



## **L20 TRADE UNION STATEMENT TO THE G20 LABOUR AND EMPLOYMENT MINISTERS' MEETING**

**Melbourne, Australia  
10-11 September 2014**

### **Introduction and Summary**

1. The G20 Finance Ministers and Central Bank Governors committed to raise G20 GDP “by more than 2% above the trajectory implied by current policies over the coming five years”<sup>1</sup> at their meeting in Sydney in February 2014. Investment and output growth in the G20 countries remain far below longer-term trends and pre-crisis levels. In only four G20 countries has unemployment fallen or returned to pre-2008 levels, whilst in several countries unemployment continues to rise. Informality remains a scourge not only in developing G20 countries. The ILO estimates that the global “jobs gap” has risen to 62 million and will widen to an estimated 81 million on current trends by 2018<sup>2</sup>. Creating quality jobs must become the central priority of the G20. The Labour and Employment Ministers’ meeting must act as a catalyst for action.

2. In the months since the Finance Ministers’ “2% commitment”, it has become clear that the G20 is off-target. Global growth projections from the main international institutions have been revised downwards, not upwards for 2014. Slowing growth in emerging economies and the increasing threat of deflation in the Eurozone represent major risks to jobs and living standards. No decisive progress towards sustainable, resilient and inclusive growth has been made. Growth in many economies is constrained due to fiscal austerity and stagnant incomes of working families. Global workers are facing serious financial pressure with wages falling behind the cost of living. The ITUC Global Poll 2014 of the general public in 14 countries found more than half of the respondents (53 percent) say their family income has fallen behind the cost of living. Some G20 governments and international institutions have advocated sticking with austerity policies and structural “reforms” that reduce wages and worker protection. In the current context, such approaches will lead to further stagnation of jobs and economic growth. The longer unemployment remains elevated or continues to rise, the greater the risk that it becomes “structural” due to scarring effects.

3. A fresh approach is needed. The world’s workers need a pay rise now and expanded public investment to kick-start growth and to ensure that it is job-rich and inclusive. The G20 Labour and Finance Ministers acknowledged the validity of such a strategy at their joint meeting in Moscow in June 2013, where they committed to “*labour market and social investment policies that support aggregate demand and reduce inequality, such as broad-based increases in productivity, targeted social protection, appropriately set minimum wages*”

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<sup>1</sup> [https://www.g20.org/australia\\_2014/finance\\_ministers\\_and\\_central\\_bank\\_governors\\_meeting](https://www.g20.org/australia_2014/finance_ministers_and_central_bank_governors_meeting)

<sup>2</sup> ILO “Global Employment Trends” 2014

*with respect to national wage-setting systems, national collective bargaining arrangements, and other policies to reinforce the links between productivity, wages, and employment”*<sup>3</sup>. Implementation of these commitments by the G20 is overdue. The Brisbane Action Plan to be adopted by Leaders in November must put in place comprehensive measures to “support aggregate demand and reduce inequality” as committed to in 2013 and ensure policy coherence through coordination processes at national and G20 levels.

4. The Melbourne Labour and Employment Ministers’ meeting must drive this process forward. It should establish job creation targets in national employment plans in consultation with the Social Partners. The achievement of these targets requires collective action at the G20 level based on coordinated but differentiated policies at national level. The Plans need to include:

- Raising low and middle-incomes both to reduce inequality and to inject purchasing power into the global economy. Research undertaken for the L20<sup>4</sup> shows that reversing the decline in the wage share in national income by between one and five percentage points of GDP in G20 countries could raise growth by close to 2% over the next five years.
- Increasing public investment in social and physical infrastructure both to expand growth in the short term and bring about the structural transformation of economies needed to counter climate change. Our estimates<sup>5</sup> suggest that expansion of public infrastructure investment by 1% of GDP across the G20 could create up to 3.8% more growth over five years compared to current policy.
- A rebalancing of structural policies to achieve quality employment. Governments should:
  - Support youth employment by introducing youth guarantees, promoting quality vocational training and apprenticeships, as called for by the L20 and B20, and increase investment in quality public education;
  - Expand women’s employment and promote inclusive labour markets by boosting activity rates of vulnerable groups, including through investment in childcare facilities and the “care economy”;
  - Introduce global social protection floors to ensure the provision of universal health and elder care and of basic public services;
  - Strengthen workers’ rights and social protection systems so as to bring people out of informal jobs;
  - Guarantee “safe workplaces” by strengthening occupational health and safety systems in G20 countries and ensuring that the same standards are applied by G20 investors throughout their global supply chains.

