JOINT REPORT ON MEETINGS BETWEEN THE INTERNATIONAL TRADE UNION MOVEMENT (ITUC/GLOBAL UNIONS) AND THE IMF AND WORLD BANK

10-12 February 2015, Washington DC

A delegation of 75 trade union leaders from national organizations in 38 countries, Global Union Federations, the European Trade Union Confederation (ETUC), the Trade Union Advisory Committee to the OECD (TUAC) and the International Trade Union Confederation (ITUC) met with IMF and World Bank officials to discuss topics of joint interest. ITUC General Secretary Sharan Burrow led the discussions, which included meetings with Executive Directors or their representatives, World Bank President Jim Yong Kim and IMF Chief Economist Olivier Blanchard (replacing Managing Director Christine Lagarde). The meetings took place in accordance with the framework for dialogue agreed in 2002 and renewed in 2013 between the ITUC/Global Unions and the IMF and World Bank.

Tuesday, 10 February 2015

Mandate and work plan of World Bank Group's "Jobs Cross Cutting Solution Area"

Jyrki Raina of the Global Union Federation IndustriALL opened the session as moderator by welcoming the findings of the Bank's *World Development Report 2013* (WDR 2103), which showed that in most cases labour market institutions had no negative growth or employment effects. Different aspects of an economy are inter-twined, such as fair minimum wages, collective bargaining, infrastructure investment, and others. He cited the Nordic model as having successfully combined them in a sustainable way.

Nigel Twose of the World Bank began by expressing the Bank's commitment to the process of dialogue with trade unions. This dialogue seeks to establish areas of agreement for mutual collaboration and to surface and debate any divergent viewpoints. He described the Jobs Cross Cutting Solution Area (Jobs CCSA) and jobs agenda as being at the core of the Bank Group twin goals of eradicating extreme poverty and increasing shared prosperity. He emphasized that the mandate of the Jobs CCSA is very much aligned with implementing the findings of the WDR 2013. The Jobs team is preparing diagnostic tools for the World Bank that identify the major constraints to improved labour markets from the demand and supply side, and on designing country strategies that prioritize more, better and more inclusive jobs. He summarized how the Jobs CCSA is providing technical support for World Bank country teams to better incorporate jobs agenda in projects, typically through more cross-sectoral, integrated approaches. Country demand for the World Bank Group to provide improved support on the jobs challenge is high and many country teams have sought support. During the current annual budget, the CCSA core staff team is working with operational teams to test the new jobs diagnostic tool (which was a commitment in the most recent replenishment agreement for the Bank's International Development Association), and has prioritized 20 World Bank projects to test and illustrate these improved operational approaches in diverse country situations. Thematically, the Jobs CCSA is focusing on informality, technology, urbanization and fragile states.

Trade union discussant Paola Aliaga from Peru reported that informality remained at 60 per cent of the workforce in Peru, and stressed the need to include domestic workers, to recognize workers' skills and assure rights. Plamen Dimitrov of Bulgaria urged greater cooperation between the World Bank and ILO in formalizing informal jobs and promoting core labour standards and social protection floors. Mody Giro of Senegal pointed out the divergence in output and jobs growth, the precarious situation of informal workers in Sub-Saharan African countries, and the strong need for policy action on informality in his region. Other trade union leaders spoke of the policies that led to increased informal-economy work in their countries. In response, Twose believed that he summarized the shared view that formality is preferable, but that this remains a distant prospect for the majority of firms in many developing countries. He encouraged trade union leaders to continue to give feedback on this vital topic. Finally, he committed to avoid the slogan "Informal is normal" which had appeared on one page of the World Development Report, because of the confusion it has apparently caused with an unintended implication of acceptance or resignation.

World Bank Group's strategies for private investment in health and education

Claudia Costin of the World Bank emphasized the role of quality education in fighting inequality and enhancing economic growth. Every child should have the right to education and public school systems should be strong, she said, explaining that when parents sent their children to private school, it should be a matter of personal choice and not because public schools were providing lower quality education. She acknowledged the need for private investment, noting that state capacity to provide education was weak in some countries and would take time to build. She also underlined the importance of good relations between teachers' unions and governments.

