisis through a social dialogue meeting to take emergency steps to achieve employment security. Similarly in February 1998, immediately after the Asian financial crisis, tripartite representatives adopted a social agreement to overcome the

economic crisis then as well. The agreement turned out to be a great catalyst for economic revitalisation, creating high expectations as to the role of the new national social dialogue meeting.

The Japanese Trade Union Confederation (JTUC-RENGO) was fast to take action against the crisis and devoted the whole month of December 2008 to the deteriorating employment situation in Japan. RENGO met with the Prime Minister, several ministers and government officials to demand immediate employment measures to tackle the situation of vulnerable workers and to strengthen social safety nets. RENGO has established a phone counselling service to give union members and newly graduated students advice on how to manage job losses, wage decreases and the sharp reduction of offers of employment.

Averting the tragedy of long-term youth unemployment in Australia

Urgent measures must be taken to prevent a generation of young Australians from becoming victims of long-term unemployment as a result of the global financial crisis. When contemplating cutbacks and ways to downsize, it is crucial that employers do not retrench trainees and apprentices at the first sign of tough times as this could lead to them not finishing their qualifications and finding it hard to secure decent work. According to the latest data 91,000 young Australians in full-time work lost their jobs in 2008 but through training, education and job placement, young workers can be put back on the right track. "We must ensure that young people beginning their working lives are not left behind by the global financial crisis," said ACTU President Sharan Burrow. "It would be a tragedy if a generation of young Australians were trapped in long-term unemployment and poverty as a result of this downturn".

Africa not spared from global economic recession

The global economic crisis has taken its toll on the African continent. Countries rich and poor are feeling the impact of tighter credit conditions, falling workers' remittances, shrinking export markets and high levels of inflation across sectors and regions. The gains against poverty in Africa are now threatened by economic slow-down and according to the IMF, growth in sub-Saharan Africa is projected to decline from just under 5½ percent in 2008 to 1½ percent in 2009 before recovering to about 3¾ percent in 2010 – still below its pre-crisis level³⁰. The high food and fuel prices last year had already impacted the finances and household budgets of millions of African working families. Now they are facing a second blow from a crisis they had no part in having caused.

ITUC-Africa estimates that the crisis has affected a number of economic sectors including mining, agriculture, tourism, textiles and manufacturing. Factory closures, postponement or cancellation of projects are frequent occurrences in a wide range of African countries. Since the beginning of 2009, thousands of jobs have been lost in the agricultural sector in different African countries,

A new vision for good governance and social justice in Togo

A new vision for the trade union movement is being laid out in Togo to restore good governance and social justice for all. The CSTT (Confédération Syndicale des Travailleurs du Togo) is part of the Coalition against High Living Costs, much like their colleagues in Burkina Faso, and the trade unions are looking to revive social dialogue to ensure health services, safe working conditions and wages and old-age pensions for informal as well as formal workers.

thousands in the tourism industry in Kenya, Tanzania and Mozambique, 36,500 in the automobile industry in South Africa, 5,000 in the diamond industry in Botswana, more than 3,000 in the copper industry in Zambia, and a loss of 11,000 jobs resulting from over 100,000 television channel subscription cancellations in 22 African countries.

Burkina Faso: the National Coalition against High Living Costs

In March 2008, the trade union movement and civil society in Burkina Faso formed the National Coalition against High Living Costs; exorbitantly high prices of major food staples and fuel led them to create this coalition which also counts among its main purposes the fight against corruption and fraud and protest against the continuing restrictions to strikes and workers' demonstrations in Burkina Faso. The coalition points to two main areas where workers and the people are experiencing aggravating times and hardship:

1. Price adjustments of cereal products and other food staples have not taken place despite good harvests and lower agricultural commodity prices at international level. In fact, prices continue to rise on certain products such as sorghum, one of the most important cereal crops in Africa.
2. The pace at which the economic slowdown is affecting the living conditions of the most vulnerable part of the population. For the government and the social partners, it is a question of supporting a revival of local production to preserve and create more jobs and maintaining strong efforts to establish good social protection programmes.



Photo from demonstration in Ouagadougou (Photo: Confédération Nationale des Travailleurs du Burkina).

The Centre for Trade Union and Workers Services (CTUWS) in Egypt emphasises in a report from May 2009 that for the fourth consecutive month thousands of workers are being laid off in the tourism, spinning, textiles, garment and leather sectors³¹. The CTUWS is especially concerned about employers who exploit workers and deprive them of their rights under the pretext of the global economic crisis. Numerous examples about workers being asked to work

overtime without payment are reported, permanent contracts are converted into temporary ones, production incentives are being removed and the payment of many salaries is being withheld indefinitely. Therefore, the CTUWS sees a growing and urgent need to activate the emergency and unemployment funds stipulated by the labour law and the social insurance law. Unless the Egyptian government starts confronting business' lack of social responsibility and decent work, further workplace tensions and more serious reactions are certain to emerge among the workforce.

The Congress of South African Trade Unions (COSATU) participated in high-level meetings at the G20 London Summit and met with then President Kgalema Motlanthe to discuss among other things how South African workers are being impacted by the global crisis; wages are being reduced, there is a decline in exports, a fall in commodity prices and a decline in the manufacturing and mining sectors. COSATU felt that the G20 Summit did not do enough to address the real economy, social issues, decent work, and poverty reduction and will keep pursuing the promises made by the G20 governments over the coming months.

The Federation of Unions of South Africa (FEDUSA) reports that the mining sector in particular is in the process of downsizing with the inevitable result of massive social repercussions. FEDUSA is deeply concerned about further possible job losses and economic hardship resulting from the global economic crisis and the resultant challenges to the growth trajectory in South Africa. In response, FEDUSA has prepared a proposal entitled "Weathering the Storm" aimed to protect workers from the negative impact of the crisis on the real economy, and ensure that every possible step is taken to protect South Africans, support productive enterprises, and safeguard jobs. The strategies that should be followed are among others to ensure a flow of sustainable credit to be invested in the economy; to safeguard that social progress is not undermined by the current economic crisis; to create a stable macro-economic environment where the primary focus is real growth and job creation; and to boost employment in the public sector, especially infrastructure such as schools, hospitals, clean water and sanitation, public transport and energy.

UN conference to set a global, coordinated response to the crisis

A trade union delegation took part in a three-day UN conference in New York on the World Financial and Economic Crisis and its Impact on Development in June 2009. The unionists emphasised the need to put forward the recommendations of the ILO Global Jobs Pact, to focus on public infrastructure investment, special employment programmes, social protection, and bring about a shift to a low-carbon growth path that creates green and decent jobs. The delegation pushed for support of the Recommendations from the Stiglitz Commission Report to ensure that developing countries must have the policy space they need to implement the countercyclical policies recommended in the report, devoid of harmful policy conditionalities of the IFIs.



Photo from demonstration in Berlin 16 May 2009, arranged by the ETUC and Deutscher Gewerkschaftsbund (DGB).

