



## **ITUC/TUAC Evaluation of the Labour20 Summit, G20 Labour and Employment Ministers' Declaration, and the Labour and Employment and Finance Ministers' Communiqué**

**18-19 July 2013, Moscow**

### **Summary**

The Labour20 (L20) Summit in Moscow was held against the background of gloomy, downward revised growth and employment forecasts as evidenced by the OECD/ ILO joint unemployment projections<sup>1</sup> that were disclosed before the G20 Ministerial Meetings. Trade Union representatives acknowledge the broader messages of the G20 Joint Labour and Employment and Finance Ministers' Communiqué<sup>2</sup> and the Labour and Employment Ministers' Declaration<sup>3</sup> with regard to the support for aggregate demand, investment in jobs and social policies, social protection, minimum wages, and collective bargaining "to reinforce the links between productivity, wages and employment" (#8.5 of the Joint Communiqué).

However, this change of tone needs to be followed up with strong commitments and policy action, including a comprehensive G20 Jobs Plan, at the St. Petersburg G20 Leaders Summit on 5-6 September. G20 Leaders have to take this opportunity to give back confidence and hope to working families that were hit hard by the global economic crisis and continue suffering under current policies. At present, these messages are in sharp contrast to recent austerity policies and calls for labour market deregulation, particularly promoted by the Troika in the European Union. The L20 delegation to the social partner consultations with Labour Ministers raised these concerns and conveyed its key messages<sup>4</sup>. The B20 and L20 also released a Joint Statement and Letter to Ministers, which urged governments to scale-up quality apprenticeships.

### **The L20 Summit**

The Summit<sup>5</sup> provided an opportunity for labour leaders to meet with the Russian Deputy Labour Minister, the Russian G20 Sherpa and the Heads of the ILO and the OECD. The urgent need to take action against rising unemployment and inequality was confirmed by ILO Director General Guy Ryder, stating that informality, under-employment and precarious work remain major global concerns. This unacceptable social situation is in danger of deteriorating further with growth plummeting in the BRICS and already stagnating or falling in most industrialised economies.

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<sup>1</sup> <http://www.oecd.org/newsroom/oecd-ilo-call-on-g20-labour-ministers-to-reinforce-cooperation.htm>

<sup>2</sup> <http://en.g20russia.ru/news/20130719/781660747.html>

<sup>3</sup> <http://en.g20russia.ru/news/20130719/781654580.html>

<sup>4</sup> [http://www.tuac.org/en/public/e-docs/00/00/0D/29/document\\_news.phtml](http://www.tuac.org/en/public/e-docs/00/00/0D/29/document_news.phtml)

<sup>5</sup> [http://www.tuac.org/en/public/e-docs/00/00/0D/41/document\\_news.phtml](http://www.tuac.org/en/public/e-docs/00/00/0D/41/document_news.phtml)

As a result, there is a clear lack of public trust in politics and the economy. The ITUC Global Poll 2013<sup>6</sup>, shows that 80% of voters in G20 countries think governments have failed to tackle unemployment. At the same time, the findings reveal strong support for L20 positions on active labour market policies; social protection; fair and progressive taxation, as well as for collective bargaining and social dialogue. Before economies reach the point of no return, G20 governments have to step up and ensure green, inclusive, fair and sustainable growth, shifting away from austerity towards demand enhancing policies. The L20 therefore calls for a G20 Jobs Plan that would increase investment and prioritise measures that expand the purchasing power of low-income households. In order to get out of the jobs crisis, the G20 – specifically the Employment Task Force (ETF) in collaboration with the L20, international organizations and Finance Track – need to monitor commitments and their implementation and spread best practices.

### **Outcomes of the Labour and Finance Ministers' Meetings**

International trade unions welcomed the Labour Ministers' Declaration and G20 Labour and Finance Ministers Joint Communiqué following their first meeting, but warned that unemployment and inequality have reached critical levels and require an urgent Action Plan to drive investment and create jobs. The admission by Labour Ministers' that the current level of growth is insufficient to "increase jobs and reduce unemployment" and that crucial issues such as "underemployment, informal employment and low productivity" (#2 of the joint statement) may be considered a first step. Paragraph 8.5, in particular, marks a noticeable and welcome change of tone calling for "labour market and social investment policies that support aggregate demand and reduce inequality" with social protection, a minimum wage and national collective bargaining systems as sources for growth. Yet, up until now, structural policies of many G20 governments contradict this.