Agnès Soucat of the World Bank stressed that universal access to health care, necessary to fight child mortality and increase life expectancy and employment, required inclusion of the private sector. Focusing on Africa, where most countries have a mix of public and private health care services, she highlighted three main priorities: assuring access to maternity and malaria treatments; reaching universality of health coverage; and avoiding a reversal of the achievements through the impacts of environmental degradation. She added that a shortage of skills and a low density of health workers are major challenges, as the Ebola emergency had revealed, and criticized funding that went too often into equipment rather than training.

Elena Sterling of the International Finance Corporation (IFC) stressed the need to integrate private investments in health care and education with the public-sector strategies for these services, given the important role these investments can play in achieving government goals for health and education. She spoke of IFC's objectives for private funding of medical equipment for diagnostic and preventive health care, of improving procurement policies of governments and ensuring compliance with IFC's Performance Standard 2 on labour and working conditions.

Trade union discussant Fred van Leeuwen of Education International warned that investment in private for-profit education, an area in which IFC has several investments, can undermine public systems and often serves only the rich and privileged. Kwaku Asnate Krobea of Public Services International spoke of PSI's support for more public investments in health and education in West Africa and identified areas where the World Bank could increase its assistance for combatting AIDS and Ebola: compensation of front-line care workers, better preventive equipment, new health centres for case management, tool kits for quick HIV testing and social dialogue for improving incentive structures. Amarsanna Ennebish from Mongolia noted serious quality problems in public-private partnerships in health and education in his country, some financed by the World Bank Group, and emphasized the importance of sharing information and engaging in dialogue on these strategies with social partners, including trade unions. Other trade union leaders raised concerns about the objectives and effectiveness of private investment in these socially sensitive areas and encouraged the Bank to give a stronger priority to public health and education services.

Update on World Bank's environmental and social safeguards review

Stefan Koeberle of the World Bank spoke of the Bank's consultations from August 2014 to March 2105 on a revised social and environmental safeguards policy, in which the ITUC and many national trade unions took part, and focused his remarks on the draft labour safeguard (ESS 2). He noted that unions and the ILO welcomed the Bank's proposal to adopt, for the first time, a labour standard, but emphasized the need to broaden the scope of application beyond directly employed workers in projects and the need to require compliance with all of the core labour standards, including freedom of association and right to collective bargaining. The ILO had made clear that even if some countries had not ratified all of the core conventions, all its member countries have signed on to the ILO's *Declaration on Fundamental Principles and Rights at Work.* The Bank appreciated the different inputs and recognized the need to catch up to other multilateral development banks (MDBs) that have more advanced labour standard requirements. The Bank will undertake a revision of the current draft and submit a new draft safeguards policy to the World Bank board in late May, where it will be up to the Bank's member countries to take a decision on what to include in the new policy.

Union discussant Marija Hanževački of Croatia raised concerns about the absence of a requirement on freedom of association and right to collective bargaining in the current draft, as well the very limited scope of workers covered due to the exclusion of contract workers and the lack of a requirement to provide written information about conditions of employment. Peter Werikhe from Uganda underlined the need of a formal process and for supporting workers in their efforts to obtain respect for fundamental workers' rights and noted the poor record of compliance with the core standards in some infrastructure projects in his country. Other trade union leaders spoke of their positive experiences in obtaining compliance with IFC's performance standards, which include all of the core labour standards, and spoke of institutional investors such as pension funds that could be reluctant to partner with the World Bank if its labour standards did not meet those adopted in other international organizations including other MDBs.

Update on World Bank's Doing Business Report

Indermit Gill from the World Bank summarized changes introduced last year to the *Doing Business* (DB) indicators. These include adding data from additional cities in large countries; using the "distance to frontier measure" for ranking countries; and making changes to the specific indicators on getting electricity, business registration, construction permits, paying taxes and enforcing contracts. He noted that DB had not included the employing workers indicator (EWI) in the overall ease of doing business indicator and ranking since 2009 but the EWI data are provided in the report's Annex. The Bank has begun to gather information about the quality and flexibility of jobs such as paid holidays, health care, unemployment insurance and sick leave.