Cutbacks, layoffs and a weak social agenda affect everyone in Europe

350,000 people took to the streets of Berlin, Brussels, Madrid and Prague from 14-16 May 2009 to call for a New Social Deal and demanding that national governments “Put People First”. The mobilisation that had been arranged by the European Trade Union Confederation (ETUC) along with the Belgian, German, Spanish and Czech unions put forward an ambitious plan to the European Council and Commission asking them to invest in more and better jobs as part of economic recovery. By committing an annual 1 percent of European GDP, investment in new, green and sustainable technologies could be ensured, more lifelong learning and quality education provided to workers to cope with the rising challenges in the labour market and a New Social Deal implemented to strengthen welfare systems and prevent social exclusion.

Romania: mass dismissal across the board

In Romania, 300 companies have announced the dismissal of 34,000 employees. Over 300 companies, mostly private, have announced that they will make 33,837 persons redundant in February, March, April and May, according to data from the National Agency for Employment (ANOFM). The sectors most affected are extraction of crude oil and natural gas, where 3,746 jobs will be lost, manufacture of road vehicles (3,405 jobs), the manufacture of substances and chemicals (3,335 jobs), civil engineering works (2,848 jobs) and construction of buildings, where 2,667 will be dismissed.



Photo from demonstration in Madrid 14 May 2009, arranged by the ETUC and Spanish unions (CC.OO, UGT and USO).

The Eastern European countries including some of the latest members of the European Union have been hit extremely hard by the global economic downturn; currencies are in free fall, credit is drying up and large-scale emergency loans have been extended by the IMF to several countries in the region. One of the Hungarian confederations, MSZOSZ, assembled thousands of workers in the streets of Budapest in April 2009. The unions believe that new economic measures in managing the crisis should be devised in order to tackle the social consequences for workers and pensioners. The message that resonated to Parliament was one of meaningful dialogue to ensure that workers are consulted when decisions are taken that affect all aspects of their lives.

According to NSZZ “Solidarność”, the Polish government is seriously neglecting its responsibility and constitutional duty towards its citizens by not providing an appropriate reaction to the crisis. The government should be concerned about the protection of jobs, the poorest and vulnerable in society, about

Bulgaria: Put the People First!

The “Put the People First!” demonstration was organised by the Confederation of Independent Trade Unions in Bulgaria (CITUB) on 16 June 2009, when thousands were assembled at Macedonia Square to ask the government to guarantee the expenses envisaged in the budget for normal functioning of the pension, health and educational systems and to guarantee the protection of workers through increases in unemployment payments and assistance for families that cannot pay for the mortgage loans on their home.

Albania: Trade Unions demand Anti-crisis Measures

3000 people rallied in Tirana’s main square on 1 May 2009 when representatives of the Confederation of the Trade Unions of Albania (KSSH), youth and women organisations demanded the urgent intervention of the government to cooperate with trade unions in drafting a package of anti-crisis measures in order to minimise the consequences of the economic and financial crisis in the Albanian economy.

maintaining people’s purchasing power and about rebuilding social dialogue between partners. To protect workers against the negative results of economic recession, the National Commission of NSZZ “Solidarność” had launched a campaign entitled “Solidarity against the crisis”, with the aim of reducing the risk of unemployment and loss of income and moreover to encourage workers to join a union so as to attain greater security and a possibility to influence the situation at the workplace.

PERC Women’s Committee workshop on the crisis

The PERC (Pan-European Regional Council) Women’s Committee held a workshop in Sofia, Bulgaria in May 2009 to explore the impact of the economic crisis on women and the informalisation of the economy. Sixty participants and experts from the ILO, ITUC, ETUC and NGOs presented their research on women and the economic crisis, gender inequality in times of crisis, women and the informal economy and the consequences of the crisis on domestic work. The workshop made an important contribution to developing trade union strategies on the gender dimension of the crisis.

In Ukraine, the Federation of Trade Unions of Ukraine (FPU) has expressed deep concern about the IMF Emergency Finance Procedures and loan conditions. The heavily indebted country was left no choice but to take drastic measures to avoid an economic collapse but at what cost? A US\$ 16.4 billion loan issued in November 2008 is aimed at restoring financial and macroeconomic stability and should also take into account the need for additional social spending to address the impact of the recession on the population. Indeed, 0.8 percent of GDP is supposed to shield vulnerable groups. However, the FPU reports that vital social benefits to needy families for utility services payments have been cancelled by the government, which wants to increase the current retirement age of 60 years for men and 55 years for women by five years. At the moment, the average expected life expectancy is just 68 years (62 years for men), meaning that 40 percent of men and every ninth woman will not live until retirement age. In other words the Ukrainian government has shifted the burden of the crisis and economic hardship onto the poorest.

The boom of Ireland, the one-time “Celtic Tiger” is slowing down; annual GDP growth forecasts are lower than they have been for many years and unemployment hit a three-year high of 11 percent in April 2009. The collapse in employment is likely to lead to an unemployment rate of almost 17 percent in 2010, according to the Irish Congress of Trade Unions (ICTU) and the Economic and Social Research Institute. The ICTU General Secretary David Begg has explained how Ireland is unlikely to recover until the global economy has recovered and that will require, in addition to a re-engineered and properly regulated global financial system, a rebalancing of trade, deleveraging of private sector debt and dispersal of the savings glut in Asia. Ireland should “deploy the resources we have towards ensuring that the burden of economic adjustment is mitigated to the greatest extent possible and borne by those with the broadest shoulders” Begg believes, adding that Irish workers “are entitled to expect the state to protect them in times of crisis”.

Croatia: defending the rights of the retired

On 7 May 2009, the Retired Persons' Trade Union of Croatia (SUH), affiliated to the Union of Autonomous Trade Unions of Croatia (UATUC), started a campaign in all the counties of Croatia for the defence of the rights of retired persons. The unions contend that a pension should allow for a decent living, meaning that the average pension should amount to at least 60% of the average wage. Under the conditions of the economic crisis, it is necessary to develop a special protection programme for retired persons in order to preserve the dignity of that part of the population, many of whom are in the poverty zone.

For Latvia: Against Injustice

In June 2009, around 7000 people in Riga and 7600 people in other Latvian cities participated in the manifestation "For Latvia. Against Injustice" organised by the Free Trade Union Confederation of Latvia (LBAS) to express their concern about the country's deteriorating economic situation.



150,000 people took to the streets of Dublin in February 2009, in the biggest public protest and demonstration seen in the capital in 30 years. Protests were against the government's attempt to shift both the blame and the burden for the current economic crisis onto the shoulders of low and middle income earners, along with its failure to deal effectively with the growing jobs crisis (© Irish Congress of Trade Unions).

Reacting to the crisis in Sweden & Denmark

The metal and industrial workers in Sweden have along with their employers negotiated a framework agreement on temporary layoffs and training with the clear purpose of avoiding more job losses. The agreement allows for reaching local agreements on reduced working hours with subsequently reduced pay, up to a maximum of a 20 percent reduction in working hours and of pay. The government's lack of an active labour market policy as well as cuts in workers' benefits seriously affect people who lose their jobs and this forced IF Metall to take these drastic measures.

The Danish Confederation of Trade Unions (LO) suggests that workers should be given the opportunity to apply for life-long learning courses or additional education during this period of economic downturn and downscaling at company level. The growing number of unemployed require more training, qualifications and skills to ensure that they will be better equipped to seek new opportunities when returning to the labour market.

