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Working towards an inclusive economy: trade union priorities

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Context: The current economic model is not working for people

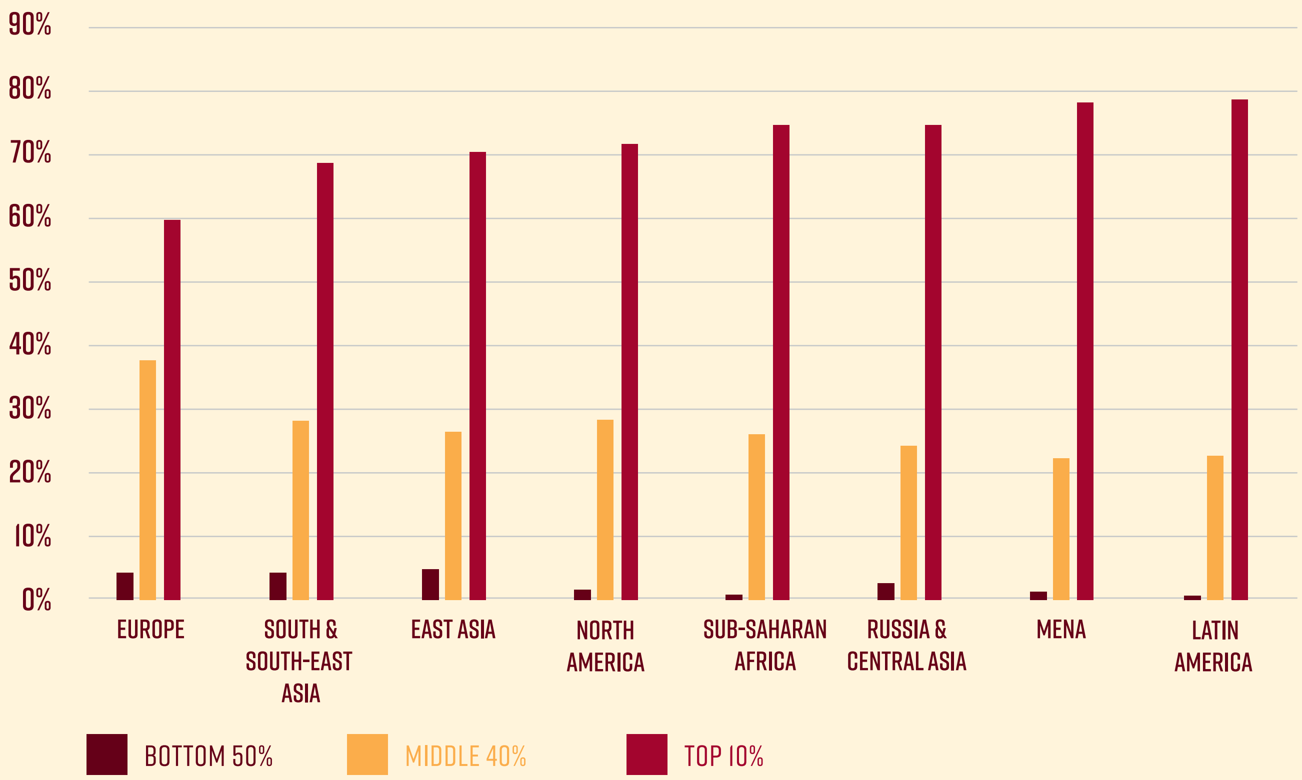
Over past decades, the fruits of economic growth have been increasingly captured by a select few, while the poorest half of the world's population have been barely able to benefit from economic progress. Income and wealth inequality has surged, with the share of all global wealth held by the top 10% in 2021 reached 77%, as compared to 1.7% of all global wealth held by the bottom 50%.[1]

These figures are even more extreme when looking at the top 1%, who hold 40% of the world's wealth.

The market system, as a resource allocator, has failed in the distributive face of economic growth fuelling the process of concentration of wealth and income, and by the increased concentration of power in monopolies and oligopolies, with governments as a mere spectator of this trend.