Trade union discussant Sulistry Afrileston of Indonesia said that the DB indicators do not reflect the reality of what is required to improve the development of a country like Indonesia. She noted that her country's DB tax rate indicator deteriorated when social security coverage was extended to informal workers, even though it improved the situation of many people. Peter Bakvis of the ITUC stated that unions became concerned about DB when the Bank used it prior to 2009 to pressure countries with better standards to deregulate their labour markets. He states that the Bank has not implemented most proposals of the 2013 Independent Panel Review of DB, including the recommendation to permanently remove the EWI from the report and to develop a new approach on labour outside DB. He pointed to implausible findings such as the newly added question on unemployment benefits showing Eritrea and Uzbekistan being scored as high as Germany. In response, Gill stated that the DB indicator aims at enhancing local business rather than attracting foreign investment and that trade union activities were never mentioned as harmful in the report. There are no plans to reinsert the EWI in the overall DB ranking in the foreseeable future, but the EWI data will remain in the report as an Annex.

Wednesday, 11 February 2015

Introduction with Olivier Blanchard (IMF) and Sharan Burrow (ITUC)

IMF chief economist Olivier Blanchard welcomed the opportunity for discussion and emphasized the importance of dialogue. While he saw a role for minimum wages and collective bargaining, their design was key. He noted that wage moderation and, in some cases, wage cuts had been necessary in a number of countries with high current account deficits, observing the challenges associated with increasing competitiveness within a currency union. He also emphasized that inequality was a pressing issue, not only for its own sake but also because of its growth implications – the IMF was increasingly reflecting this in its policy advice.

Sharan Burrow appreciated the IMF's openness to discussion and hoped to find some common ground on the value of national collective bargaining after evidence-based discussions. The ITUC believes minimum wages have an important role to play in achieving equitable income distribution and favours a living wage concept. The G20 was appropriately focusing more on jobs and domestic demand but she faulted IMF and OECD analyses for failing to address the declining wage share. She was pleased the IMF corrected its erroneous fiscal multipliers that had underestimated the impact of austerity and reiterated trade union support for investment in infrastructure, the green economy and the care sector. She called on the IMF to agree with the need to grant breathing space to the European country the most affected by the crisis, Greece, including through debt restructuring.

Presentation on the World Economic Outlook

Olivier Blanchard summarized the IMF's January 2015 World Economic Outlook (WEO) update. He noted that while lower oil prices would overall help to boost global growth, this would be more than offset by negative factors including private investment weaknesses. However, the distribution of risks to global growth was more balanced than in October. The main upside risk was a greater boost from lower oil prices, although there was uncertainty about the persistence of the oil supply shock. Downside risks related to shifts in sentiment and volatility in global financial markets, especially in emerging market economies, where lower oil prices had introduced external and balance sheet vulnerabilities in oil exporters. Stagnation and low inflation were still concerns in the euro area and in Japan.

Benjamin Hunt of the IMF explained that the G-20 modelling exercise evaluated the impact on output of polices contained in G-20 countries' Growth Strategies. Policies such as product market reforms, research and development activities, tax reform, and trade and labour market flexibility measures would all increase productivity. Labour supply would also increase through policies such as improved childcare, active labour market policies and pension reforms – and lead to increased investment. Real wages and income would increase with productivity, raising household consumption and output. Investment in public infrastructure would also contribute to increased real wages and additional private investment. The overall result would be an increase of roughly 2 percent in G-20 GDP by 2018, with a large impact on real wages and labour income.

Trade union discussant William Spriggs of the US raised concerns about the WEO's underlying assumptions as the US shows strong growth, productivity and employment gains with flat wages and participation, both of which have contributed to increased inequality that could hinder sustained growth. He warned that bringing a country like Greece economically to its knees produces political extremism and urged the IMF to see democratic developments in Greece as a chance to shift to an economic recovery strategy. Rosa Pavanelli of PSI emphasized the role of the public sector overall in reducing inequality, boosting productivity and growth and helping young workers enter the labour market.