Whereas the Labour Ministers' Statement supports aggregate demand (# 9a), Finance Ministers seem to be far from recognising people-centred recovery. At the same time, Ministers committing to "achieving higher productivity and improving living standards", including decent jobs and wages (#9 in both documents) is a positive departure from the deregulation policies of the past. The same applies to the focus on youth, informality and under-employment (#5 of the joint statement, et. al.) as well as to the reference to "investment in quality jobs with full respect for the Fundamental Principles and Rights at Work" (#4). While the L20 welcomes this language, it is essential that it translates into fundamental changes in the policies on the ground, which are dramatically different from what is proposed.

The L20 has constantly voiced its support for a renewed mandate of the ETF and thus considers the continuation of its monitoring work and collaboration with social partners a pivotal decision (#20 of the Labour Ministers' Statement). However, there is no proposal for collaboration between the ETF and the G20 Finance Track, and a clear commitment to enhanced policy coordination and to a second joint meeting under the Australian G20 Presidency is also missing.

### **Base Erosion and Profit Shifting (BEPS)**

The OECD presented its long awaited Action Plan to curb "Base Erosion and Profit Shifting" (BEPS)<sup>7</sup> by multinational enterprises at the G20 Finance Ministers and Central Bank Governors Meeting on July 19-20, which is to be endorsed by the G20 Meeting in St Petersburg in September 2013. The OECD Action Plan has the ambition to effectively curb aggressive corporate tax avoidance. However, it needs to be effectively implemented. It consists of 15 measures to strengthen corporate income tax rules and to prevent aggressive corporate tax avoidance by manipulating intra-group transfer pricing

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<sup>6</sup> <http://www.ituc-csi.org/ituc-global-poll-2013>

<sup>7</sup> <http://www.oecd.org/newsroom/oecd-calls-on-g20-finance-ministers-to-support-next-steps-in-clampdown-on-tax-avoidance.htm>

between subsidiaries and the use of empty shell companies in low tax jurisdictions. Tax challenges created by globalised production and service systems, the digital economy and the increasing importance of intangibles in generating corporate profits feature prominently in the Action Plan.

### **Social Partners Consultations & B20 Joint Session at the L20 Summit**

At the Social Partners Consultations with the G20 Labour Ministers on July 18, L20 representatives emphasised the need for concrete measures to reverse the rise in unemployment, inequality and falling growth. They also underlined the importance of access to finance for small and medium sized enterprises (SMEs), a global social protection floor, long-term investment and the reduction of informality. The L20 Summit also hosted a consultative session with the B20 on potential issues for future collaboration. Afterwards, a Joint Statement on quality apprenticeships<sup>8</sup> was presented at a press conference. It includes common principles to drive quality apprenticeships at company and national level including stopping abusive low paid or unpaid apprenticeships and working arrangements for young people. The Statement was accompanied by a Joint Letter sent to G20 Labour and Finance Ministers, which calls for investment and reductions in informality. The next steps for the L20-B20 cooperation will be discussed and presented at the ETF meeting in October.

### **The Way Forward**

G20 Leaders and Ministers must translate the messages made in both Statements into policies on-the-ground. For now, societies still have to endure structural reforms, austerity policies and more flexible labour markets. This needs to be reversed in light of economic realities, compelling evidence to the contrary and on the basis of the statements made by Ministers in Moscow. Action cannot wait – with 200 million people unemployed worldwide and growth forecasts worsening, the situation is becoming increasingly unacceptable. Labour Ministers and the ETF need to monitor the implementation of past commitments, detect best practices and promote policies for youth employment and skills enhancement to ensure the employability of future generations. The ETF also needs to closely collaborate with the Finance Track to find ways to increase aggregate demand.

The Leaders' Meeting in September needs to deliver a comprehensive Action Plan for investment and job creation to move towards strong employment, fair wages and social protection in order to drive sustainable growth. The L20 expects to be involved in the form of a meeting with the Heads of State. Under the Australian G20 Presidency, trade unions are looking for further institutionalisation of the L20, including regular participation in the Sherpa's meetings, and a consultative status with the ETF in its monitoring work and meetings. Given the pressing global challenges ahead, the L20 expects to see an immediate policy shift undertaken by all G20 governments.

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<sup>8</sup> [http://www.tuac.org/en/public/e-docs/00/00/0C/F3/document\\_news.phtml](http://www.tuac.org/en/public/e-docs/00/00/0C/F3/document_news.phtml)