FIGURE 1: THE EXTREME CONCENTRATION OF CAPITAL: WEALTH INEQUALITY ACROSS THE WORLD, 2021

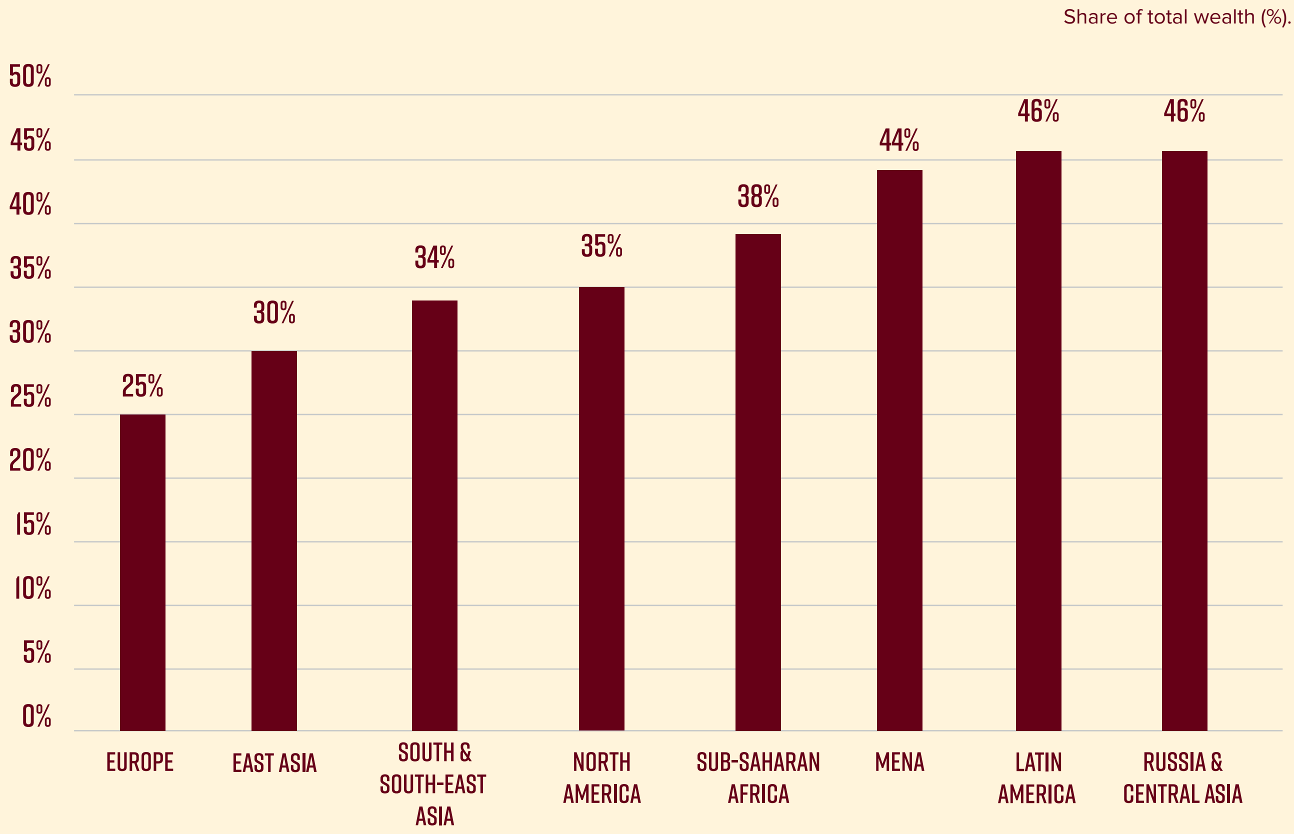
Share of total wealth (%).



The richest 10% own around 60-80% of wealth. The poorest half typically owns less than 5% of wealth.

[1] World Inequality Database (2021 figures)

FIGURE 2: THE EXTREME CONCENTRATION OF CAPITAL: TOP 1% WEALTH SHARE ACROSS THE WORLD, 2021



Source: World Inequality Report 2022 (Figures 1 and 2)

Such large and growing inequalities are indicative of a global economic system that tends to favour the wealthy and ignores the concerns of most people. The latest ITUC global poll, surveying people from 17 countries across five different continents, found that nearly seven out of ten respondents (69%) believe that the economic system favours the wealthy.[2]

Economic growth has moreover failed to be sufficiently translated into improvements in living and working conditions. In past decades, GDP (Gross Domestic Product) growth has greatly outpaced wage growth in most countries. Furthermore, the share of wages as a percentage of GDP (i.e., the labour income share) has substantially declined in most advanced and emerging market economies, as wages have stagnated compared to productivity increases, including labour productivity.[3] The exception to slow wage growth has been, again, for top earners, who have seen their wages increase much more rapidly than wages in other income groups.[4]

Poor job quality, the proliferation of low-paid and precarious work, and attacks on workers' rights to unionise and collectively bargain improvements to their working conditions, have all underpinned these trends.