The rise and fall of the Icelandic banking system and the country's economy is not simply a result of a collapse of American financial institutions. The real reason for the crisis in Iceland lies in many years of poor economic policy making by the national and municipal governments and the Central Bank of Iceland, according to the Confederation of Labour (ASI) which had repeatedly warned the government that it was only a question of when and not whether the currency would collapse, with severe consequences for both inflation and employment. Nevertheless, within a very short period in September-October 2008 three banks collapsed, the króna's value dropped by more than 70

Finland: a call for united European action against the crisis

AKAVA, the Confederation of Unions for Academic Professionals in Finland, expects the EU to set more common rules establishing European minimum levels regarding labour law, occupational health and safety, and equality in working life. AKAVA proposes that the EU take action in four areas: it should improve the quality of working life, raise European skills levels, promote new green-collar jobs, and move the economy onto a sustainable growth track – all needed to tackle the recession and the challenges of globalisation.

Austria: Unions proposing a Comprehensive Jobs Package

In Austria, the ÖGB (Österreichischer Gewerkschaftsbund) has put forward a comprehensive labour market package to the government so that more long-term investment will be channelled into the provision of high skills training and qualifications for workers both young and old.

percent, and the stock market lost more than 80 percent of its value. For a small economy that is totally dependent on imports, such as Iceland, this is a crisis of massive proportions. Since the beginning of the crisis, the trade unions in both the public and private sector have declared their willingness to collaborate with employers in finding a consensus on how to best assist the labour market. Aggressive labour market measures have been introduced – such as a reduction of working time of all workers to 75-80 percent of their pre-crisis hours – to respond to those companies that otherwise would lay off 20-25 percent of their employees. Nonetheless the unemployment rate increased from 0.8 percent to 8.5 percent in a few months. In addition, the immediate effect of the crisis on individuals has been a loss of savings and a dramatic increase in private debt, due to the indexation of housing loans to inflation, the fall of the currency and high inflation.

The Trades Unions Congress (TUC) of Great Britain has warned about the disproportionate impact of the economic downturn on young people who are one of the worst affected groups. The crisis is making thousands of graduates compete for non-graduate jobs – leading to increased unemployment among non-graduates – and exerting further downward pressure on pay. The TUC proposes that the adult minimum wage rate be lowered from 22 to 18 years old, saying that this measure will speed up the process of economic recovery because increasing the disposable incomes of the low-paid is one of the best ways of increasing demand in the economy, and will create much more stability for the long-term. Since 18 year olds are allowed to vote, get married and join the army, there is no reason why young workers should not be paid the same going rate for a job.

UK youth unemployment: a scar on young people's lives

The unemployment rate for young people is at its highest level in 15 years, according to the latest labour market statistics from the UK's Office for National Statistics (ONS) which records that the unemployment rate for 18-24 year olds was 16.6 percent in Feb-Apr 2009. This situation will deteriorate further when millions of school leavers and graduates begin looking for employment over the coming months. TUC General Secretary Brendan Barber stresses the seriousness of the situation: "Unemployment leaves a permanent scar on young people's lives and the Government must do all it can to stop joblessness blighting another generation's lives".

A coalition of French trade unions (CFDT, CFTC, CGT, CGT-FO and UIR-CFDT) has called for a reinstatement of social measures at the heart of the government's economic policies. For all too long the public sector and the French welfare state have been under-prioritised, and the trade union movement is calling for urgent measures to counter massive job losses and to increase government spending on social issues. To put the French economy back on track, the unions are proposing that workers' purchasing power be increased to boost demand and that economic measures to tackle the crisis favour sustainable development. Without a serious commitment to a rise in the minimum wage, more wide-ranging and flexible social safety nets and an ambitious plan to deal with a

FNV Youth: Fighting not to lose a generation

The youth organisation of Federatie Nederlandse Vakbeweging (FNV) is urging the government and social partners to prioritise youth employment to avoid the risk of a 'lost generation' now that unemployment is rapidly on the rise. FNV Youth is proposing a job or education guarantee within six months for unemployed young people and has presented their plan to the Minister for Youth and Families.

divided employment market that sees decent permanent jobs on one side and unprotected, short-term work on the other, immediate and structural answers on how to exit the crisis will not be satisfactory, the trade unions contend.

Trade unions push for employment focus at the G8

Representatives of the ITUC and John Evans, general secretary of the OECD Trade Union Advisory Committee (TUAC) took part in the G8 Summit in Italy in July 2009 and met with both ministers from the host government Italy, including Prime Minister Silvio Berlusconi and Brazilian President Luiz Inácio Lula da Silva to discuss employment and economic recovery.

TUAC, the ITUC and its Global Unions partners are concerned that the crisis will deepen further, as unemployment rises steadily around the world, with the risk of competitive wage deflation further depressing demand in the global economy. "Unless and until decent work becomes a central objective of economic decision-making, the fault-lines which brought this crisis about will remain, and any eventual recovery will be permanently at risk," said Evans. Sadly the summit failed to deliver concrete proposals on how to make the necessary resources available for achieving employment and social protection goals.

Young workers are especially at risk. The unemployment rate for young people between 15-24 years old is 21 percent in France and unless active labour market inclusion is sought, including a greater number of apprenticeship positions and further education of young people, a large part of the next generation will end up in precarious work situations. In addition, "part-time" unemployment is on the increase. French employers are permitted to reduce working hours of employees below 35 hours per week if the economic state of a company is particularly severe or restructuring is foreseen. During times like these, unions are concerned that this temporary arrangement can be exploited by employers to put otherwise salaried workers into the unemployment system without breaching any contracts.

Two major Spanish confederations, Confederación Sindical de Comisiones Obreras (CC.OO) and Unión General de Trabajadores (UGT) along with their Portuguese colleagues from União Geral de Trabalhadores (UGT-P) and Confederação Nacional dos Trabalhadores Portugueses (CGTP) organised a demonstration at the Spanish-Portuguese border in June 2009. The trade unions took a united front to demonstrate that both countries experience deteriorating labour conditions and numerous layoffs because of the crisis. The protest "for decent work and against unemployment" is a call to both governments and to the European institutions for urgent restructuring action to deal with social exclusion and growing economic difficulties for the millions of workers without employment.

IV. The Road to Recovery: A Trade Union Strategy to Tackle the Crisis

The ITUC's first response: Trade unions at the G20 meeting in Washington, November 2008

The governments of the world's major economic powers were slow to react to the crisis in a coordinated manner but belatedly, leaders of the G20 countries held a "Crisis Summit" in Washington D.C. on 15 November 2008. The ITUC together with TUAC organised parallel trade union meetings hosted by the AFL-CIO and met with leaders of the G20, the IMF and the World Bank to build pressure in support of trade union proposals to tackle the crisis.

Trade union leaders from the G20 countries met with the heads of the IMF, World Bank and several heads of government and other government officials, including the president of Brazil, Lula da Silva, the prime minister of Japan, Taro Aso, and the prime minister of Australia, Kevin Rudd, in advance of the G20 financial crisis summit taking place in Washington. Earlier meetings with trade unions on the G20 crisis summit were held in leaders' home countries with the prime ministers of the United Kingdom, Spain and the president of France.

