



# Breaking the Cycle: Investing in an Inclusive Economic Recovery

*Statement by Global Unions to the Annual Meetings of the IMF and World Bank, October 2022*

## What It Takes: A Path Out of the Current Crises

At the time of the 2022 Annual Meetings of the IMF and World Bank all the countries of the world face complex, intersecting, and unprecedented challenges. Bold public policy, robust productive investment, and strong labour market institutions are indispensable if we hope to overcome the cost of living crisis, recover from the impacts of the COVID-19 pandemic, fulfill the ambitions of the Sustainable Development Goals, and promote shared prosperity and democratic governance through a new social contract. It is imperative that the IMF and World Bank meet the needs of this moment and lead the way. That means:

- **Support for full employment, fair wages, decent work, and universal social protection**

Sustained and inclusive economic development requires a fair share for labour. It is critical to address the declining labour-income share of GDP and tackle in-work poverty by expanding decent work. This means ensuring adequate minimum living wages that take into account the cost of living. Because decent work requires strong social dialogue and labour market institutions, its promotion requires vigilant enforcement of workers' rights to collective bargaining, freedom of association, a safe and healthy working environment, and equal pay.

It is essential that the World Bank and the IMF support universal social protection, in line with international labour standards, to fight inequality, encourage social stability, and help workers weather emergencies and confront health, economic, and climate related shocks. Strengthened international financial support for social protection is needed to support low-income countries address financing gaps in the short term and build resilient social protection systems. And in light of the recognition by the International Labour Conference this June that the right to a safe and healthy working environment is a fundamental principle and right at work, IFIs must promote the ratification and implementation of core Occupational Health and Safety (OHS) conventions in their investment strategies, especially in consultation with union representatives.

- **Investment in jobs and public services**

The COVID-19 pandemic and the climate crisis clearly demonstrate the risks that underinvestment, privatisation, and financialisation pose for public services such as education, healthcare, energy production, water and sanitation, and transportation. Women and members of marginalised groups have been disproportionately affected in terms of job losses in the informal economy and unpaid care work. It is time to end the cycle of budget cuts and asset sales that left countries around the world vulnerable to these shocks and invest in public goods.

The international financial institutions should support countries in the development of their industry policies and support public investment in key sectors conducive to the creation of quality jobs with strong social dividends such as infrastructure, public services including education, the care economy, and the industrial transition towards a zero-carbon economy.

- **A solution to unsustainable debt burdens**

As more countries enter debt restructuring negotiations and more households face bankruptcy as they seek to meet basic needs, the IMF and the World Bank must admit that our global debt crisis is structural and needs a systemic solution. Austerity has fed the debt spiral by reducing economic growth while sharpening inequality and exposing the most vulnerable people and countries to downturns and crises.

Debt relief, restructuring, renegotiation, liquidity support such as special drawing rights, and in some cases loan forgiveness, should be offered to debtors to enable an effective and sustainable recovery.

- **Commitment to a just transition**

The transition to a low carbon economy is urgent and necessary. IFIs must support governments and businesses to ensure a just transition. That means national climate and employment plans developed and negotiated with social partners that deliver for workers whose jobs and livelihoods are affected by climate change, as well as climate mitigation and adaptation measures. Redeployment and active labour market policies, investment and training opportunities in climate-friendly jobs, and income support for affected workers are all central to delivering a transition to a low carbon economy and economic and social justice.

Support for developing sustainable energy alternatives should be the foundation for affordable alternatives for consumers as they heat or cool their homes, commute, or undertake their work.

## **A Historic Crisis with Deep Roots**

Workers in nearly every country face a cost-of-living crisis that threatens their access to food, fuel, housing, and other basic needs. While this crisis is aggravated by the impacts of the COVID-19 pandemic, climate change, and war, including the Russian invasion of Ukraine, it is rooted in long term economic trends that have repressed wages, increased debt, and undermined productive investment. As cornerstones of our global financial system, it is urgent that the IMF and the World Bank work to reverse these trends and meet the needs of our moment.

We cannot tackle our economic challenges without boosting employment and workers' incomes directly. Labour's contribution to global GDP has increased since the great financial crisis, but workers struggle because their incomes have not kept up. Minimum living wages, strengthened collective bargaining, labour law, and social protection are vital tools for sharing prosperity, but they have been attacked and undermined for decades, limiting worker power and the strength of labour unions. At a time of unprecedented social need for healthcare, housing, and infrastructure, too many workers across the world face unemployment, underemployment, or unproductive work. A financial system that incentivises financial investments in speculation or share buybacks rather than investment in productive capacity has created a global economy that is fragile and volatile. At the same time consolidation has increased the power of corporations to set wages and prices. Workers across the world pay the price.