2 ITUC (2022) Global Poll
3 See, for instance, the ILO Global Wage Report 2016-2017
4 OECD (2017) Decoupling of Wages from Productivity: Macro-Level Facts. Economic Department Working Paper No. 1373

Measures to 'flexibilise' the labour market, suppress wage growth and restrict fundamental workers' rights have been regularly employed by policymakers to minimise labour costs and maximise output and profits, at the expense of workers and their families. Such strategies have often been promoted by international organisations and financial institutions.[5] The rapid expansion of global supply chains in recent decades has intensified this trend, as companies deliberately outsource their production to where labour standards and labour costs are low, resulting in a model of downward competition between companies and countries. In conjunction with this, through temporary labour migration programmes, businesses decrease labour costs by bringing in workers from abroad, who these programmes too often render exploitable.[6] **In other words, economic growth is not being shared with the vast majority of workers through pay rises, but rather, it has often been pursued at the expense of workers' jobs and livelihoods.**

Major inequalities between women and men continue to persist, leading to disadvantages for women in the labour market and their greater exposure to economic vulnerability. Women continue to be underrepresented in the formal labour force and overrepresented in unpaid care work, often owing to gender stereotypes around the division of work and care. They are also overrepresented in part-time, precarious and informal employment, and are paid on average 20% less than of men.[7]

Women have also been disproportionately impacted by macroeconomic adjustment measures implemented during times of economic crisis, often promoted by international financial institutions. Such policies have often consisted of cutting jobs and freezing wages in the public health and education sectors where women tend to be disproportionately represented, as well as cutting back on social assistance and public services such as healthcare and childcare, which women disproportionately rely on.[8] A study that surveyed 56 developing countries' during the 2008 financial crisis found that a full two-thirds responded to the crisis by cutting areas of the budget that had significant effects on gender equality, including education, health care and subsidies on food, fuel and basic items.[9]

The positive contributions of women to the economy tend to be moreover underreported and undervalued. Unpaid and informal work, which are disproportionately performed by women, tend not to be included in GDP accounting, leading to women's' contributions to the economy, and broader society, to be under recognised and undervalued.

Conservative estimates have shown that the unpaid work being undertaken by women across the world could amount to US$10 trillion of output per year, equivalent to around 13% of global GDP.[10] Informal workers account for over 60% of the global workforce, while in some countries this rate is significantly higher.[11] For example, in India informal workers account for around 90% of the workforce and their contribution has been estimated to account for 62% of the country's GDP, but this contribution is not counted in official estimates.[12]

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5 Ortiz and Cummins (2019) Austerity is the New Normal

6 OHCHR, "'We wanted workers, but human beings came': Human Rights and Temporary Labour Migration Programmes in and from Asia and the Pacific", December 2022.

7 ILO (2022) https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_856203/lang--en/index.htm

8 Solidarity Center, AFL-CIO and Rutger's Center for Global Women's Leadership (2016) Transforming women's Work: Policies for an Inclusive Economic Agenda; Report of the UN Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (2018):) Impact of economic reforms and austerity measures on women's human rights.

9 Kyrili, K. and M. Martin. (2010). The Impact of the Global Economic Crisis on the Budgets of Low-Income Countries. Oxford: Oxfam International.

10 McKinsey Global Institute (2015) The Power of Parity: How advancing women's equality can add $12 Trillion to global growth

11 ILO (2018) Women and men in the informal economy: A statistical picture

12 Statistics by India's Self-Employed Women's Association (SEWA)

While progress towards achieving gender equality in education has been made, major discrepancies still exist, especially when it comes to access to digital skills training. Eleven million girls will not return to school this year - one of the devastating effects of the COVID-19 pandemic. Women's access to education and training in STEM fields and development of digital skills remains problematic. Solving the digital divide must be done in tandem with other socio-economic challenges impacting gender equality, such as poverty, child labour or the burden of unpaid care and domestic work.[13]

In addition to women, **migrants, racial and ethnic minorities, indigenous people and young people** are all disproportionately underrepresented in the labour market, overrepresented in precarious and informal work, and at greater risk of economic vulnerability. The discrimination and disadvantage that many of these groups face is often intersectional.