Discussions among trade union and government leaders evolved around how to coordinate a recovery plan for the real economy, re-regulate the global financial markets, set up a new international system of economic governance and a strategy to combat growing inequality around the world. The leaders expressed agreement with or interest in many of the trade unions' proposals, and their broad support for the unions' demand that labour had to be involved in discussions for designing a new global financial architecture.

The global trade union movement calls on world leaders and international institutions, to develop a strategy to first tackle the crisis and then build a fairer and more sustainable world economy for future generations. The strategy, which will be outlined in this chapter, must:

- implement a coordinated international recovery and sustainable growth plan with maximum impact on job creation focussing on public investment, active labour market policies, protecting the most vulnerable through extended social safety nets, and 'green economy' investments that can shift the world economy onto a low-carbon growth path. Developing and emerging economies must be given the resources and the policy space to undertake counter-cyclical policies;
- Restore confidence and lending in the financial system and beyond this establish new rules and mechanisms to control global finance with full stakeholder engagement;

There is an urgent need for a far more coherent and internationally co-ordinated jobs-orientated recovery strategy.

- combat the risk of wage deflation and reverse the growth of income inequality by extending the coverage of collective bargaining and strengthening wage setting institutions so as to establish a decent floor in labour markets;
- prepare the ground for a far-reaching and ambitious international agreement on climate change at COP15 in Copenhagen, in December 2009;
- establish a legal benchmark of norms and instruments of the international economic and social institutions – the ILO, IMF, World Bank, WTO and the OECD – and beyond this reform these institutions and build effective and accountable global economic governance.

Point 1: A Coordinated Recovery and more Sustainable Growth in Jobs and Incomes

The need for coordination

The first priority for world leaders must be to restore confidence by halting the freefall in world growth and reversing the decline in employment. Governments must take all necessary measures to this end and must use their leverage with the banks to get credit moving again and provide additional liquidity. Since November 2008, most G7 countries and others in the G20 and beyond have announced or implemented fiscal measures to boost growth. These measures would have twice the impact on jobs and growth if they were coordinated and complemented internationally³². So far such coordination is missing: the US stimulus amounts to at least 2 percent of GDP per year, whereas the EU country measures announced by the beginning of February 2009 amounted to less than 1 percent of the EU's GDP. It is time that the current "free-riders" act and take coordinated measures to stimulate the world economy – with those with trade surpluses taking the lead. We reiterate our call for a global recovery plan amounting to a least 2 percent of world output. Central banks should continue to cut interest rates and undertake quantitative easing of monetary policy so that government investment can be financed at a low interest rate cost.

Given the spectre of a persistent jobs crisis there is an urgent need for a far more coherent and internationally co-ordinated jobs-orientated recovery strategy than that which has been put on the table so far. The global trade union movement is gravely concerned that fiscal stimulus packages to date are inadequate in size, imbalanced geographically, insufficiently focused on labour issues and are being implemented too slowly³³. As chapter I showed, according to an ILO review of responses to the crisis in over 40 countries, the fiscal stimulus measures do not sufficiently focus on employment and social protection and only half of the countries examined have announced active labour market initiatives. Moreover, they have failed to tackle the lack of social protection and the dramatic decline in individual wealth held in pensions. The effects of the crisis are being felt most by those whose pensions fall under un-protected 'defined contribution' schemes that provide no pension security at the age of retirement³⁴.

Public Expenditure Targeted on Employment

Recovery packages and measures must also be targeted within countries so as to have the biggest impact on growth and employment. There is a need to draw a new economic map, which identifies the sectors that provide the greatest opportunities for future growth. Governments should bring forward infrastructure investment programmes that stimulate demand growth in the short term and raise productivity growth throughout the real economy in the medium term. Measures should be introduced to support the purchasing power of low income earners, including single earner households, which are predominantly female-headed. Putting more money into the pockets and purses of people on low incomes will boost the economy as they are more likely to spend any extra cash quickly, ensuring that it helps beat the recession. This can be done through increasing benefits, direct job creation schemes and changes in tax. Resources should not be wasted on ineffective, generalised tax cuts: during a downturn, spending on social safety nets and transfers for local government services, including education and health, will have almost twice as much impact as tax cuts.

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Labour markets are at the vortex of the crisis and unemployment will continue to surge in the coming months of 2009 and to remain at this level during 2010 and 2011. Youth, in particular, are being hit with youth unemployment rates of over 20 percent in many G8 countries and other part of the world and the likelihood that a cohort of young people leaving schools and colleges this summer risks being condemned to economic inactivity. Companies are continuing to cut jobs in 2009 signalling a lack of business confidence and the prospect that long-term unemployment will increase across all demographic groups. Lessons from past financial crises show that labour markets lag behind economic recovery and significant increases in, particularly long-term, unemployment are extremely difficult to reverse. This points to the risk of prolonged labour market recession.

Green Investment and Jobs

There has never been a better time to launch the 'Green New Deal' called for by the United Nations Environment Programme (UNEP). The 'Green Jobs' agenda requires governments to undertake large-scale investment in green infrastructure, such as energy efficiency and renewable energies – thereby stimulating the creation of high quality employment across a range of sectors – as well as to scale-up financial resources for research and development, diffusion and deployment of new technologies, and to upgrade skills development schemes. Implementing the 'Green Jobs' agenda would help create millions of new environmentally-friendly jobs around the world while underlining the need for just and fair transition for workers and their families affected by climate change and by government decisions to cut carbon emissions.

Quality Public Services

Developing a new model of economic development requires investment in quality public services – including education, health, sanitation and water, law and security – and in social protection for all. Public sector investments

and quality public services can make a vital contribution to social cohesion and equity, which alongside effective and ethical administration of legislation and the application of regulatory frameworks are the cornerstones of healthy democratic societies.

Now is also the time to invest in people – in their education and health, and in care for the very young and the aged. Given the accelerating job losses in industries affected by the crisis, there is a clear rationale for investing in education and training so as to support the transfer of workers into sectors where there is a need for more jobs. In the health/care sectors, for example, due inter alia to the ageing population, the World Health Organisation (WHO) estimates a need for an additional 4.2 million jobs worldwide. In education, an estimated eighteen million new teachers must be trained to meet the goal of providing quality education for all primary age children by the year 2015. Millions more teachers and instructors are needed for vocational education and training for skills that underpin the real economy and for retraining of working people as economies restructure. In addition, governments must step up efforts to reduce poverty among women, who today constitute the majority of the world's poor.

Active Labour Market Policies

The priority must be to keep people at work, workforces together and workers in activity. To arrest the increase in joblessness across the globe, Active Labour Market Policies (ALMPs) have a crucial role to play, yet spending on ALMPs has been only a tiny part of the fiscal packages adopted by most countries (as chapter I documented). Programmes must be implemented to reduce the risk of unemployment and wage losses, as well as to provide income support. In these difficult times, companies must be socially responsible and retain their workers as long as possible. At the ILO, workers, government and employers have agreed that “restructuring should be based on dialogue between management, unions and workers’ representatives”³⁵. Those companies receiving public assistance need to respect agreements with governments and trade unions to undertake agreed restructuring programmes that include employment and training components.