<sup>3</sup> <http://en.g20russia.ru/news/20130719/781660747.html>

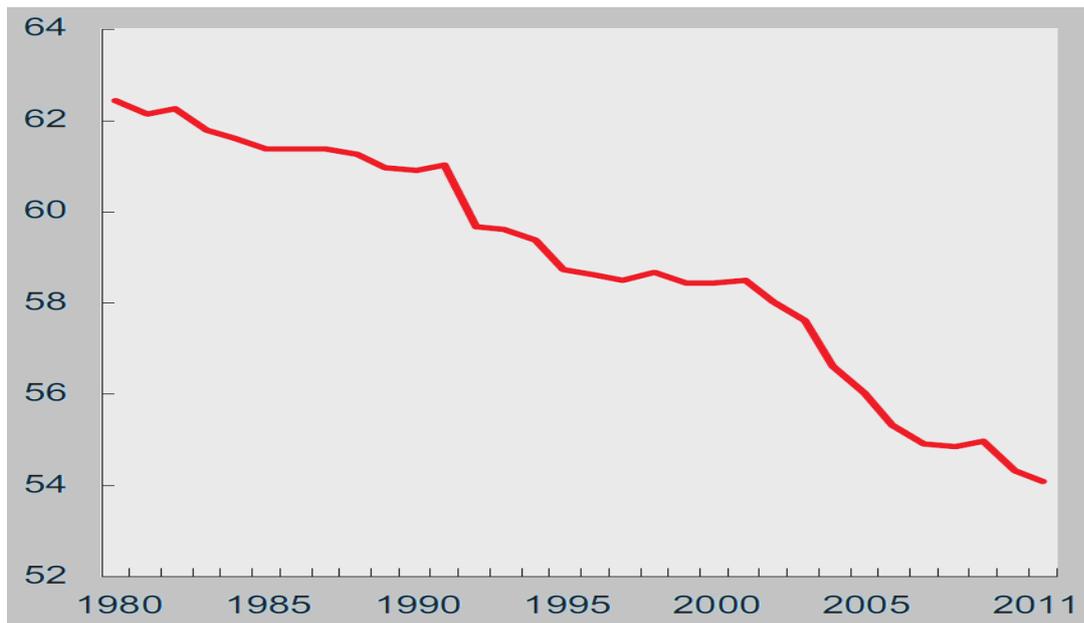
<sup>4</sup> Ozlem Onaran, University of Greenwich “The case for a coordinated policy mix of wage-led recovery and public investment in G20” L20 Working Paper, 2014 forthcoming

<sup>5</sup> Onaran op cit

## Supporting Demand and Reducing Inequality

5. There have been significant declines in the labour share in national income in both industrialised and developing countries in the last three decades. As shown in Chart 1, UNCTAD has estimated the decline to be 8 percentage points of global output. Moreover, inequality has increased within the labour share in most G20 countries: the OECD has shown that the top one per cent in the United States have captured almost half of all income gains in the last thirty years<sup>6</sup>. This means that the decline in the labour share of the bottom 99 per cent has been even more substantial and the labour share “is lower today than at any other period since 1930”<sup>7</sup>.

**Chart 1: Labour income as share of total global output**



Source: UNCTAD Trade and Development Report 2013

6. The economic as well as the social damage of rising inequality is now recognised by international institutions. The IMF has argued for redistribution policies “not only because inequality may be ethically undesirable but also because the resulting growth may be low and unsustainable”<sup>8</sup>. Poverty excludes millions of citizens from the mainstream economy, depriving them of the opportunity to achieve their potential. At the same time, many middle-class families face difficulties to pay for decent housing, appropriate health care, old-age security and decent education for their children. If this trend continues, a weaker middle class will result in a weaker economy. The Asian Development Bank has argued that if in emerging Asian economies income distribution had not worsened over the past 20 years, the region’s rapid growth would have lifted an extra 240 million people out of extreme poverty<sup>9</sup>.