The international community has increasingly recognised the limitations of economic policy that neglects how economic growth is shared, and how it impacts people and the planet. The agreement of the **UN's Agenda 2030 Sustainable Development Goals** (SDGs) was a landmark achievement as it committed the global community to pursue a vision of economic development that is far more balanced; considering the objectives of economic progress alongside a range of important targets to foster social progress and inclusive development, including decent work, reduction of poverty and hunger, health and wellbeing, the reduction of inequalities, and the need to reverse climate change. The Agenda 2030 implies that a full reconceptualisation of the current global economic model, in terms of inclusivity, is needed if we are serious about moving towards the realisation of the SDGs, beyond prioritising the pursuit of GDP only.

What is an 'inclusive economy' and how can it be defined?

Traditionally the evolution of economic development has been assimilated just to the mere economic growth or the percentage of GDP (or income) in relation to the previous year. This measure proved to be insufficient, if not inadequate. Even the per capita expression lacks the clarity needed to properly define the level of inclusiveness of an economy.

The percentage of GDP growth doesn't consider key distributional factors that would characterise the process of economic accumulation. Its should be highlighted that, synthetically, GDP can be defined as the summation of all the incomes distributed in an economy in a year. This means that considers the remuneration to wage earners, pensions, incomes of self-employed, rents of capitalists, and profits of enterprises.

13 See Global Unions (2023) Statement for the UN 67th Commission on the Status of Women https://world-psi.org/uncsw/wordpress/wp-content/uploads/2023/01/UNCSW67-Global-Unions-Statement_FINAL.pdf

As such, the percentage of growth of GDP lacks the consideration of the appropriation of economic growth.

The prevailing metrics assume a simple 'tide effect' that would 'lift all boats', when it is well known that this is not true. There are distributional aspects of economic growth that are ignored. They are both cause and consequence of the pattern of economic development, and are decisive for building the foundations of what is defined as inclusive growth.

The concept of an 'inclusive economy' has been increasingly embraced by some international institutions. The OECD[14], ethe World Bank[15] and the IMF[16] have started to use the objective of inclusive growth as "guiding their interventions". While economic growth remains a central piece for development, the trilogy between economic growth, income distribution and poverty reduction become crucial for this objective and its measurement.[17]

In 2012, William White [18] at the OECD showed that inclusiveness has been used with at least six different dimensions:

- Lower income inequality.
- A reduction in absolute poverty.
- Internalising the externalities of growth.
- Reducing the North–South income gap.
- Reducing the inequality in opportunities, such as in access to education, finance and the judicial system.
- Greater space for emerging market economies in the governance of international financial institutions.

It can be said that inclusive growth would entail economic growth, in the material sense, which allows to achieve some very clear and measurable goals:

- Poverty eradication.
- Reduced income and wealth inequality.
- Decreased inequalities between women and men and between various groups (racial and ethnic minorities, age cohorts, etc.)

As in the case of GDP growth, which is stated in percentage in relation to the previous year, **inclusive growth** and **la inclusive economics** can be expressed in quantitative terms by presenting a couple of additional indicators, that reflect the reduction of the incidence of poverty in percentage of the total population, as well the share of the GDP which is appropriated by the bottom half of the population. The goal is not only to increase overall economic growth. The goal is that economic growth is correlated by the improvement of the satisfaction of material needs by the poorer sectors of the population, and reduce the inequality and income gaps as key of an inclusive economy.

Such a definition would combine absolute and relative goals that require, independent of the seeming simplicity of the goals, a context of institutional factors that unite the objectives of inclusive development. Most of them are also outlined in the context of the SDGs, particularly: SDG 1 to eradicate poverty, SDG 5 to advance gender equality, SDG 8 to advance decent work and economic growth, and SDG 10 to reduce inequalities. Moreover, SDG 17 targets 17.1 and 17.4 in relation to tax collection and debt alleviation contribute to this.