Governments must put in place labour market policies that:

- discourage companies from hitting the redundancy button at the first signs of trouble and provide support for businesses affected by temporary credit difficulties;
- focus on groups most affected by the crisis, such as the young, older and unskilled workers, temporary and part-time workers, women and migrants;
- increase efforts to eliminate the gender pay gap, which is estimated to stand at more than 22 percent³⁶;
- provide income support, in particular through expanded unemployment benefits;
- ensure full respect of national and international standards on workers’

rights regarding termination of employment;

- promote investment in people and offer improved training opportunities in order to facilitate the acquisition of new skills by workers of all ages;
- assure migrant workers the same rights as other citizens, as their stigmatisation not only leads to xenophobia, but ultimately exacerbates poverty.

Support for Emerging and Developing Economies

As global unemployment surges, most of the world's workers do not have recourse to unemployment benefits when they lose their jobs and can rely only on their own savings or their family's support when they reach old age. The crisis presents both an obligation and an opportunity to establish decent social safety nets that can act as automatic stabilisers in countries that do not currently have them, irrespective of the level of development.

Increasing workers' incomes and expanding social protection will be particularly important for the recovery of emerging economies that had achieved high growth through export-led development but are now facing a collapse of their major export markets. Economic recovery in these countries, and also the achievement of sustainable longer-term growth, will depend on their capacity to build up a stronger domestic demand base. This will require improved observance of workers' rights so that trade unions can negotiate wage increases commensurate with increased productivity, and more comprehensive social protection through programmes, such as old-age pensions and health care. Such strategies will help to correct the 'global imbalances' in trade and financial flows and reverse the increased income inequality experienced in many of these countries.

As industrialised and emerging economies strive for recovery there is a risk of leaving the low-income countries on the sidelines. The poor are still reeling from the food crisis. Whilst food and commodity prices have moderated on world markets with the global recession, the effects continue to be felt: new data from the UN Food and Agriculture Organisation (FAO) suggests food prices are higher today than a year ago – at the height of the global food crisis – in more than 80 percent of developing countries. The economic crisis will through falling incomes further exacerbate the effects of the food crisis, with the most affected being the rural and urban poor, landless farmers, female-headed households and those recently made unemployed, including migrant workers. It is absolutely critical to maintain and enhance levels of official development assistance (ODA). Development assistance budgets, particularly for the Least Developed Countries (LDCs) need to be maintained with the adoption of binding commitments and a timetable to meet the UN target of 0.7 percent of GDP. Governments must keep food security on the agenda and work together to build longer term agricultural resilience to ensure that people can afford basic staples and enjoy secure and sustainable access to food.

Most developing and some emerging countries continue to operate pro-cyclical fiscal policies, because they are pressured by the International

The crisis presents both an obligation and an opportunity to establish decent social safety nets.

The Bank and the IMF must stop imposing the conditionality on developing and emerging countries that pushes them in to pro-cyclical policies. Instead the attainment of decent work and observation of core labour standards must underpin the new arrangements.

Financial Institutions (IFIs) to practice 'fiscal discipline' at times of crisis. This is despite commitments made at the G20 London Summit in April to ensure that IFI financing would be 'counter-cyclical'. The international community must support expansionary recovery programmes in developing countries, which are necessary to prevent poverty from growing further and to contribute to global demand. The international and regional development banks, as well as other agencies, have an important role to play in ensuring that all regions of the world take part in the recovery effort. This requires both increased financial assistance from IFIs and donor countries and an end to the harmful economic policy conditionality attached to assistance from the IFIs. The IFIs should expand their debt relief initiatives and undertake governance reforms so that the countries most affected by their actions have a greater say in setting their policies.

There is need to increase the representation and strength of the poorer countries in global institutions and processes. Emerging economy and developing country governments must play a full part in the institutions of a new economic order. In particular the World Bank, whose focus is developing countries, must give them voting rights – based on economic but also social criteria – that are at least equal to those of the industrialised countries. The IMF is equally in urgent need of reform and should change its governance structure to increase the representation of the low-income 'client' countries, and of the emerging economies whose role in the global economy has increased over the past several years. G20 Leaders have already agreed to commit greater resources to the IFIs³⁷, but in return, both the Bank and the IMF must stop imposing the conditionality on developing and emerging countries that pushes them in to pro-cyclical policies. For example, emergency IMF loan agreements negotiated with several governments since October 2008 included interest rate hikes, reduction of wages and pensions, increased fees for public services and privatisation of state-owned entities with several agreements including the obligation to carry out reforms of social protection that could eliminate its availability to those who are not among the most vulnerable. Instead the attainment of decent work and observation of core labour standards must underpin the new arrangements. Regional bodies such as the African Union (AU), the Association of Southeast Asian Nations (ASEAN) and the Organisation of American States (OAS) should have a place in the G20, just as the European Commission (EC) does.

Restore Public Support for the Global Trading System

The collapse in world trade is driving the global recession, with countries dependent on export markets experiencing the largest falls in GDP. This is essentially due to the decline in global demand, rather than the introduction of trade restrictions. Any attempt to reduce wages to maintain competitiveness runs the risk of further reducing global demand and contributing to general deflation and must be resisted. The correct response is effective coordinated international action aimed at expanding demand – not 'beggar thy neighbour policies'.

Trade can boost economic growth, recovery and development, but only under the right conditions. Restoring the legitimacy of, and public support for, the

world trading system and concluding the Doha Round of trade negotiations, requires progress on the enforcement of the protection of fundamental workers' rights. It also requires ensuring that developing countries are able to achieve economic recovery, decent employment and future industrial development and where necessary control short-term capital flows to meet development objectives. It would also require developing further mechanisms, including buffer stocks and compensatory mechanisms, to protect low-income countries against primary commodity market volatility.

Point 2: New Rules for Global Financial Markets

The policies of deregulation that led to the financialisation of the global economy have resulted in the devastation of the real economy and the jobs and livelihoods of millions of workers around the world. The world must press ahead with the re-regulation of financial markets such that they are restored to their legitimate role of providing credit for the real economy, rather than spawning a global financial casino. Whilst the commitments made at the G20 London Summit represent some progress, they have yet to be implemented at the national level. Moreover, these commitments fail to cover crucial areas such as pension regulation, household consumer protection and social finance. The Global Unions' Action Plan for Financial Reform (detailed in the following pages) has still to be acted on.

Restore Confidence, Nationalise the Banks

The bailout of the banks has cost between three to ten times as much of taxpayers' money as the stimulus packages. Yet, to date they have delivered poor results – credit markets are still not functioning adequately and there is considerable uncertainty over the level of risks borne by taxpayers and their access to the financial benefits once recovery is on track. Governments have tackled the problem of bank insolvency largely by transferring toxic assets to government entities, rather than by taking an equity stake. This approach fails to enforce full transparency and loss recognition by the assisted banks, relying as it does on the willingness of the banks to cooperate by opening their books. In addition, this option will neither separate the 'bad' assets from the 'good', nor restore confidence, serving only to worsen the state of the public finances. Also, such 'bailing out' of bank shareholders would amount to a transfer from working people to the world's wealthiest households, who are disproportionately represented among the shareholders of financial institutions. The trade union movement stands by its call for the nationalising of weak banks as the best way to restore confidence, provide fair risk-sharing and ensure that taxpayers benefit from any gains once solvency is restored.