7. The decline in the wage share is contributing to the deficiency of demand in the global economy. Yet, many of the policy recommendations of the IMF and the OECD, and most

<sup>6</sup> <http://www.oecd.org/els/soc/OECD2014-FocusOnTopIncomes.pdf>

<sup>7</sup> Olivier Giovannoni, Levy Economics Institute Working paper N° 805, 2014

<sup>8</sup> IMF “Redistribution, Inequality and Growth”, 2014

<sup>9</sup> Quoted in for richer, for poorer. The Economist, October 13, 2012 issue

notably of the Troika in Europe still point in the opposite direction and advocate the weakening of labour market institutions, including collective bargaining, so as to bring about internal wage devaluation and to reduce labour and wage costs. This not only provokes deflation in the short term – it is destroying the possibility for coordinated bargaining and social dialogue in the future.

8. However, by reversing the decline of the labour share, the G20 governments could support growth in the short term and produce more sustainable growth in the medium term. Research undertaken for the L20 by Professor Ozlem Onaran at the University of Greenwich shows that: **“A coordinated policy mix in G20 targeting to increase the share of wages in GDP by 1%-5% in the next 5 years and public investment in social and physical infrastructure by 1% of GDP in each country can create up to 5.84% more growth in G20 (compared to business as usual)”**<sup>10</sup>. These simulations show “the strong internal demand effects of wage-led recovery offsetting any negative effects on net exports or private investment”<sup>11</sup>.

9. G20 Labour Ministers should elaborate policies for the Brisbane Action Plan that will raise the share of labour incomes in GDP and provide a comprehensive strategy to tackle inequality with *inclusive* growth by adopting measures to:

- Address growing in-work poverty through the establishment of robust, well-set minimum wages and ensuring a living wage;
- Strengthen the coverage of collective bargaining by the social partners as a central policy objective;
- Live up to past commitments to uphold and support respect of fundamental rights at work;
- Take steps towards the implementation of a global social protection floor as agreed to at past G20 meetings and support the ratification of the ILO Instruments on social security;
- Rebuild social protection after it became the victim of austerity policies. In light of rising inequality and lack of decent employment opportunities, social security systems need to assure an adequate income to those outside the labour market, families with children and the elder citizens, as well as to vulnerable groups such as young mothers, sick and disabled people;
- Ensure the access of all to quality public education and training systems;
- Undertake corporate governance reforms to ensure that key executive and board remuneration does not lead to excessive pay disparity or to excessive management risk taking behaviour;
- Restore progressivity in the tax system and curb international tax evasion and avoidance through effective implementation of the OECD standard for automatic exchange of information and the Action Plan on Base Erosion and Profit Shifting;

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<sup>10</sup> Onaran 2014 op cit

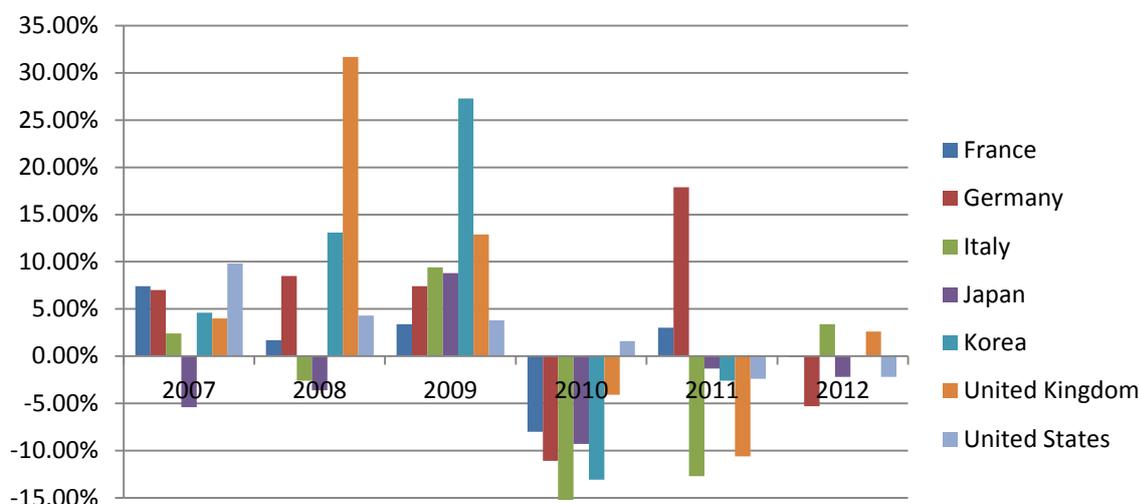
<sup>11</sup> Onaran 2014 op cit

- Ensure that economic performance is judged by wider criteria than GDP per head by taking into account the distribution of income and the levels and quality of employment.