Policies pushed by the IMF, WB and OECD to increase private-public-partnerships in infrastructure projects contribute to financial bubbles, undermine rights and collective bargaining. John Evans of TUAC noted disagreements on how to raise wages among central bankers of the G20 and the failure to meet the target of additional growth of 2 percentage points of GDP, set a year ago. The focus has to be on demand: Labour 20 modelling shows that more growth comes through aggregate wage growth. Hilma Mote from ITUC Africa regretted that the WEO update had little to say about the negative impact of commodity price drops on many African countries. This highlights the need to engage in greater diversification of commodity-dependent economies, as well as to support strategies for continental integration through improved transport infrastructure. Other trade union representatives expressed concerns about the negative impacts of economic liberalization, declining wages and precarious employment and expressed the view that the IMF's modelling underestimated the negative demand impact of these phenomena, as well as their effect in increasing income inequality.

Job creation and growth

Cathy Pattillo of the IMF noted that, in recent decades, while inequality between countries had decreased, it had increased within most advanced economies. Unemployment remained high in many regions, particularly for youth. She explained that the IMF was strengthening its analysis of income distribution and employment issues, and that IMF country teams were integrating this into country-level policy discussions. Policies to support inclusive growth are varied, but could include steps to encourage increased labour force participation among women.

Angana Banerji of the IMF noted that youth unemployment has risen sharply throughout advanced economies in Europe, with about 50 per cent of the increase explained on average by a drop in economic growth. Young workers were three times more sensitive to slowdowns than adults, in part because they were more likely than adults to be hired on temporary contracts. Labour market rigidities – such as high labour tax wedge, labour market duality, lack of vocational training – played a role in explaining high unemployment levels as well. Policies should aim at boosting growth through accommodative monetary policy, use of fiscal space where possible, clean-up of bank balance sheets, and product market reforms. But labour market reforms would also be needed, including to address labour market duality; lower the tax wedge; and increase training and active labour market programmes.

Trade union discussant Hassine Abassi of Tunisia described the situation of young people in his country working under bad conditions in low-wage jobs with a lack of training. Binda Pandey from Nepal spoke of the problems of young people migrating due to lack of employment opportunities and presented proposals for improving their conditions. Other trade union leaders raised doubts that further flexibility would help young people in precarious jobs. Others pointed out that deregulatory reforms in Greece, including the reduction of the minimum wage, have not resolved but in fact worsened the marginalization of young workers. In response, Pattillo emphasized that reforms were often necessary to drive growth and jobs, and depended on country circumstances – for example, reducing labour tax wedges and investing in training and apprenticeships could help to address youth unemployment. She also noted the joint IMF-World Bank-OECD-ILO work on jobs under the auspices of the Turkish G20 presidency. Banerji emphasized that inequality is a major topic of concern at the IMF and that country teams would look into the specific policies warranted by country circumstances.

IMF's approach on labour market issues

Prakash Loungani of the IMF presented information about the slow decline of the global unemployment rate on the basis of data from 105 countries. Since the 2008-2009 global recession, a gap had developed between OECD and non-OECD countries' unemployment rates, with the former remaining higher. During the Great Recession and after, output and employment remained linked, and where economic growth had been strong, employment growth had also been strong. The main reasons for the slow output recovery were deleveraging and policy constraints such as the lack of scope for exchange rate adjustments. A two-handed approach was required to boost growth, with action on both demand and supply fronts – with specific policies determined on a case-by-case basis.

Helge Berger of the IMF noted the link between growth and unemployment in the euro area, with euro area crisis-hit economies suffering higher rates of unemployment than those that were not as badly hit by the crisis. Boosting both growth and employment called for a combination of demand and supply side policies. On the demand side, policies could include expansionary monetary and, where possible, fiscal policy (including, for example, in Germany), and in general fiscal policy should aim to be growth-friendly. On the supply side, structural impediments to growth needed to be removed. For example, the high overall and youth unemployment in countries like Greece and Spain already before the crisis indicated that there were structural elements to unemployment that called for reduced duality in labour markets, product market liberalization, training, and wage adjustments.