Reform the Financial System

Governments must also correct the democratic deficit that has characterised efforts to re-design the post-crisis financial architecture. They should not leave the reform of the financial system to the experts of the Financial Stability Board³⁸ (FSB, formerly known as the FSF) – the same experts who created the current system that has now collapsed so disastrously. Furthermore, the FSB failed

The world must press ahead with the re-regulation of financial markets such that they are restored to their legitimate role of providing credit for the real economy, rather than spawning a global financial casino.

in the past to engage with trade unions, civil society or other stakeholders, including the UN and the ILO, and did not have the appropriate governance structure, expertise or resources to enable it to do so in the future.

The current crisis has revealed the limits of the 'delegated supervision' approach, which prescribes that only a small part of the financial system (e.g., commercial banks) requires proper oversight. Several post-September 2008 initiatives have identified the need to reverse the light regulatory approach to global finance of the past³⁹. Now is the time for binding regulation to ensure public control and oversight of all financial institution, products and transactions. We propose the following eight point action plan:

GLOBAL UNIONS' 8-POINT ACTION PLAN FOR FINANCIAL REFORM

1. Clamp down on the "shadow" financial economy (e.g., private pools of capital and structured products);

2. End tax and regulatory havens and create new international taxation mechanisms;

3. Ensure fair and sustainable access to international finances for developing countries;

4. Reform the private banking business model to prevent asset bubbles and reduce leverage risks;

5. Control executive, shareholder and other financial intermediary remuneration

6. Protect working families against predatory lending;

7. Consolidate and enhance the public accountability, mandate and resources of supervisory authorities;

8. Restructure and diversify the banking sector.

Source: Global Unions London Declaration-Statement to the London G20 Summit www.tuac.org/en/public/e-docs/00/00/04/58/document_doc.phtml

i) Clamp down on the 'shadow' financial economy. Governments must ensure full regulatory coverage of all institutions, products and transactions. In particular, private pools of capital (hedge funds and private equity) must not be exempted from regulation that applies to other asset management entities, which provides for accountability to investors, transparency and, where needed, employer responsibilities. All forms of credit-related, off-balance sheet transactions must be prohibited. Financial products that transfer credit risk (such as credit default swaps and obligations) and other opaque 'structured products' that are securitised on the markets must come under the oversight of public authorities. As a general rule, trading should be tied to beneficial ownership. Credit rating agencies must be properly regulated so as to avoid conflicts of interest in the valuation of products and institutions.

ii) End tax and regulatory havens and create new international taxation mechanisms. The global tax system must serve to strengthen rather than weaken financial stability and accountability. The G20 decision to tackle tax evasion and avoidance by increasing international cooperation on tax havens is a step forward. However, there is a need to go much

further. The OECD's approach to information exchange is too limited, relying on requests for information rather than automatic exchange. Moreover, the financial crisis has revealed the extent of tax arbitrage, which has fuelled the growth in the shadow financial system: un-regulated structured products, hedge funds, debt securitisation and off-balance sheet transactions. Taxation biases that favour debt together with regulatory arbitrage have combined to artificially reduce financing costs for investments, such as private equity, which otherwise simply would not have been sustainable.

iii) Ensure fair and sustainable access to international finance for developing countries. Developing countries should be given access to credit lending terms that are commensurate to their needs and capacities. Measures include activating the IMF Special Drawing Rights (SDRs) programme, accelerating regional currency cooperation, and re-directing the capital flows of current account surplus countries, including their Sovereign Wealth Funds, towards development objectives.

iv) Reform the private banking business model to prevent asset bubbles and reduce leverage risks. Capital adequacy rules – the amount of capital banks are required to put aside as collateral for their lending – must be further tied to the growth of the bank's holdings in assets and to the degree of risk borne by those assets. This would discourage banks from exposing themselves to excessive asset risk. It would also help drive asset allocation towards socially desirable goals and facilitate the control of asset price inflation by central banks.

v) Control executive, shareholder and other financial intermediary remuneration. Remuneration schemes must be regulated by law to reflect and promote long-term economic, social and environmental performance and allow companies to allocate profits to the company's reserves for reinvestment in productive assets. Remuneration of management and traders should be capped in line with workers' pay and pensions and, in the case of financial services, linked to responsible sales and lending practices. The cashing-in of bonuses and other performance-related schemes within five years should be prohibited. Shareholders must be prevented from plundering the wealth of companies during growth times through dividends and 'share buy-back' programmes, which leave companies with undercapitalised balance sheets during economic downturns. Private equity in particular has put millions of jobs at risk due to its unsustainable, leveraged buy-out takeover model.

vi) Protect working families against predatory lending. Governments should take steps to increase the security of lending for working families by providing for the transparency of financial contracts (housing, credit cards, insurance), access to effective recourse, proximity of services and affordability (ceilings on interest rates and fees). The remuneration and incentive schemes of banks, their employees and other credit-suppliers should be designed to ensure responsible sales and lending practices, which serve the interests of customers.

vii) Consolidate and enhance the public accountability, mandate and resources of supervisory authorities. Governments must act to end the

The 'flexibilisation' of labour markets that has occurred in most economies over the past 25 years has increased the risk of wage deflation contributing to the crisis due to purchasing power being cut and increasing insecurity.

fragmented approach to financial regulation, which is currently divided according to business activity and national jurisdiction. There must be supra-national consolidation where needed, notably in Europe. Supervisory authorities must be assigned sufficient enforcement powers and resources that are commensurate with their tasks. In particular, their mandate should be extended to cover monitoring of asset price inflation. A trade union voice must be heard in their governance structure. In addition, the supervisory framework, including 'colleges of supervisors', should provide for the cooperation of financial authorities with trade unions and other workplace employee representative structures in the financial sector: e.g., works councils and international framework agreements that are drawn up between Global Union Federations and multinational companies.

viii) Restructure and diversify the banking sector. A diversity of business models and legal forms is needed to help build balanced and robust domestic financial services that serve the real economy and meet the needs of working families. Governments should promote alternative models to for-profit banking and insurance services, such as credit unions, cooperative banking, mutual insurance, and other community-based and public financial services. They should also take steps to ensure that there is no future creation of large conglomerates that are either 'too big to fail', or which combine different types of business: banking, insurance, investment banking, etc. Restructuring must be carried out on the basis of the highest standards of social dialogue and any employment impacts must be mitigated.

Protect Workers' Pensions

The crisis has revealed the danger of unlimited investment of workers' pensions in the 'shadow' financial sector and it is therefore necessary to take action to protect workers covered by pre-funded pension schemes. OECD-based pension funds have declined in value by over USD 3.3 trillion, 20 percent in real terms, in 2008, due to the fall in value of equity, fixed-income assets, hedge funds and structured products. The immediate impact of the crisis will be felt most by those nearing retirement age, whose pensions fall under un-protected 'defined contribution' schemes, where the final level of pension depends on the performance of the pension fund. Governments should take steps to ensure an adequate retirement for workers under pre-funded schemes, including ensuring employers take their share of the pension risk and funding, strengthening existing government guarantee schemes and pension fund investment regulation at large.

