L20 AUSTRALIA 2014

In partnership with

ITUC CSI IGB TUAC

L20 Policy Tracking 2013-14 Surveying the Impact of G20 Commitments on Working Families

Introduction

Six years on from the global financial crisis, the world's economy is faced with weak growth, high unemployment, low investment levels, a rising jobs gap and soaring income inequality. Financial markets are volatile; climate change and development challenges remain unresolved.

The gap between G20 policy commitments to take action on jobs, wages and social protection and the reality for working people is growing.

The Labour20, co-ordinated by the International Trade Union Confederation (ITUC) and the Trade Union Advisory Committee to the OECD (TUAC), is a G20 social partner. Working with trade unions in G20 countries and Spain, the L20 reviewed national commitments made by G20 Leaders at the Saint Petersburg Summit in September 2013 in both the official Declaration and the Saint Petersburg Action Plan.

The Saint Petersburg Leaders' Declaration in 2013 included a series of commitments which, if translated into action, would have significant impact on the level and quality of employment and growth. The Saint Petersburg Action Plan included specific country-level commitments. However, a L20 assessment concluded that these fell short of the statements made by the Leaders.

To track the implementation and effectiveness of these policy actions on workers' jobs and livelihoods, a survey was sent to G20 country-based trade union centres in the period of June to September 2014.

More than half of G20 countries said that there is a significant implementation of commitments but very weak action on issues that would impact on workers' lives such as jobs, wages and social protection.

The survey results showed that **56% of policies were rated as having marginal or negative effects,** or as being ineffective in addressing the economic and social situation in G20 countries.

The policies from the Saint Petersburg Leaders Declaration identified by L20 members as having an impact on working families tend not to be reflected in national policies, including "the creation of formal, more productive and rewarding jobs" (§26), skills investments in quality education and life-long learning (§26), transitional policies, including social safety nets (§96), strategies for youth employment including youth guarantee approaches (§29) and activation strategies for vulnerable groups (§31).

> ***When the G20 Labour and Finance Ministers met in Moscow in 2013 they committed to prioritise action to support demand, stimulate growth and create jobs. They at last accepted that reducing inequality could go hand in hand with creating jobs. Eighteen months later, as this report shows, we are still waiting for action in these critical areas. Many of the "structural reforms" now being implemented will go in the wrong direction and raise income inequality."***
> **JOHN EVANS,** GENERAL SECRETARY OF TUAC

In addition to quality jobs, decent wages and social protection, G20 countries identified other policy areas, where urgent action would have the most positive impact on economic growth and well-being in societies: supporting aggregate demand, productive investments, social upgrading in global value chains and fighting corruption. Combatting inequality came out as the top priority for the G20 to tackle in the next policy cycle. In doing so, closer policy coordination and implication of different stakeholders would be essential as the survey results confirm.

Lessons for the G20 Australia 2014

The G20 Brisbane Summit (November 15-16, 2014) must put forward policies that have a positive impact on working people and economic development.

Achieving the 2% growth target, as set out by G20 Finance Ministers in February 2014, in a sustainable and inclusive way necessitates more than the sheer quantity of commitments. Policy effectiveness and efficiency is what should count. Public trust can only be regained if the G20 can forge a global policy shift towards inclusive and resilient growth with decent wages, quality jobs and sustainable development.

> ***If the G20 is going to meet its target of 2 % GDP growth above expectations, which must be job centred growth, they need to shift policy. The L20 survey shows that more than half of G20 policies have been ineffective in regards to the lives of working people, and they have failed to have an impact in terms of jobs, wages and social protection. We haven't yet seen the courage of governments to turn around the policies of austerity needed to realise growth and jobs."***
> **SHARAN BURROW,** GENERAL SECRETARY OF THE ITUC

The survey results will be presented in two parts. The first discusses the questionnaire outcomes on individual country policies from the Saint Petersburg Action Plan, the second part covers the Leaders Declaration, as well as future policy priorities and ways to achieve policy progress and coherence.

Survey Methodology

The L20 Tracking Questionnaire was sent to national trade union centres from G20 countries[1] and Spain in June 2014. The European Union commitments from the Saint Petersburg Action Plan were not surveyed. The purpose of the survey was to a) track the implementation of G20 national commitments; b) assess their impact on the social and economic situation at country-level; c) evaluate the effects of G20 general commitments on working families; d) identify priority areas for future policy actions; and e) select the best options for institutional collaboration to achieve policy coherence and compliance at the G20 level. L20 affiliates were asked to rate 76 country policy commitments from the Saint Petersburg Action along scales on their progress of implementation[2] and effectiveness on the economic and social situation in a country.[3] Respondents were also asked to list issues that have not or not sufficiently been addressed by the G20 in 2013 or are not picked up by their governments but should in future policy packages. In assessing the commitments made in the Leaders' Declaration of 2013, respondents ranked policies on a scale from 1 (highly relevant) to 5 (not relevant) according to their impact on working families in their country. For this purpose, 18 G20 commitments based on broad criteria that reflect priority areas for the L20 were selected. In regard to future policy orientations, respondents ranked policy issues according to the need for urgent action through the G20 processes in 2014 and beyond on a scale from 1 (very urgent) to 5 (not urgent). Results were scored on average under broad policy categories. Finally, options that could drive policy processes at the G20 level were ranked from much more to much less engagement.[4]