Trade union discussants Yannis Panayopoulos and Zoe Lanara from Greece welcomed the policy change of Greece's new government and the negotiations begun with the creditor institutions. They noted that the IMF’s policies had failed to deliver promises of increased exports or reduced debt. The IMF's extensive labour market reforms resulted in reduced wages and pensions and destroyed workers’ rights. These policies did not lead to economic recovery: Greece lost 25 per cent of its GDP and one-third of households live at or below the poverty line. While labour reforms were strictly imposed through loan conditionality, measures to stop tax evasion and cronyism were not. Carlos Silva from Portugal noted that unemployment was at 13 per cent and 300,000 people had emigrated from his country. While the Supreme Court blocked some austerity measures, others increased inequality, made employment more precarious and destroyed collective bargaining. The minimum monthly wage is around 500 euros and 2 million people live in poverty. Many jobs have been cut in the public sector and hospitals and schools are closing. The IMF recently recommended further austerity, including additional cuts to public sector wages, which already have fallen by 23 per cent since 2011. Other union representatives gave examples of labour market deregulation in other countries and spoke of the spectre of deflation and long-term economic stagnation in Europe.

Implementation of social protection floors

Vinicius Pinheiro of the ILO spoke of the economic, social and environmental dimensions in the United Nations’ post-2015 sustainable development goals (SDGs) debate. The goal on promoting growth and decent work for all reflects this, with poverty reduction, health and gender balance goals as contributing factors. A goal on establishing nationally appropriate social protection, including floors, is in the SDGs working document, to which specific indicators will be added. The ILO believes that there must be a shift from a developing-country to a universal focus for the social protection floor (SPF). The Social Protection Inter-Agency Cooperation Board (SPIAC-B), in which UN agencies, the IFIs and civil society organizations including the ITUC take part, plays an important role as an issue-based coalition but will need to be strengthened. Currently the ILO is working with the IMF, World Bank and UNDP in identifying fiscal space for expanded social protection; five countries have put in place SPFs.

Axel Bertuch-Samuels of the IMF noted that social protection is linked to the mandate of the IMF in Article 1 of its *Articles of Agreement* to promote high levels of real income. Social protection cushions the impact of a crisis as an automatic stabilizer and helps to maintain cohesion and social stability. Challenges in design include financial sustainability, a balance between contributory and non-contributory schemes, and scaling up over time. The SPF approach overturns the notion that social protection is intrinsically unaffordable. The IMF has worked with the ILO and other agencies in four countries on increasing fiscal space for expanded social protection.

Arup Banerji of the World Bank spoke of country-level operationalization. He pointed out that the Bank's 2012-2022 social protection and labour strategy endorses the SPF and with the SDGs there will be a stronger global commitment. The Bank is working on social protection issues in 122 countries, with some focusing on the "floor" and others also a horizontal and vertical integration of existing social protection systems. The current Bank strategy has increased the emphasis on low-income countries, with the latter now accounting for half of Bank lending for social protection. The Bank has been working to overcome the fragmentation of programmes in many countries by building capacities, assuring universal access, proper registration of people, grievance and redress systems and transparent eligibility. The Bank does not consider fiscal space for social protection a major constraint in many cases, since it is often a matter of political priorities among competing objectives and instruments rather than one of technical feasibility. There remain challenges in aligning the approaches of different agencies, which is being worked on within the SPIAC-B.

Siham Ahmed from Tanzania underlined the problem of policy coherence in Tanzania where six different social security schemes exist but without being harmonized. Rafael Freire Neto of the Trade Union Confederation of the Americas regretted that the interests of large firms and the financial sector have received greater priority while public resources directed to social protection are very limited, and encouraged the IFIs to give greater support to social protection. Bogdan Hossu from Romania questioned the policy coherence of the IFIs since they are in favour of privatization of health care and education services at the same time that they claim to support the SPF.

Joint IMF and World Bank Executive Directors' meeting with international trade union delegation

The meeting was attended by 28 Executive Directors or their Alternates or substitutes. Sharan Burrow of the ITUC summarized the main concerns and recommendations of the international trade union delegation during the three days of meetings with IMF and World Bank management and staff. Several Executive Directors responded and other trade union leaders put forward additional suggestions. The meeting lasted 90 minutes.

Thursday, 12 February 2015

IMF and World Bank work on addressing income and wealth inequality

Benedict Clements of the IMF noted that inequality had been increasing in most economies, and that the recent public focus had been on the rising income share of the top income earners. He observed that redistributive fiscal policy could reduce inequality, but that the composition played an important role. Redistributive fiscal policies needed to be carefully designed so that they were consistent with macroeconomic objectives, balance distributional and efficiency objectives, and took into account administrative capacity. As next steps, an IMF book would be published in 2015 to help deepen the analytical basis of its policy advice on fiscal policy and inequality, while IMF country teams continued to incorporate such considerations into their policy advice.