Point 3: Stopping Wage Deflation and Combating the Crisis of Distributive Justice

The 'flexibilisation' of labour markets that has occurred in most economies over the past 25 years has increased the risk of wage deflation contributing to the crisis due to purchasing power being cut and increasing insecurity. Governments must not make the same mistake as in the 1930's and allow competitive wage cuts. Rather than pursuing policies that weaken worker

protection and increase the precariousness of work, governments must ensure that floors are put in labour markets to prevent a worsening spiral of deflation of earnings and prices. They must act to protect workers' core rights and the extension of collective bargaining and encourage the rebuilding of the institutions that help distribute income and wealth more fairly. Minimum wages need to be high enough to ensure that workers and their families have decent living conditions, so as to prevent further increases in the number of the working poor. Women represent the majority of those for whom working conditions are the most precarious and achieving gender equity and the elimination of discrimination against women in employment must become a priority of the national and international policy agenda.

Prior to the crisis, income inequality had risen both within and between nations. Increases in wages had fallen behind wider growth rates in productivity in two-thirds of the wealthiest countries that make up the OECD⁴⁰, and the share of wages in national income had fallen in all countries for which there are data. To counter these existing inequalities, we need a new model of economic development that is environmentally sustainable and ensures balanced real wage growth, in line with productivity increases. We also require a fairer tax system, which tackles inequality by shifting taxation from labour on to capital.

In most developing countries, labour market institutions are even weaker than in industrialised countries and large proportions of the labour force are sidelined in the 'informal economy', where workers have no protection of any sort. Basic labour market regulations – such as minimum wages, maximum hours, severance pay in case of job loss and limitations on the use of short-term contracts – are essential for protecting workers against abuse, as is full respect of the core labour standards so that workers can organise and bargain collectively to improve their wages and working conditions. The IFIs should not promote further labour market deregulation in developing countries during the current crisis, as this will only exacerbate the situation of workers, especially since the vast majority of developing-country workers have no income support programmes to fall back on. The IFIs should work jointly with the ILO in its efforts to promote the creation of safe employment with adequate wages, social protection and rights.

Looking to the longer term, the tripartite structures for economic and social consultation and policy planning that provided the springboard for the 30 years of high economic growth and improving living standards of the post-war period need to be recreated. Involving representatives of working people in the decisions that determine employment and economic growth is not only consistent with democratic principles, but makes good economic sense. The alternative neo-liberal model condemns us to repeating the mistakes of the 1920's and 1990's and maintaining the levels of spiralling inequality that resulted in financial instability and ultimately stock market crash.

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Point 4: Laying the Foundations for an International Agreement to Mitigate Climate Change

World leaders and governments must ensure that the urgent measures needed to tackle climate change are not delayed or derailed by this crisis. Rather, as called for in this report, governments must use the coordinated global fiscal response to the crisis to move ahead with the 'green economy agenda', thus preparing the ground for an ambitious climate agreement this year in Copenhagen.

It is now generally accepted that the overall costs of climate change in a 'business as usual' scenario would be equivalent to losing at least 5 percent of world output each year, now and forever. If a wider set of risks and impacts is taken into account, the net effects of damage could exceed 20 percent. By contrast, the costs of reducing greenhouse gas (GHG) emissions to avert its worst effects, i.e., by 85 percent by the year 2050, relative to 1990 levels and 25-40 percent by 2020 in Annex I countries, could limit the costs to 1 percent of world output each year. Hence, while taking measures to combat climate change will alter economic activity and employment, failure to act will have catastrophic consequences for sustainable jobs, society and the global economy. Governments must make binding commitments to reduce emissions to meet these targets, based on the principle of common but differentiated responsibilities and according to each country's economic and social development.

We need to send a strong message on the need to reach an agreement in Copenhagen. Such an agreement must include ambitious targets for GHG emission reduction in developed countries, as well as effective action for achieving GHG emission reduction or controlled increases to bring about low carbon development in developing countries.

Governments must recognise that reaching such an agreement on climate change depends on building a broad and sustainable political consensus on goals, as well as the means of achieving them. The agreement must show that signatory governments recognise the social and economic impacts of its implementation by providing a clear strategy for addressing them since, to date, the employment challenges, together with the potential benefits, have remained unaddressed. Furthermore, the new climate change agreement must call on governments to consult on, plan and implement a 'just transition' strategy, aimed at protecting the most vulnerable from climate change risks and from the consequences of climate change adaptation or mitigation measures. These 'transitional' strategies must include, inter alia, provision for consultation with unions, business and civil society, skills development schemes, social protection policies and economic diversification.

Developed countries should make financial and other support available to the poorest countries to enable them take up the challenges of climate change, including through the United Nations Framework Convention on Climate Change (UNFCCC).

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The adoption of a landmark Global Jobs Pact by governments, trade unions and employers at the annual International Labour Conference in June 2009 provides a realistic and workable template for economic recovery and reform.

The world should be ready to show leadership and ambition and:

- Undertake large-scale and labour-intensive investments in green infrastructure, such as energy efficiency, buildings, renewable energies and public transport.
- Develop training and skills' development programmes for workers to accede to good quality "green jobs". These must target in particular vulnerable communities, such as those affected by the current economic crisis.
- Commit to ambitious short and medium term GHG emission reduction objectives.
- Promote at the international and national level a "just transition" to a low carbon and socially-fair economy and support the position presented in the June 2009 UNFCCC negotiating text for COP15 in Copenhagen.
- Recognise the role of trade unions in building consensus and creating the right conditions for the great transition that has to take place.

Point 5: Effective and Accountable Global Economic Governance

In 1944 the world's major countries came together in Bretton Woods to set up new global financial arrangements that would support economic recovery. Today we need to show greater ambition: change must go beyond financial regulation. The crisis has revealed serious weaknesses in the governance mechanisms for the global economy. While there is no one blueprint for optimal world governance, governments can start by identifying the requirements of global coherence in areas such as environment, finance, development assistance, migration, labour, health and energy, where it is self-evident that national governance alone is deficient and that a new world institutional architecture is required in a 'grand global deal'. If the trade agenda is to move forward, a much stronger social pillar is needed in order to anticipate and smooth the employment shifts that more intense competition will provoke. The G20 process contains some of the necessary elements, but remains heavily weighted towards finance issues. The real economy, decent work and poverty reduction are currently being treated as marginal to its discussions. Furthermore, countries representing one third of the world's population are not represented at the table and have no means of influencing the G20's work. Indeed, the outcomes of the 'UN Conference at the Highest Level on the World Financial and Economic Crisis and its Impact on Development' should be taken forward to play a part in the new governance and advisory structure to international organisations.

The adoption of a landmark Global Jobs Pact by governments, trade unions and employers at the annual International Labour Conference in June 2009 provides a realistic and workable template for economic recovery and reform. The ILO Pact puts employment and incomes at the heart of economic recovery efforts, and sets key benchmarks for a new global economy. Jobs, workers' rights, social protection, quality public services and sustainability are to be at the centre of global policy making, in a significant break with the failed free-market radicalism which caused the crisis.

