

The World Must Change

Sharan Burrow - ITUC General Secretary

Address to ACSI Conference 2019

Reputational risk is well understood by CEOs and investors even if it is too often ignored until there is a scandal.

However failing to understand and address social and environmental risk goes well beyond the potential damage to the reputation or share price of a company or an investment house. Decades of such behaviour is now undermining global economic security. An apology for failure won't fix systemic social and environmental risks. We need to change the rules of the global economy.

You can choose many lenses to analyse the impact of pursuing maximum returns at any cost based on the narrowest definition of fiduciary responsibility. Ultimately the impact of such behaviour is proving to undermine long term sustainability with human, environmental and indeed investment costs that cannot be justified.

Inequality is one lens. Inequality is now recognised as a global risk yet the model of globalisation the world has pursued is itself a model of inequality by design.

The global workforce is around three billion people. However up to 60% of them are working in the shadows - the informal sectors of all our economies. It's a sector of desperation with no rights, no minimum wages, no social protection - no rule of law! Women and young people dominate this sector in large numbers and new business models emerging with the use of digital platforms are adding to these numbers. Modern slavery is also growing with more than 30 million workers trapped in unacceptable conditions. Both informal work and modern slavery are increasingly found in the supply chains of multinational companies which were already a dehumanising environment with low paid, insecure and often unsafe work.

Please don't think this is just "over there" such as migrant workers in construction or domestic work in the Gulf countries, or enslavement in the fishing industry in Thailand. Right here on Australian strawberry farms Fijian women are exploited or likewise Pacific Islanders and Asian workers in construction and other industries. The entire supply chains of Australian supermarkets need to be cleaned up. Ask the Modern Slavery Commissioner in NSW.

Investments at home and across entire international investment portfolios are implicated in violations of fundamental rights even slavery.

Its 2019; 100 years since the ILO was founded, laying out the demands for a floor of global rights and standards, yet the dignity of decent work continues to be undermined by an economic model founded on labour arbitrage in the endless quest for profit. The undermining of fundamental rights and job security, the absence of minimum living wages to the point where 84% of the world's people say the minimum wage is not enough to live on, and the decline in collective bargaining for a more equal share of prosperity have all resulted in a global slump in labour income share. When combined with the failure to ensure universal social protection, the growing popular mistrust and anger is understandable. More people will go to bed hungry tonight than global leaders claim to have lifted out of poverty. This is the model that has led to historic levels of inequality and quite simply the stagnation of global growth.

Few acknowledge the reality that if we don't heal the fractures of today's workforce that have been caused by the current model of greed, we will see even greater inequality in years to come. The consequent threat to economic and social prosperity can only increase the breakdown in support globalisation, deepen the age of anger and continue to undermine returns from our own investments.

In addition to these challenges and the consequent vulnerability of the global economy, the potential to add to this vastly more unequal world is emerging with waves of new technology. While technology offers huge potential economic, social and environmental opportunities there are major deficits in the regulatory environment for ensuring

decent work in internet-mediated platforms, the integrity of algorithms, privacy or the rights of the real asset owners of data. And there is scant investment in new jobs to mitigate the displacement of workers in the face of the future of production

For these reasons and more we argue it's time to change the rules. Indeed 95% of people tell us in our global polling that we need to change the rules of the global economy.

Climate change is another lens

Hothouse Earth! An extinction crisis! Without urgent action this is what awaits us. Despite the climate sceptics in Australia's Federal Parliament and the low ambition of too many Governments around the world, the science is in! 2018 will be remembered as the year that climate warming hit the northern hemisphere. While workers and their families in Africa and Asia, indeed right here in Australia we have seen the suffering from high temperatures, droughts, fires, floods and changing seasons for many years, this year it was brought home to Europeans

amongst others. Temperature records have been set in Taiwan, Europe and the US. Heat strokes have killed many people in Japan, South Korea, Greece and elsewhere. Workers in construction, agriculture and transport sectors in particular have suffered, even died, from work in these circumstances. And in some parts of the world insurance is unaffordable for working people.