Samuel Freije Rodriguez from the World Bank noted that the Bank's thinking about inequality is anchored in the twin goals of ending poverty and boosting shared prosperity – the growth in income of the bottom 40 per cent in every country. He stressed that growth is the main force for improving welfare among the poor and bottom 40 per cent, but also that achieving the goal of eradicating poverty by 2030 will not be possible by growth alone, without decreases in inequality. He drew the distinction between different kinds of inequality. On a global level, the reality on income inequality is more mixed than widespread perceptions suggest: it has indeed increased within a majority countries, but decreased within others, and overall decreased between countries. The World Bank concentrates on inequality of opportunity, which it considers always undesirable. About one third of differences in income can be explained by characteristics that have little to do with effort, for example gender, ethnicity, geography and parental characteristics. Policies that level the playing field in access to education, health and other basic services, thus allowing the poor to accumulate human capital, are key to fight this kind of inequality. Improved access to labour markets and better paying jobs for the poor is the main channel through which income poverty and inequality can be reduced. Labour incomes indeed often explain the largest share of the reduction in moderate poverty that has been achieved. For those in extreme poverty transfers are more important, particularly to ensure nutrition.

Omar Faruk Osman of Somalia noted that income and wealth distribution is more unequal in Africa than any other continent except Latin America, with more than 50 per cent of the population living on less than 1-2 dollars a day. The World Bank still focuses on infrastructure and private sector development without seriously addressing inequality and public services. He also stressed that the issue of inequality is no longer a matter of income and wealth but rather of instability and insecurity. Youth unemployment has become a source of instability – without addressing this issue, peace is unattainable. Sovatha Neang of Cambodia spoke of trade unions' campaigns to increase the minimum wage in her country and urged the two institutions to support such efforts to improve incomes of low-wage workers, since high inequality can hinder future growth. Hugo Yasky from Argentina added that the neo-liberal economic view still prevails in Latin America, where policies that protect the interests of big business and oligarchic leaders have prevented a more substantial decrease of inequality. He urged expansion of the social protection floor. Other trade union representatives called on the IFIs to pay more attention to developments in labour markets resulting in declining wage share of national income, and urged the IFIs to support workers' capacity to bargain collectively.

IMF and World Bank on climate change, mitigation and transition strategies

Jane Ebinger of the World Bank described the consequences of climate change, on which the Bank has commissioned three in-depth reports – the Turn Down the Heat series – that look at the implications for development globally. These consequences include, among others, the increased frequency of floods and other extreme weather incidents. The Intergovernmental Panel on Climate Change's recent report highlighted the need to get to zero net emissions of greenhouse gases before 2100 to limit global temperature rise to 2 degrees Celsius. To steer investments towards lower carbon opportunities will require governments to redirect incentives, address harmful energy subsidies and put a price on carbon through taxation or other market based mechanisms. This needs to be complemented with other measures such as performance standards to shift to greater energy efficiency and use of renewables.

Ian Parry of the IMF outlined two recent IMF books on the inefficiencies of energy subsidies and the ways to approach energy pricing to account for various externalities. He also emphasized that fiscal instruments must be at the centre of strategies to meet the challenge of climate change. Depending on country circumstances, appropriate instruments could include fuel taxation, carbon pricing, road fees, excise taxes on coal, and reduced energy subsidies. In addition to climate change considerations, energy subsidies were also an inefficient use of resources because they tended to disproportionately benefit the wealthy who generally consume more energy. Removing energy subsidies and imposing taxes to reflect environmental damages could create fiscal space to lower broader taxes on labour and capital, or support social spending and public investment. When implementing these reforms, it is particularly important to protect poorer households. According to Fund estimates, at the global average level, reflecting both supply and environmental costs in energy prices would reduce fossil fuel air pollution deaths by 63 percent, reduce global carbon emissions by 23 percent, while raising revenues of 2.6 percent of GDP. The recent fall in global energy prices made it an opportune time for energy price reform.