Trade unions are ready to engage constructively in this process and call on governments to give trade unions a seat at the table. Trade unions need to be a full part of new governance and advisory structures to international organisations, just as they are at the OECD.

The Pact provides guidance for governments and employers to maintain and create employment, recognising the importance of “green jobs” both for economic recovery and for tackling climate change. The crucial role of tripartite negotiations between governments, unions and employers as well as social dialogue and collective bargaining are highlighted, along with the need to avoid deflationary wage spirals and worsening working conditions. The importance of public job-creation schemes such as infrastructure development, as well as help for the unemployed and training and skills development, are also emphasised. The need for effective and coherent global governance is given detailed attention in the Pact, which demands that the financial sector must in future serve the needs of the real economy to support decent work. Developing country governments in particular need the policy space to invest for the future, rather than be pushed into “pro-cyclical” fiscal policies, which often lead to savage cuts in employment and incomes.

Furthermore, the G20 London Summit supported the preparation of principles of a Global Charter for sustainable economic activity, which is to constitute a collection of overarching principles of economic, financial, social, environment and development policy emphasising accountability and collective responsibility as the basic cornerstones of economic activity. In this context, labour and social standards provide one of the key elements in overarching principles to prevent recurrence of the current crisis. It is essential that decent work elements concerning employment, labour standards, social protection and social dialogue receive strong support in the context of the G20 Charter discussions.

Clearly, governments must start the work, but it cannot be left to bankers and finance ministry officials meeting behind closed doors. Trade unions are ready to engage constructively in this process and call on governments to give trade unions a seat at the table. Trade unions need to be a full part of new governance and advisory structures to international organisations, just as they are at the OECD. In line with the mandate provided by the Declaration on Social Justice for a Fair Globalisation adopted by the International Labour Conference in June 2008 and the Global Jobs Pact, the ILO needs to be at the centre of a new multilateral architecture that can respond effectively to the current crisis in market-driven globalisation by placing employment, social priorities and the promotion of decent work at the heart of decision-making.

Trade unions take demands to IMF and World Bank in Washington, January 2009

An 80-strong high-level delegation of trade union representations from around the world met with the International Monetary Fund Managing Director Dominique Strauss-Kahn and World Bank President Robert Zoellick, as well as Board members and several other officials of the two bodies in Washington in January 2009 to push for further immediate anti-recession measures and effective global regulation to ensure future global economic stability. The delegation, led by ITUC President Sharan Burrow and General Secretary Guy Ryder, included leaders and economic specialists from national

trade union centres, Global Union Federations and the OECD Trade Union Advisory Committee.

Among the topics discussed were fiscal stimulus policies, emergency loans and the conditionality of these loans. The ITUC expressed particular concern with some of the conditions of a loan agreement that the IMF had just concluded with the authoritarian government of Belarus. In exchange for a US\$2.46 emergency billion loan, the government of Belarus, which has been condemned by the ILO for violating fundamental workers' rights, promised to apply wage restraint throughout the broad public sector, increase utility prices and pursue privatisation. Belarus was also required to reform its social safety net and focus assistance on "the most vulnerable groups", which could result in reduced social protection for many workers, since they cannot express and defend themselves freely due to repression of trade unions carried out by the Lukashenko regime.

Commitments to strengthen social programmes for workers hit by the economic crisis and to increase action on core labour standards were made by World Bank President Robert Zoellick and IMF Managing Director Dominique Strauss-Kahn at the conclusion of the meetings with the 80-member international trade union delegation. IMF Managing Director Strauss-Kahn and senior Fund officials told the delegation that the Fund had not foreseen the amplitude of the current crisis, nor its impact on

Trade unions at G20 London Summit, April 2009

Trade union leaders from around the world met in London, April 2009 to press their case at the G20 Summit on the global economic crisis. Meetings with the Summit host, British Prime Minister Gordon Brown and Australian Prime Minister Kevin Rudd rounded off dozens of similar meetings with heads of governments, organised by national union leaders in their home countries. Summit-eve discussions took place with French President Sarkozy, Spanish Prime Minister Zapatero and German Finance Minister Steinbrueck.

At the same time, tens of thousands of demonstrators braved cold and wet weather on the streets of London at the weekend, in a broad civil society demonstration addressed by ITUC President Sharan Burrow and co-organised by the British Trades Union Congress (TUC), which coordinated the series of London meetings with the ITUC and TUAC.

The trade union lobbying had its impact. Jobs and social issues moved up the agenda in the communiqué of the G20 London Summit by comparison with the November 2008 G20 Summit and with earlier drafts of the G20's communiqué. The ILO will take part in follow-up to the Summit, having been asked to assess the actions being taken by the G20 on employment.

The next step is to make sure that greater focus is placed on maintaining and creating jobs and providing adequate social protection. We simply cannot allow that inequalities and poverty continue to increase between and within nations as it has been the case for the last two decades.

The escalating global jobs crisis, the imbalances in economic and social institutions and the unregulated financial markets represent a threat to the attainment of decent work for all and a more socially just society. Whilst some figures forecast a weak recovery in 2010, it is imperative to bear in mind that the current period of joblessness is contrasting everything the world of work has experienced before. The Great Depression was mostly US-centred whereas the current economic crisis has turned out to affect workers, government budget and deficits, and businesses at a global level. The next step is to make sure that greater focus is placed on maintaining and creating jobs and providing adequate social protection. We simply cannot allow that inequalities and poverty continue to increase between and within nations as it has been the case for the last two decades. 'Putting people first' is not simply a slogan – it is a demand – from workers (women and men, young and old, families and the children of our new generation) to world leaders that inequalities are no longer tolerable whether it is on financial markets, grocery markets or housing markets.

Trade unions at the G20 Pittsburgh Summit, September 2009

The third G20 Summit on the Global Economic and Financial Crisis will take place in Pittsburgh, Pennsylvania 24-25 September 2009. Accordingly the ITUC, TUAC and Global Unions in conjunction with the AFL-CIO prepared the presence of a large delegation of trade union leaders from G20 countries to meet with heads of state and government attending the third G20 Leaders' Meeting to discuss the global economic situation.

Trade union objectives announced for Pittsburgh included following up on jobs, social issues and the role of the ILO Global Jobs Pact; the global charter for sustainable economic activity; climate change and a green new deal; implementation and deepening of the London Summit agreements on financial regulation; and the IMF's current lending programmes and the inconsistency with London Summit promises to finance counter-cyclical spending in developing countries.

Looking beyond the immediate response to the crisis, when our economies begin to recover, trade unions will fight to ensure that there is no return to 'business as usual'. Rather than planning 'exit strategies' that are a more brutal version of failed past policies, there is a need to establish a new model of economic development that is economically efficient, socially just and environmentally sustainable. This model must rebalance the economy: the financial and the real economy; the rights of labour and capital; the trade surplus and deficit countries; and industrialised and developing countries. Above all, it must bring to an end the policies that have generated massive inequality between and within nations over the past two decades. This requires a paradigm shift in policy-making that genuinely puts people first.



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