Scientists are again raising the alarm. A domino-like cascade of melting ice, warming seas, shifting currents and dying forests could tilt the Earth into a "hothouse" state beyond which human efforts to reduce emissions would be increasingly futile. The scientists also tell us that it is not too late and that measures to end greenhouse gas emissions rapidly are available but need to be implemented. We also have to start to take adaptation measures much more seriously.

The IPCC report of 2018 demonstrated the best security lies in the 1.5 degree benchmark and said what it would take to achieve this. In essence we have just over a decade to stabilise the planet. Every part of our economy must shift - energy, production, construction, transport and services.

A circular economy is now an imperative as planetary boundaries and bio-diversity risks will also impact on our lives, jobs and economies so the future is now. For unions it is a reality that 'there are no jobs on a dead planet' but the challenge is to maintain full employment and decent work in the transition - to ensure a just transition!

We know that just transition guarantees lay the foundations for high ambition with the building of trust for workers and their communities.

And just transition is achievable. It requires;

- National Development Plans for the creation of sustainable jobs
- Secure pensions for older workers facing displacement;
- Skills and redeployment/employment guarantees for all workers, including those entering the labour market, to support occupational mobility;
- Decent work guarantees including labour rights, minimum living wages and collective bargaining;
- Universal social protection, including income protection for all;
- Investment in quality jobs and sustainable communities;
- Implementation of social dialogue and efficient tripartite mechanisms and
- Reinforced rights for information and consultation of workers.

While governments, workers and employers have responsibilities to make sure emissions are reduced accompanied with short and long term employment plans, so do investors. With the Principles for Responsible Investment (PRI), the London School of Economics, Harvard University and the ITUC, we developed a Just Transition Investor Guide which was launched last November. I am grateful to see ACSI members including, Australian Super, CBUS, First State Super, Vision Super, HESTA and IFM which are amongst the funds worth around 8 trillion dollars who have

already signed up. We now need to ensure an alignment intention with practice across the board. And it begins with responsible investment.

And then there is tax avoidance and evasion!

To date naked self-interest has been dressed up in modern economic models to justify why wealth is not being shared, why natural resources are being exploited unsustainably, why corporations and the wealthy pay little or no tax, and why there is a severe lack of resources for social protection and vital public services, including health and education. But we can change this in everyone's interests and reframe and rebuild democracy in the process. Funds must engage with companies on all social and environmental standards including their tax practices. For workers we need a new social contract and the compliance to ensure decent work.

The world needs a 'New Social Contract !

As the International Labour Organisation marks its centenary in 2019, it is well placed to address the challenges of inequality, insecurity and change. For justice in today's workplaces and for tomorrow's challenges, the basis of decent work remains the same:

- Freedom of association; the right to be in a union;
- Minimum living wages and collective bargaining rights;
- Non-discrimination and freedom from forced and child labour;
- Safe work and universal social protection;
- Working time sovereignty; and
- Social dialogue.

To change the way we do business we need these fundamentals to be reaffirmed as a 'Universal Labour Guarantee' for ALL workers as a floor in a new 'social contract'. That social contract must include amongst other measures;- just transition for climate and technological shifts; a right to lifelong learning; equal economic participation of women and an end to violence perpetrated against them; fair taxation; provision of care and vital public services including child care, aged care, health and education for all; and renewed commitment to full employment with investment in jobs beginning with infrastructure and care services.

We also demand that all business have a "social license to operate" such that they are registered and pay tax in each country of operation, that they have an employment relationship with those they depend on for doing the work that earns their profits and that they contribute to social protection. Equally we expect governments to mandate due diligence for all business to mitigate violations of human and labour rights.

Much of this is reflected in the report of the ILO Global Commission on the Future of Work, co-chaired by South African President Cyril Ramaphosa and Swedish Prime Minister Stefan Lofven, on which employers and unions were also represented. Their report entitled "Work for a Brighter Future", sets out the case for a human centered future with increased investment in people's capabilities; the institutions of work; and decent and sustainable work.