Discussant Sharan Burrow emphasized the importance of climate justice for the ITUC and noted that the ILO projects 16 million potential jobs in the transition to a green economy. However, this requires involvement of the social partners, global solidarity between winners and losers and strong social protection. She proposed joint work with the World Bank and IMF on responding to climate change. Anders Jan Folkestad from Norway underlined the lack of implementation of the policy proposals outlined. Rich countries have polluted the most but will be the least affected, which is an obvious injustice. Removal of energy subsidies is the right way to go but adequate social programmes must be put in place. He urged the IFIs to develop a strategy that confronts climate change jointly with policies to reduce inequality and create jobs. Moursy Salah Issa of Egypt expressed his hopes that the two institutions will act in favour of the poor and low-wage workers as the economic situation has deteriorated in Egypt. He urged the institutions to consult with trade unions and incorporate a broader view in their policy agendas, which should include support for the development of renewable energies to replace use of fossil fuels.

Summary and conclusions of meeting

Nigel Twose of the World Bank thanked the unions for their participation and for the fruitful discussion over the three days. He stated that the discussion and country examples gave clear indications on areas on which we agree and could work together, and on areas where discussions could fruitfully continue. He noted that much agreement was found around the theme of informality, while the union delegation's questions on private investment in education and health suggested further discussion was needed with trade unions on this matter. Unions' input on the safeguards review has been very helpful as the Bank is beginning the preparation of a new draft to go to the Bank's Board for consideration. With regard to *Doing Business*, the Jobs CCSA found the discussion with the unions helpful as it is starting to engage with the *Doing Business* team on how to leverage both the supply and demand side of labour, looking at what is good for the worker just as much as what is good for the company, in the analysis and rating of countries. The fundamental question of interest to the Bank and to the union movement is whether improved labour standards are considered only as costs or can be demonstrated to enhance productivity and growth. Finally, he highlighted the priorities for future work on diagnostic tools and operational support to the jobs agenda in client countries and looked forward to continuing engagement with trade unions at all levels.

Sabina Bhatia of the IMF noted that while a number of disagreements between the IMF and ITUC still remained, many of those differences – e.g. on the role of minimum wages – were now less stark than they had been two years before. In other areas, there was now more common ground on themes such as infrastructure investment, gender equality, reforming the financial sector, and policy action on climate change. These issues were now being brought into the mainstream of the IMF's work. For example, IMF country teams were now applying the report on analytical considerations around jobs and growth at a country level. Work was also underway on gender, inequality and climate change, with cooperation with the ILO on joint research and social protection floors. She looked forward to follow-up work with trade unions on the issue of collective bargaining. Overall, she emphasized the importance of continued dialogue, and stated that the discussions of the High-Level Meetings would be reported back to IMF management.

Sharan Burrow of the ITUC emphasized unions' willingness to work together on climate change but saw differences on youth employment, as there needs to be a broader variety of measures. The question of public versus private education requires further discussion and proposed that the primary goal must be universality and not business interests. She urged the Bank not to undermine progress already made at other development banks on the respect of fundamental workers' rights in the safeguards review process, and to permanently eliminate the *Doing Business* labour indicator. She appreciated the dialogue with the IMF but saw the need for a more evidence-based approach on labour market issues. The Fund should be consistent with its expressed concerns about inequality by supporting a minimum living wage, stronger collective bargaining institutions and broader social protection. Characterizing those who have any form of job security as "insiders" is not helpful. Both IFIs should intensify their country-level dialogue with trade unions.

Meeting with the chief economist of the IMF

IMF chief economist Olivier Blanchard noted that growing inequality raised serious questions about growth, and stated that the IMF had taken these concerns seriously in its research work and policy advice. On fiscal policy, it was noted that after the acute part of the crisis, public debt was very high in many countries, and deficits were very large. In these circumstances, there was no question that there had to be fiscal consolidation, but the IMF argued that consolidation should be appropriately paced, as growth-friendly as possible, and tailored to country-circumstances. The IMF had also advocated for (i) fiscal union in Europe that would create more fiscal space and (ii) greater infrastructure investment. On wage moderation, he noted that a number of euro area periphery countries started the crisis with extremely large current account deficits and had to adjust. Adjustment was difficult in a common currency area, and while policymakers could seek higher productivity, it takes a long time to achieve. Wage moderation was the only remaining option for adjustment, but had to be pursued gradually. Finally, the crisis led to serious thinking about labour market institutions. For example, while collective bargaining is important, it should take place at various levels. Extension agreements must be negotiated by people who are representative and there must be some freedom for firm-level opt-outs. The IMF would continue to translate its conclusions into policy advice in the field. Continued IMF-labour dialogue on collective bargaining and other issues remained important.

