

# Financing Recovery and Building the Economy of the Future

## Trade Union Demands on Financing for Development

### A New Social Contract for recovery and resilience

The current global economic model has failed workers and people. The pandemic has unveiled the deep weaknesses in upholding the social and environmental dimensions of development along with economic growth. Governments must take radical measures to both overcome the crisis and to ensure resilient economies and societies. A piecemeal approach clearly does not fit the purpose. On the contrary, as shown by the SDGs, systemic change based on interlinked and complementary policies at social, economic and environmental level is the way forward.

We welcome the UN Secretary-General's call for a "New Social Contract" to create equal opportunities and respect the rights and freedoms of all within societies, together with a new model for global governance based on inclusive multilateralism.

In line with the SDGs, [the five key demands](#) that workers want in their social contract are:

- 1. Jobs:** climate-friendly jobs with Just Transition.
- 2. Rights:** the promise of the ILO Centenary Declaration for rights and protections for all workers, irrespective of employment arrangements.
- 3. Universal Social Protection:** social protection for all, with the fight for a global social protection fund for the poorest countries.
- 4. Equality:** Progress has stalled, and in some nations has been set back by the pandemic. Workers demand equality of income and equality of gender and race.
- 5. Inclusion:** Working people want a peaceful world and a just, rights-based development model with the promise of the SDGs.

Ensuring access to vaccines is a moral imperative and the first step for economic recovery, considering the devastating consequences, especially in developing countries. Trade unions call for universal access to testing, treatment, and vaccines and for the removal of intellectual property barriers.

Recovery and resilience measures must be funded by debt relief and increased public development assistance for developing countries, allowing them to manage crisis responses. Resource mobilisation efforts through progressive taxation at national level should be complemented by strengthening international cooperation in ending tax evasion and illicit financial flows, including a minimum tax floor for all corporations, a billionaires' or wealth tax, and a financial transactions tax.

To be sustainable, crisis response measures must be built on the engagement of social partners. Social dialogue and industrial relations help to rebuild trust in institutions and assist in crafting equitable policies. This is true within countries, but also across nations. We need a new model of global governance to redress the current imbalance of power and uneven distribution of wealth at international level. A truly inclusive multilateral system where social partners are on board and have a say will make the difference and pave the way to global resilience.

## Investing in decent and climate-friendly jobs creation

The pandemic has brought forward a job crisis of unprecedented consequences. The latest estimates from the International Labour Organization (ILO) show that the equivalent of 255 million full-time jobs were lost in 2020; these estimates give a grim outlook for 2021.

Investing in job creation will be necessary to reverse the economic and social consequences of this crisis. Strategies and public policies must ensure the creation of decent, climate-friendly jobs, accompanied by Just Transition measures, to guarantee that no one is left behind in industrial transformation processes. Large numbers of jobs can be created through sustainable investments in infrastructure, health, public transport, housing, repairing ecosystems and making innovative improvements to cities.

Job creation strategies should put SDG 8 and the Decent Work Agenda at the forefront and be accompanied by measures for the formalisation of the informal economy in line with ILO Recommendation 204. They should also guarantee the application of a labour protection floor that ensures that fundamental workers' rights are respected, an adequate minimum wage is applied, maximum limits on working time are guaranteed, and safety and health at work is upheld. In order to secure this rights-based approach, private business and finance should be in alignment with the SDGs so that investments can ensure the application of ILO standards and be guided by responsible business-conduct principles and due diligence.

### Recommendations

#### Policies:

1. A new investment-development path is needed: shifting strategic policy direction from an export-oriented and GVC-driven path towards regional value chain-based export expansion, with domestic industrial policies to build resilience.
2. Investment is needed in job creation in labour-intensive and strategic sectors, such as infrastructure, health, public transport, housing, education, care, climate-friendly industries, and also in repairing ecosystems and innovations to cities and sustainable agriculture. This includes supporting MSMEs and processes of formalisation of the informal economy.
3. Strategies and public policies must ensure the creation of decent jobs, based on the fundamental rights of freedom of association and the right to collective bargaining, occupational health and safety, minimum living wages and maximum hours of work, as provided by the ILO Centenary Declaration.
4. Just Transition measures (social protection, education, training and skills development) accompanying the creation of climate-friendly jobs will guarantee that no one is left behind in industrial transformation and digitalisation processes.
5. Business operations should be based on due diligence, and any type of private finance mechanism should contribute to the implementation of the SDGs, including SDG 8 on decent work and quality employment creation.
6. The participation of social partners in developing and implementing policies, strategies and financing frameworks should be ensured as a fundamental pillar contributing to country ownership and enabling sustainable solutions for recovery and resilience.