As part of this new social contract we need to see mandatory 'Due Diligence' mandated by Governments but also as a part of core business and risk management for companies and investors . This is not about sanctions except for those bottom feeders who continue to exploit people and the planet. It is about the analysis of risk to rights holders; shifting way fundamentally from a narrow notion of reputational risk only to the establishment of grievance procedures at all levels and the subsequent dialogue vital to effect remedy, it is simply the implementation of the UN Guiding Principles on Business and Human Rights in business operations. For investors and corporations the challenge is to make this core business now!

Even as we engage in the negotiations for a UN Treaty on Business and Human Rights many government initiatives are emerging;

- UK Modern Slavery ACT 2015
- US Trade Facilitation and Enforcement Act

- France: Duty of Vigilance Law
- Australian and NSW Modern Slavery Acts
- EU: several instruments touch on supply chain due diligence including the 'Directive on Non-Financial information disclosure; Regulation in imports of minerals from conflict affected and high-risk areas; provisions on responsible management of supply chains are included in recent EU Free Trade Agreements and we hope the EU and Switzerland will move to broad based mandated due diligence.

Beyond these front runners there is a draft due diligence bill in Germany, a tripartite compact in the Netherlands and the OECD Principles for Responsible Business, with agreed due diligence guidance and a complaints process covering member countries. We would like to see this become an OECD Convention.

And rights and due diligence must be enshrined into global trade rules including as a fair competition floor in the WTO, with compliance measures that afford third party access for complaints and remedy.

The fact that multilateralism is in crisis should hardly come as a surprise. The fractured trust in globalisation comes in large part from the dominant model of global trade and the resulting inequality it has created over the last 40 years. The exploitative model of global supply chains has taken a machete to the social contract in country after country and perpetrated unbalanced development to the point where inequality is already stated as a recognized global risk. Notwithstanding this, I am still shocked to hear government ministers and trade negotiators say regularly *"but trade is not responsible for this"* or *"the wealth can be distributed afterwards"*!

Trade and investment are necessary for all economies and have generated massive growth in global wealth, but it is the separation of trade from labour rights, from environmental standards, and from financial regulation that is the problem. And with no coherence, no social or environmental floor and without effective compliance, including for workers, at all levels of cross-border trade, the greed of the corporate model has not only dominated but captured governments fearful of the threat of losing foreign investment.

Then there is the threat of the global monopolies like Amazon that expose the failure of competition policy. The denial of workers' rights, living wages, and secure work by these giants, who simultaneously threaten the viability of business on Main Street, cannot be ignored by governments, consumers, or business. Yet no effective due diligence is carried out by investors who are assisting the massive expansion of monopoly corporate power.

By comparison, the surprise is that it took so long for Mark Zuckerberg to say "regulate us"! The risk to his business model is loss of client trust that is rapidly breaking down as the misuse of people's data, and hate speech, explode.

Indeed, it is vital and urgent to see a global agreement on the governance of data and privacy both to build trust and to avoid the dangers of monopoly power with greater social division.

Without rules, big technology monopolies will continue to put both fair competition and people at risk as they consolidate their footprint.

And for investors beyond the the risks to people, domestic companies and the environment profits are dubious, I can only hope you are all cautious of investing in the current Uber IPO.

It is possible to 'future proof' our pension funds and reaffirm a commitment to shared values as a basis for operating.

Yesterday the IFM Board endorsed a framework of principles which will now be an agreement with the ITUC to ensure that as we proudly watch the growth of Australian investments internationally, we can also know that these investments will shore up fundamental rights and the dignity of decent work in other nations. It requires unions to help resolve any issues arising such that everyone benefits.

Rights, environmental standards and good governance do not stand in the way of prosperity. With these standards and principles as the floor for fair competition and with 'Due Diligence' enshrined in the operations of companies and investors we can ensure inclusive growth.

Together we can change the rules and realise the promise of the Sustainable Development Goals.