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14 Mello, L. de and Dutz, M.A. (eds) (2012). Promoting Inclusive Growth: Challenges and Policies. Paris, OECD Publishing

15 Ianchovichina, E. and Lundstrom, S. (2009). 'Inclusive Growth Analytics: Framework and Application', Policy Research Working Paper, No. 4851. Washington, DC, World Bank

16 Kraay, A. (2004). 'When Is Growth Pro-Poor? Cross-Country Evidence', IMF Working Paper, No. 4-47. Washington, DC, International Monetary Fund.

17 A.B. Atkinson and F. Bourguignon (eds), Handbook of Income Distribution, Vol. 1. Amsterdam, North-Holland.

18 White, W.R. (2012). 'Policy debate: How do you make growth more inclusive?' in L. de Mello and M.A. Dutz (eds), Promoting Inclusive Growth: Challenges and Policies. Paris, OECD Publishing.

What's needed to deliver on inclusive economies?

For the global labour movement, as democratic representatives of workers, there is an urgent need to challenge the prevailing economic paradigms. The social contract is clearly broken in both advanced and developing economies, and citizens' trust in their governments has been deteriorating as people realise that the prevailing economic model does not include them. Governments must urgently move towards a new economic model that is inclusive, based on full employment, decent work and shared prosperity.**The demand of unions for a New social contract would help to make this goal attainable.**

The New social contract is constructed of six different pillars, each one defining a distinct dimension of social relations in the world of work, leaving behind the concept of workers just as another productive resource, and placing the human dimension at the centre of socioeconomic development:

- **Jobs:** Governments must strive to achieve full employment and decent work, including through taking measures to formalise the informal economy and invest in quality, climate-friendly jobs.

- **Rights:** Governments and employers must ensure compliance with fundamental labour rights as enshrined in ILO conventions and declarations, which include freedom of association, collective bargaining, non-discrimination and equal pay, the abolition of child and forced labour, and occupational health and safety. These rights need to apply to all workers, irrespective of their employment arrangements or migration status.

- **Just wages:** Governments must ensure minimum living wages to allow workers a floor of dignity, as well as strengthened collective bargaining at all levels. They must moreover ensure equal pay for work of equal value between women and men as well as pay transparency.

- **Social protection:** Governments must ensure universal, rights-based and gender-responsive social protection systems, as well as vital public services including health, care and education. This requires strengthened financing at national and international levels.

- **Equality:** LGovernments must work to address inequalities between groups through robust antidiscrimination legislation and enforcement, addressing gender biases in laws and policies, and ensure a world of work free of gender-based violence and harassment in line with ILO C190. They must ensure gender-transformative plans across education and training systems, ensuring women's access to STEM-related education, training and jobs.[19] Fair taxation is central for reducing income inequality and to finance governments interventions.

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[19] The ITUC 4th World Women's Conference outcome document outlines policy priorities and recommendations related to women's economic integration: https://www.ituc-csi.org/outcome-4wwc-en

- **Inclusion:** Governments must ensure democratic governance processes and social dialogue in economic policy discussions, with workers having a say in decisions that affect them.

The concept of a New social contract has deep and strong historical roots. The Constitution of the ILO as well as the Declaration of Philadelphia reinforced the idea that social peace can only be achieved with social justice. For this, the objectives of full employment and decent work are pivotal. In this respect the New social contract is not only an aspiration for rich countries, but it should also constitute the agenda to achieve inclusive growth for all.

Improving monitoring and metrics to deliver on a new social contract

Supporting inclusive economies will require governments to change their approach in economic monitoring and reporting to look beyond the narrow view created by measuring the gains and losses of a country by GDP. They must broaden their view to measure what really matters.

Critics of GDP have rightly highlighted that what we measure affects what we do; if measurements are limited or flawed, decisions may be distorted.[20] To address the divide between the measurement of economic and societal performance and the realities faced by working people and citizens, complementary measures to GDP are necessary. Moreover, action needs to be taken to incentivise governments to look beyond GDP-focused policies. This point was reiterated by the ILO Global Commission of the Future of Work, which highlighted the need not only to develop supplementary indicators of progress – including those related to well-being, environmental sustainability and equality – but also adapt policies and reshape business incentive structures.[21]

Moving from a single indicator of economic progress to a more balanced and comprehensive set of indicators would be a first, but necessary step to place income and wealth distribution and well-being at the centre of the policymaking agenda, allowing us to move 'beyond GDP'. It would furthermore contribute to restoring trust in the policymaking process and allow for the rebuilding of a very different global economic model to effect both recovery and resilience, and align people and planet with economies that are robust in the face of future shocks.