### Raising Infrastructure Investment

10. Raising investment in public infrastructure is much needed in its own right – infrastructure needs across the world are realistically estimated to be at around 30 trillion USD in the next 20 years, not at least to help support the transition to a low-carbon economy. Such investments are also needed to help sustain economic recovery in the short term and set the foundations of robust domestic demand through job creation and increased productivity. Estimates suggest<sup>12</sup> that expansion of public infrastructure investment by 1% of GDP across the G20 could create up to 3.8% more growth over five years compared to unchanged G20 national growth policies. Jobs plans should include infrastructure investment targets for the coming five years and, to that end, help mobilise both public finance and private institutional investors – including workers’ pension funds. Governments should commit to increase the levels of public investment, and at minimum bring them back to pre-crisis levels. As shown in Chart 2, in many G20 economies public investment in infrastructure has indeed fallen as a result of the austerity measures implemented after 2010.

**Chart 2: Public investment in a selection of G20 economies**  
(annual growth rate)



COFOG - GS13 General government - P5\_K2CG: Gross capital formation and acq. less disposals of non-fin. non-prod.assets source: dotstat.oecd.org

11. Governments should ensure that public administrations have sufficient institutional capacity and expertise – both at central and local government levels – to manage long-term planning, complex contractual negotiations, project management, stakeholder consultation and prioritisation of projects, in which job creation criteria should be included. Without appropriate planning and institutional capacity, it is difficult to prioritise infrastructure projects against public interest and sustainable development. Yet, too often the essential institutional capacity is missing within G20 countries.

<sup>12</sup> Onaran op cit

12. Some infrastructure projects are suitable for financing by long-term institutional investors, such as pension funds. That requires the creation of a transparent infrastructure market offer mechanism for priority projects that are tailor-made to attract long term investors – and not necessary the highest bidder for the short term – and to ensure transaction costs are minimised. The G20/OECD High Level Principles on Long-term Investment by Institutional Investors provide guidance in this regard. Fair and transparent risk sharing arrangements should prevail, when public and private financing is mixed. Infrastructure funds and financial intermediaries (asset managers and bankers) should meet the highest standards of responsible business conduct, transparency and accountability – including with regard to fees and transaction costs.

13. The L20 calls upon G20 Employment Ministers:

- As part of their G20 national growth plans, to set public infrastructure investment targets that meet employment and productivity enhancing goals;
- To ensure that public administrations have sufficient institutional capacity and expertise – both at central and local government levels – to manage infrastructure long term planning and stakeholder consultation; and
- For infrastructure projects that are suitable for long-term institutional investors, to ensure transparent and tailor-made infrastructure market offer mechanisms and to ensure effective observance of the G20/OECD High Level Principles on Long-term Investment by Institutional Investors.

### **The “High Road” for Structural Reforms**

14. Despite evidence to the contrary, some G20 governments continue to press for “structural reforms” and “flexibility” in the labour market that amount to further labour market deregulation. This type of “structural reform” masks attacks on wages, collective bargaining structures and trade union rights. Such “reforms” damage the economic and social fabric in the long run, and increase inequality which is already rising. A one-dimensional emphasis on the supply side of the economy neglects the fact that in the current situation demand deficiency is the major reason for low growth in income and jobs; and most unemployment is involuntary rather than a choice.

15. “Reforms” that lead to further increases in inequality create a vicious circle, lower demand, lower growth in GDP and employment. In addition, cuts in public expenditure also have disproportionate effects on women, increasing their care burden and restraining their participation in the formal labour market. There is, moreover, an unprecedented rise in informal and precarious work. In general, such policies will therefore neither achieve sustainable growth nor long-term fiscal consolidation.