Sharan Burrow welcomed the fact that the IMF has taken on the issues of inequality and climate change but comprehensive action has to follow, which requires, for example, putting in place adequate social protection before removing energy subsidies. The premature shift to fiscal austerity in 2010 harmed the global recovery. Collective bargaining and other labour market institutions, which were established to create shared prosperity, have been under attack and inequality has increased. The approach adopted in crisis countries of pushing for wage cuts to enhance competitiveness is flawed and the claim that unions did not reach agreements is not correct. In Spain, there was a national agreement on wage moderation in exchange for increased investment to create jobs, which was overruled by the international institutions. The IMF should not prescribe a particular model of collective bargaining but recognize that labour-market institutions have evolved according to national circumstances and are country-specific.

Other trade union leaders made comments or asked questions about the regressive nature of fuel subsidies, the IMF's view of the financial transactions tax, the "Juncker Plan" for financing European infrastructure investment, and the concern that opt-outs from sector collective bargaining would lead to a rapid collapse of bargaining coverage. In response, Blanchard acknowledged that the decreased labour share of national income was a cause of inequality and could be partly associated with weakened unions; expressed concern about the scope of the Juncker Plan; and stated that the IMF was not against the FTT but saw it a means to raise revenue rather than to regulate the financial sector.

Meeting with the president of the World Bank Group

Dr. Jim Yong Kim, president of the World Bank Group, welcomed and thanked the trade unions for the dedication and willingness to engage on constructive dialogue; he noted that the partnership is productive and critical to transforming the way the Bank Group works. Dr. Kim discussed the major re-organization the Bank has undertaken with the aim of achieving the twin goals of reducing inequality by boosting the bottom 40 percent and of eliminating extreme poverty. Access to infrastructure is critical for reducing inequality, most notably in Africa, and the Bank's goal is to identify the best measures to boost the incomes of the poor. The discussions with trade unions show that there can be disagreements but also agreements on goals and unions' role as representative of working people. He noted the Bank has invited the ITUC to consider seconding representatives to the Bank.

Sharan Burrow stated that confronting poverty, climate change and growing inequality were major goals for the trade union movement along with job creation. There are concerns around the safeguard revision process: the Bank must not undermine the progress made in respecting workers' rights by adopting weaker labour standards than those adopted elsewhere. The ITUC would like to see the labour indicator in the *Doing Business* permanently removed, in a manner consistent with the recommendation of the Independent Panel chaired by Trevor Manuel and findings of the WDR 2013 on the impact of labour regulations. On the topic of youth employment, she expressed concern about the "insider-outsider" perceptions that seems to exist among some IFI staff, which is not helpful in efforts to obtain investments for job creation and in advocating for a living wage and social protection.

Other trade union leaders asked about the role of the public versus the private sector in achieving the World Bank's twin goals; the involvement of trade unions in development strategies; the Bank's view on the role of labour market institutions in assuring wage increases; and the attitudes that lenders with strong labour standards may take if the World Bank were to adopt weaker standards in its new safeguards policy. Kim responded by underscoring the achievements that have been made in reducing extreme poverty; the private sector primary role in job creation and the need for them to be part of strategies for poverty reduction. Growth needs to be strong to eliminate extreme poverty by 2030, but income distribution must be improved. On safeguards, the Bank must respond to its constituents but wants to be back in the lead. He mentioned the Ebola outbreak as showing the importance of public health care to avoid such disasters. The World Bank is in favour of increasing wages and ensuring that investments create good jobs. Every activity has to be considered under the objective of lifting people out of poverty. Constructive criticism from trade unions is always welcome, he assured, but requested that it should be specific and evidence-based if it is to be helpful.