#### Financing:

1. The uneven capacity of countries to respond to the Covid-19 pandemic highlights the importance of increased international solidarity through strengthened official development assistance (ODA). With current liquidity injections in the developed world, ODA can and should be increased to help developing countries in restoring public goods (such as social protection and capacity building for taxation system implementation), along with debt cancellation, suspension and debt restructuring, including middle-income countries. We need to scale up and meet the ODA 0.7% commitment, with 0.15 to 0.20% of GNI for least-developed countries.

2. Increased concessional finance will need to do the heavy lifting for the recovery and resilience needs ahead: multilateral, regional and national development banks and other development finance institutions have an important role to play in offering long-term and counter-cyclical financing to developing countries. They should better support national country needs in strategic sectors and systematically integrate employment into results measurement frameworks, measuring the quality and quantity of job creation.
3. Central banks should be more developmental in the way they create and guide capital, integrating other objectives, including employment and climate, in their frameworks and mandates.
4. Domestic and international private finance needs to be aligned to the SDGs. Promoting sustainability in investments through innovative financing vehicles such as blended finance and instruments such as social, green, and sustainable bonds raise specific concerns:

Significant limitations persist around blended finance, mainly related to risk management and additionality – ending up providing unnecessary incentives to business – and to doubtful development impact.

Careful consideration should be given to the use and relevance of innovative financing instruments, such as sustainability bonds, in the light of the current crisis. Although the market of green and social securities is increasing, the market is not transparent. There is still a lack of consensus on working definitions and on the application of mobilised capital. We urge a broader sustainability perspective in line with the SDGs – including also social effects, such as effects on job creation, income equality and efforts to promote a Just Transition.

5. Domestic resource mobilisation through progressive taxation will be crucial to step up investment capacities as well as international cooperation on tax matters in ending tax evasion and illicit financial flows, including a minimum tax floor for all corporations, a billionaires' or wealth tax, and a financial transactions tax.

## Scaling up universal social protection

Social protection systems have contributed to hampering the impacts of the pandemic in many countries, ensuring access to healthcare and supporting job and income security. Putting social protection at the centre of government responses to the Covid-19 crisis will increase resilience, while fighting poverty and inequalities, and act as an economic and social stabiliser to promote a stronger recovery.

Universal social protection should ensure that all people have access to basic social security guarantees, such as healthcare, nutrition, housing, water and sanitation, education, care, basic income security, unemployment benefits, maternity and disability protection, and pensions. Governments should strive to expand social protection systems and floors, in line with the SDGs and the ILO Convention 102 and Recommendation 202, in order to increase the coverage and comprehensiveness of schemes, ensuring access to all.

Social protection is the most cost-effective response to the crisis, as initial funding can ensure the creation and consolidation of social protection floors that can be scaled-up through the mobilisation of further contributions. But most countries around the world are still far off the implementation of adequate social protections systems. According to the ILO, only 29 per cent of the global population have access to comprehensive social security, while 71 per cent are not covered or are only partially covered. Specific support is therefore needed at the global level to establish social protection floors in the most vulnerable countries. The proposal of the UN Special Rapporteur on extreme poverty and human rights for the establishment of a Global Social Protection Fund is crucial to uphold the implementation of social protection floors in the world's poorest countries, through funding and technical advice.

## Recommendations

### Policies:

1. Set up and expand social protection systems that are publicly organised, established in law and are in line with international labour standards (ILO Recommendation 202 on Social Protection Floors and Convention 102 on Social Security). Social protection floors should include basic social security guarantees, such as access to healthcare, nutrition, education, care, basic income security, unemployment, maternity and disability, as well as pensions.
2. Ensure that temporary relief measures adopted during the crisis are aligned with, complement and further strengthen national social protection systems.
3. Ensure a comprehensive and universal coverage to workers in all forms of work that covers the whole life cycle, from birth to old age, and guarantees adequate benefit levels and provides quality services.
4. Extend social protection to workers in the informal economy, in line with ILO Recommendation 202 and ILO Recommendation 204, guaranteeing access to social security and social protection through voluntary contributory schemes.
5. Guarantee the meaningful involvement of workers' representatives through all stages of the decision-making process around social protection: effective participation of social partners in the implementation, monitoring and transparent reporting, and evaluation of measures in order to guarantee greater levels of accountability, ensure broad collective buy-in of the reforms and contribute to their sustainability.

### Financing:

At the **national level** domestic resource mobilisation strategies should:

1. Ensure adequate fiscal space to finance social protection through a combination of tax-based social protection floors and contributory social security. Reverse privatisation of social protection systems, where existing, has been shown to have negative impacts on adequacy, coverage and equity of social protection provision.
2. Increase tax revenues through progressive taxation and tackling tax evasion and illicit financial flows through strengthened financial transparency and enforcement measures.
3. Expand social security coverage and contributory revenues:
  - Ensure that employers are responsible for paying contributions for all forms of contracts.
  - Provide informal economy workers with the possibility to take part in social schemes and simplify procedures to register earnings and contributions, which will ensure a greater financial viability of social protection systems.
4. Tackle precarious work and support formalisation of work in order to strengthen the financing base for social protection schemes and tax revenue in general, whilst increasing income security of workers and reducing demand on social assistance.
5. Re-allocate public expenditures to prioritise social spending, including social protection.