16. Despite the considerable “jobs gap” as outlined by the ILO, the social protection of those without employment has also been under attack. The ILO estimates that since 2007, the effective coverage of social protection declined in all regions except in Latin America. Most dramatic was the reduction in North America where only 28% of unemployed are effectively

covered by any public program, followed by Central and Eastern Europe and Western Europe where coverage stood at 21.6% and 63.8% respectively in 2012/2013.<sup>13</sup>

17. The L20 is calling on Labour and Employment Ministers to shift the agenda on labour market policy and to live up to past commitments notably on quality jobs for youth and support for the L20-B20 action on quality apprenticeships; raising women's employment; reducing informality and taking forward the project on Safe Workplaces.

*Jobs for Youth, Quality Apprenticeships and Education*

18. The G20 Employment Task Force Report on Youth Employment in 2012 – already identified a comprehensive set of actions needed to end the scarring being inflicted on a generation of young people by unemployment. At their meeting in Guadalajara in 2012, G20 Labour and Employment Ministers committed “intensify their efforts in tackling youth unemployment”<sup>14</sup>. Yet, levels of youth unemployment or underemployment continue to rise. The ILO estimates that 74.5 million young people aged 15-25 were unemployed globally in 2013, an increase of one million on the year before. As of now, only one out of two people believe the next generation will find a decent job according to the ITUC Global Poll 2014. The L20 has continued to work with the B20 to implement our joint statement on quality apprenticeships from 2013 as one part of the response to the youth unemployment crisis. The ITUC-TUAC on behalf of the L20 and the IOE and BIAC representing the international organisations in the B20 conducted surveys on apprenticeships at the national level and concluded that governments need to fully integrate social partners into the design, implementation and governance of apprenticeship systems. We have written to our respective national affiliates in G20 countries urging them: “*to drive forward the lessons provided by quality apprenticeships through joint cooperation and partnerships at the national level and identify countries as well as through the promotion at the industry and company level*”.

19. We call on the G20 Labour and Employment Ministers to:

- Convene their social partner organisations at national level to assess the implementation of the work on quality apprenticeships;
- Expand the provision of active labour market policies and, where possible, target these to youth;
- Increase training opportunities, in particular workplace-based training, and promote social dialogue and collective bargaining at the enterprise, sector and national levels to create incentives for investment in skills and knowledge;
- Promote high performance workplaces that increase the effective use of skills;
- Introduce workplace training entitlement for workers as a means to secure higher take-up of skills training;

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<sup>13</sup> ILO (2014) World Social Protection Report 2014/15, Building economic recovery, inclusive development and social justice, p. 34-36

<sup>14</sup> G20 Labour and Employment Ministers' Conclusions Guadalajara, Mexico, 17-18 May 2012

- Work with other Ministers to invest in infrastructure, education, training and innovation;
- Build on the European Union experience in regard to their Youth Employment Action Plan so as to develop a G20 Youth Jobs Pact to ensure young people receive quality employment or a training place once they have completed their formal education.

### *Raising Women's Employment*

20. The attention by the G20 Employment Task Force to raising the participation rates of women in G20 countries is welcome. However, this must be embedded in strategies that create decent work and inclusive labour markets. Investment in the care economy has the potential not only to recognise the real value of care work, currently often provided through un- or not sufficiently paid labour that is invisible in statistics; it also has the potential to break down gender stereotypes and occupational segregation and impact positively on the gender pay gap, by challenging traditionally assigned gender roles.

21. Labour Ministers should include as part of their employment plans:

- Economic strategies for caring, which recognise that access to care services and public services for families is a pre-condition for both women's and men's participation in the labour market;
- Action to reduce the gender pay gap, including support for collective bargaining and in their role as public sector employers by strengthening the rights of part-time workers, and reducing occupational segmentation;
- Establish mechanisms to assess the gender impact (both positive and negative) of policy.

### *Reducing Informality*

22. Informal employment remains widespread in developing G20 countries and whilst some progress has been made in reducing informality rates to below 50 per cent in Latin America, informality rates remain high in South and South East Asia<sup>15</sup>. The vast majority of workers who undertake informal economic activities do not do so by choice; it is rather a prerequisite for survival because there are no decent jobs available. The absence of social protection floors and inadequate levels of social security benefits push workers to undertake activities in the informal economy. Workers in informal jobs are deprived of social security, earn very low or no wages and are denied the protection under fundamental principles and rights at work and other labour standards. Women are disproportionately represented among this group. Activities in the informal economy tend to be characterised by very low productivity and represent a form of underemployment. Transforming informal economic activities into formal activities is therefore necessary to enhance both economic efficiency for development as well as the welfare, working and living conditions of the workers concerned.