As wages stagnate, debt is ballooning out of control. Household debt has spiraled as low wages and underinvestment in social services have left families struggling to pay for housing, healthcare, education,

and basic needs. The debt crisis is not only about household budgets: low- and middle-income countries face an avalanche of sovereign debt denominated in currencies they cannot control. The financial sector earns enormous profits at the expense of personal well-being and global stability. Without a systemic solution, we will not be able to tackle the challenges of recovery and reconstruction that lie ahead.

The COVID-19 pandemic and climate change are both considered external to our financial system, but the global crisis they have spurred is rooted in fundamentally flawed economic policies. After decades of cutbacks proscribed by orthodox economists, systematic underinvestment has atrophied global healthcare systems, education systems, supply chains, labour markets, and social protection in nearly every country in the world. Despite warnings from unions and civil society organisations about the risks of coupling disinvestment with financial speculation, the global economy is at a crossroads. Interest rate hikes—a tool governments, central banks, and financial institutions have adopted to address the current crisis— only exacerbate the cycle of low wages, underinvestment, and debt and do nothing to address key drivers of inflation such as energy price hikes, production bottlenecks, and corporate profit margins. While wealthier countries turn to price controls, industry policy, debt financing, and universal social programs to ease the burden of these crises for their citizens, most countries are denied these policy tools.

Working people around the world have faced the bitter reality of stagnant incomes, growing debt, and systemic underinvestment for decades. But given the severity of today's deep crises, the continuation of these failed policies threatens our peace and our democratic systems. Workers need strong wages, effective labour market institutions and robust social protections to participate in the global economy. Households, industries, and countries need a way out from under impossible debt burdens. Investments in a new social contract—including better OHS standards— are necessary to recover from the COVID-19 pandemic, address production bottlenecks, and prepare for a just and sustainable future.

## **Recommendations for the International Financial Institutions**

Work with governments and trade unions to support an agenda of robust investment that meets social needs, boosts job creation, and builds toward a sustainable and equitable future. These investments must guarantee the protection of labor and human rights and support the expansion of collective bargaining as a means of improving job quality, ensuring health and safety, and fairly distributing gains and losses in uncertain times.

Support robust investment in healthcare to recover from the COVID-19 pandemic and prepare for future public health crises.

Promote better OHS standards through the ratification and implementation of core ILO health and safety conventions and the inclusion of their key requirements in IFI policies and investment strategies.

Guarantee decent work for employees affected by any green transition project, with robust social dialogue incorporated into project planning and execution.

**Trade unions recommend the IMF Should:**

Promote a sustainable recovery by discouraging risky financial speculation and strengthening macroprudential regulation, productive investment, and revenue-generating policies.

Help governments and central banks worldwide coordinate to prevent a potentially disastrous over-tightening of monetary and fiscal policy that could spark a global recession instead of stabilising prices.

Support a comprehensive, fair, and binding mechanism to restructure sovereign debt in accordance with UN Resolution A/RES/69/319 and consider the need for social and climate investments in debt analyses.

End regressive surcharges that push economically troubled countries deeper into debt and hinder a global recovery.

Assist in the reallocation of Special Drawing Rights (SDR's) from high-income countries to developing countries via dedicated trust funds, direct transfers, or other institutions.

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

End public wage bill constraints that undermine the job quality and recruitment of essential public workers including nurses and teachers who are indispensable to the achievement of the sustainable development goals.

**Trade unions recommend the World Bank Group Should:**

Adopt a Social Protection and Jobs Compass that invests in jobs, promotes international labour standards, and supports investments in universal social protections that fight poverty and promote equity effectively.

Discourage a dangerous race to the bottom in global labour standards by omitting labour and tax and contribution indicators from the proposed Business Enabling Environment report.

Ensure that all loans originating from World Bank Group align with international labour standards.

Prevent exploitative practices in development projects by improving implementation of safeguards and management of complaints, including firm deadlines for identifying performance standards violations, developing a time-based corrective action plan, and resolving the violations.

End the practice of Board approval of projects without objection, particularly when a labor portal complaint has been filed.

Ensure that contributions to climate finance incorporate just transition criteria that align with the Paris Agreement and the "Supporting the Conditions for a Just Transition Globally" declaration from COP26.