At **global level** the funding of a [Global Fund for Social Protection](#) that will support the poorest countries should be guaranteed:

6. Ensure the commitment to 0.7 percent of GNI for official development assistance (ODA) is upheld, with a focus on disbursing at least 0.15- 0.20 percent of GNI to the most vulnerable countries and increasing ODA levels allocated to social protection (currently 0.69% of bilateral ODA).
7. Improve international coordination on tax policy around tax evasion and tax avoidance to strengthen the national financing base.
8. Implement new, progressive forms of taxation: a tax on financial transactions (FTT), currency transaction taxes, and a minimum corporate tax threshold coordinated at the international level to raise revenues while simultaneously tackling tax avoidance, tax competition and social dumping.
9. Mobilise carbon-related revenues through the collection of carbon taxes in a progressive manner which can also serve carbon reduction ambitions.

10. Provide debt relief and debt restructuring to ensure countries can free up resources to ensure adequate social protection with universal coverage.

## Supporting social dialogue

Since the onset of the pandemic, workers' and employers' organisations have engaged with their governments to mobilise resources and public programmes to support workers and their families and preserve jobs. Bipartite agreements have been made at workplace level to address the specific needs of sectors and enterprises and ensure occupational health and safety is upheld in order to stop the spread of the pandemic at work.

Social dialogue is one of the pillars of the ILO's strategic policy framework for the response to the Covid-19 crisis, and the [UN framework for the immediate socio-economic response to COVID-19](#) includes social dialogue and political engagement as part of its Pillar on Social Cohesion and Community Resilience.

Building forward better after the Covid-19 crisis will require a human-centred approach based on social dialogue and tripartite cooperation where governments and the social partners (workers' and employers' organisations) can work hand in hand to craft solutions that are rights-based, inclusive and sustainable.

But for social dialogue to deliver effective responses to the crisis, the fundamental rights to freedom of association, collective bargaining and the right to organise need to be respected and the social partners need to be involved at the highest levels, ensuring that their role in policy making is upheld to build strong partnerships at the national and local level. This will require strengthening the social partners' technical and organisational capacities and consolidating labour administrations and social dialogue institutions with adequate resourcing. Specific financing will need to be mobilised to promote a sustainable and inclusive recovery from the crisis and accelerate the implementation of the SDGs, based on an enhanced social dialogue and stronger social partners.

Beyond its role at the national and local level, social dialogue should be at the basis of policy responses to the crisis at the global level. The [UN Secretary-General's call for a new model of global governance](#) going beyond inter-governmental organisations is welcome. This new multilateralism should involve the social partners in global economic governance institutions, including the UN, and promote better policy coherence. A truly inclusive multilateral system where social partners are on board and have a say will make the difference and pave the way to global resilience.

## Recommendations

### Policies:

1. Ensure the respect for the rights to freedom of association and collective bargaining and the right to organise (ILO Conventions 87 and 98). Labour rights, hand in hand with social dialogue, are pillars to build peace and democratic processes that are a cornerstone for sustainable development.
2. Reinforce the role of social dialogue as a key means of implementation of the 2030 Agenda and in strategies to build recovery and resilience from the Covid-19 crisis.
3. Guarantee informed and meaningful participation of social partners in all stages of decision-making processes: design, planning, implementation, monitoring and evaluation of socio-economic policies, to ensure transparency and accountability.
4. Support dialogue with social partners in the context of voluntary national reviews (VNRs) and on the SDGs at country level, including in the context of the integrated national financing frameworks (INFFs).
5. Uphold social dialogue and tripartism at country level in the context of the UN reform.
6. Support a renewed multilateralism: a truly inclusive multilateral system must guarantee the engagement of social partners in global policymaking spaces on climate change, digitalisation, standard setting, trade, etc.
7. Uphold ILO engagement in assuming a more central role in promoting policy coherence for a human-centred crisis recovery and beyond. This means reinforcing its cooperation and institutional arrangements within the UN and, more widely, the multilateral system.

## Financing:

1. Promote a new and inclusive multilateral financial architecture that includes the social partners in decision-making processes to respond to the Covid-19 crisis and build resilience.
  2. Ensure that ODA contributes to building the capacity of workers' organisations to meaningfully engage in social dialogue at national, regional and global level.
  3. Ensure that corporate strategies and business models integrate commitments related to sustainable development and align investments with the SDGs, and especially SDG 8, to guarantee rights and provide quality jobs.
  4. Ensure that development financing to the private sector guarantees the application of human, labour and environmental standards and that due diligence is applied and ensure the effective involvement of social partners.
  5. Promote the engagement of social partners with development finance institutions and include social partners in the design of their investment strategies.
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