23. The L20 is ready to work with the G20 Employment Task Force in the period including the Turkish presidency to identify measures to halt precarious, irregular and contract work by

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<sup>15</sup> ILO Global Employment Trends op cit

extending social protection and realising labour rights across the labour force, thereby paying particular attention to the gender dimension in view of the larger share of women in precarious work.

### *Safe Workplaces*

24. The L20 has welcomed the G20 initiative to establish a sub-group on Safe Workplaces and in responding to the G20 questionnaire have consulted our Global Union partners and affiliates on priorities – the initial results of which are annexed to this statement. To begin to take the work forward, we would urge G20 members to develop ambitious roadmaps for promoting safer workplaces according to each country's circumstances. We propose that the G20 organizes a workshop on best practice for promoting safer workplaces along supply chains, building on government, business and labour experiences, and considering the role of multilateral instruments developed to date. The L20 is ready to work with our business counterparts to take this work forward.

### **Follow Up on Commitments and Increase Coordination**

25. The G20 Employment and Labour Ministers meeting takes place at a critical time, when the credibility of the G20 to deliver on past commitments is at stake – the Ministers should:

- Ensure that the Brisbane “Action Plans” do not just repeat existing policy but include new, specific commitments and ensure their implementation;
- Set up data bases, progress reporting and forecasting tools to identify future needs;
- “Institutionalize coherence” by planning a Joint Labour and Finance Ministers Meeting for early 2015;
- Increase the cooperation between the Employment Task Force and the Finance Track to establish coordinated policy packages;
- Organize social partners’ consultations at both, the Ministerial and Leaders’ meetings.

### **Annex: L20 Proposals on Safer Workplaces**

1. G20 members must develop ambitious roadmaps for promoting safer workplaces, according to each country's circumstances. These should:
  - Recognise workers' right to safety and health, and therefore the right to information on Occupational Health and Safety (OHS), the right to receive OHS training, the right to refuse dangerous work, whistle-blower protection, and protection from victimization or "blacklisting".
  - Address causes of under-reporting and falsification of statistics related to occupational accidents, diseases and fatalities, as the system rewards those that declare fewer incidents.
  - Respond to challenges already identified by the G20 Safer Workplaces sub-group, including:
    - Effective enforcement of OHS legislation, the need for adequate resourcing of OHS enforcement by governments – including labour inspectorates – and increasing the cost for negligent employers of ignoring OHS and the imposition of explicit legal safety duties on owners/directors of companies.
    - Ratification, implementation and enforcement of all relevant ILO Conventions and Recommendations.
    - Better addressing the OHS protection for workers in non-standard forms of employment such as temporary workers as well as for workers with greater vulnerability owing to their status as migrants, as members of minority groups or workers who are otherwise socially disadvantaged.
    - Address OHS in hazardous sectors, such as mining, agriculture, fisheries, docks and construction as well as in textile and garment factories, in particular those related to fire risks and building integrity, and along supply chains.
    - Take action on unsafe/unhealthy exposure to carcinogenic substances, including asbestos, cadmium, mercury, and risks related to nanotechnologies and other emerging but poorly studied substances/processes.
    - Address psychosocial risks, including stress, harassment, bullying or mobbing and other forms of violence at work.
  
2. We call on the G20, as part of future joint work on Safer Workplaces, to:
  - Organize a workshop on best practice for promoting safer workplaces throughout supply chains, building on government, business and labour experience, and considering the role of the multilateral instruments on responsible business conduct developed to date (UN Guiding Principles on business and human rights, OECD guidelines for multinational enterprises, ILO Declaration). Share information on:
    - Better ways of working (better design of work to reduce or eliminate physical, biological, chemical, psychosocial and other hazards).
    - Elimination of hazards (bans, restrictions and controls on toxic substances and hazardous processes).
    - Emerging hazards (legislative and control strategies including precautionary approaches).
    - Recognition and prevention of occupational diseases (collation of consolidated lists of recognised occupational diseases at a national/state level, for example for compensation purposes).
    - Avoiding risk transfer (measures to avoid exporting of hazardous jobs, substances or processes, through transparency, regulation, enforcement and information exchange and support).