For this reason, the ITUC and its affiliates have endorsed areas for systematic monitoring across six key domains to inform government reporting and policies:

- Living standards.
- Tax, social protection and public service.
- Environment.

20 CStiglitz-Sen-Fitoussi Commission (2008) The Measurement of Economic Performance and Social Progress Revisited.
21 ILO Global Commission on the Future of Work (2019) Work for a brighter future

- Economy.
- Democratic rights and freedoms.
- Engagement of people.[22]

As recalled by the ITUC Congress statement: "The SDGs themselves provide an agreed global framework on which planning, reporting and accountability must be based", thus broadening government accountability beyond GDP.[23] The ITUC has developed an innovative approach that assesses progress through SDG 8 indicators with the objective of showing the centrality of social and labour dimensions within the whole 2030 Agenda.[24]

Unfortunately, a lack of comparable data among countries for several dimensions of the SDGs is still a challenge. Governments and international institutions need to make more concrete efforts to improve the availability and the comparability of statistical data (especially for less-developed countries) in order to ensure more comprehensive, robust and precise analyses of progress. Producing and measuring data is a matter of political choice that directly affects global policy responses and governance.

A greater gender lens is needed in government monitoring and planning processes. Greater gender disaggregation of data is necessary to identify and address major differences in outcomes between women and men. Furthermore, gender budgeting – whereby policymakers conduct gender-based assessment of budgets that incorporate a gender perspective at all levels of the budgetary process and restructure revenues and expenditures in order to promote gender equality[25] – would represent a major step forward in ensuring greater gender equity in the economy and society as a whole. Some governments are already undertaking such gender budgeting, including Austria, Australia, Belgium, Finland, Iceland, Israel, Japan, Korea, Mexico, the Netherlands, Norway, Spain and Sweden but they remain in a minority of governments worldwide.[26]

Finally, it is important for economic accounts to consider the investment potential of many of the elements of the new social contract, including social protection and vital public services such as care, health and education, within budgetary planning processes. Conventional analysis does not consider public spending on social protection, care, health and education as an investment but rather as a cost, that is as a consumption expenditure. Nevertheless, there is a growing body of evidence highlighting the investment potential of these policies in supporting employment, skills development, consumption and overall GDP growth.[27] Structural public under-investments in these areas are among the key barriers to realise inclusive economies and this must be urgently addressed.

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22 For more information on specific indicators under each domain, see: ITUC (2020) What really matters: Measuring government accountability and moving beyond GDP

23 ITUC, A New Social Contract, Congress statement, 2022: : https://www.ituc-csi.org/5co-final-statement-en

24 See ITUC, A New Social Contract for a Gender-Transformative Agenda: https://www.ituc-csi.org/a-new-social-contract-for-a-gender-transformative-agenda

25 Council of Europe definition from Council of Europe (2005), Gender Budgeting: Final report of the Group of Specialists on Gender Budgeting, Council of Europe, Equality Division, Directorate-General of Human Rights, Strasbourg.

26 For more information, consult OECD (2017), Gender Budgeting in OECD; Australian government's, Gender Budget Statement 2022-2023

27 See for instance ITUC (2021) Investments in Social Protection and their Impacts on Economic Growth; ILO (2022) Investing in Care Leave and Services for a More Gender-Equal World of Work

Further reading

ITUC, A New Social Contract, Congress statement, 2022

ITUC, A New Social Contract for a Gender-Transformative Agenda

Gender and Development Network (2017) Macroeconomic Policy and Women's Economic Empowerment

ITUC (2020) What really matters: Measuring government accountability and moving beyond GDP

OECD (2017) Gender Budgeting in OECD Countries

Report of the UN Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights (2018): Impact of economic reforms and austerity measures on women's human rights

Solidarity Center, AFL-CIO and Rutger's Center for Global Women's Leadership (2016) Transforming women's Work: Policies for an Inclusive Economic Agenda

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