1 In countries, where multiple trade union centres responded, a result average was calculated.

2 Scale 1-5 : Strong progress, some progress, insufficient progress, no progress, not implemented yet

3 Scale 1-5: Highly effective, quite effective, marginal effect, ineffective, negative effect

4 Scale 1-5 : Much more, more, the same, less, much less

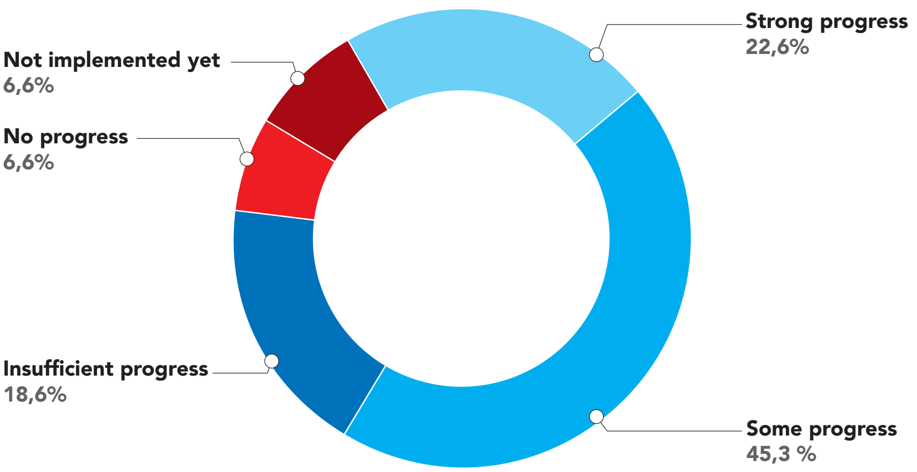
PART I: Implementation and Quality of Policy Commitments in G20 countries

Main Findings

- **More than half of G20 policies are being implemented, however, 56% were rated as ineffective or as having a marginal or negative effect on the social and economic situation at country level;**
- **Survey results show policies, which are in the interests of business, being implemented at a faster rate than policies which will improve the lives of working people and their families.**

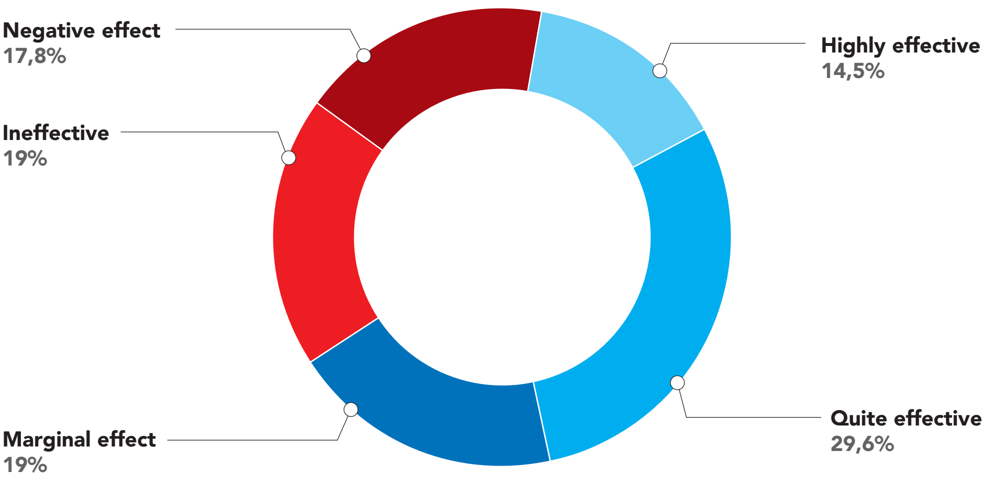
In evaluating the Saint Petersburg country commitments, the survey first looked at the pace of implementation in each G20 country. Most policies show strong or some progress in their implementation, which is an encouraging sign going forward (see Figure 1). The survey also considered the fact that some commitments are medium or long-term in nature as well as the different institutional and regulatory processes at the national level.

FIGURE 1 PROGRESS OF IMPLEMENTATION OF G20 COUNTRY COMMITMENTS, SAINT PETERSBURG ACTION PLAN 2013



However, in regard to their quality, we observe mixed results as the majority of policies (56%) were rated as ineffective or as having a marginal or negative effect on the social and economic situation in G20 countries (see Figure 2). Despite progress in implementation, what counts is whether policies at the G20 level result in an inclusive and green growth and a jobs recovery. The survey therefore asked affiliates to rate their impact on workers' jobs and lives. The responses give a clear indication on what workers expect from future G20-driven country action plans.

FIGURE 2 QUALITY OF G20 COUNTRY COMMITMENTS, SAINT PETERSBURG ACTION PLAN 2013



The policies listed in the Saint Petersburg Action Plan are different in scale and hard to compare, as they range from large-scale reforms to minor initiatives, from existing policies (which also partly explains the good implementation rates) to new strategies for the longer-term. In addition to that, some pertinent and crisis related issues were not (or only marginally) reflected in the Action Plan, while many policies were one-dimensional and supply-side oriented, thereby favouring business interests over societal concerns.

This demonstrates that G20 governments need to factor in and increase the societal impact of their decisions, shift strategies towards a policy mix of demand and supply-side measures and increase coordination to speed up implementation (where it has been slow), or propose more relevant commitments (in the case where country commitments only entailed small-scale actions). Actions that would impact on workers' lives including strategies to create jobs, decent living wages and social protection did not sufficiently feature in the St Petersburg Action Plan. Leaders in Brisbane have the opportunity to redress the balance.

"The dictum that today's profits are tomorrow's investments and higher wages the day after, is no longer valid today. The Saint Petersburg Action Plan displayed a strong bias towards more austerity and one-sided measures favouring business interests only with negative effects on workers. In the sixth year of the crisis and insufficient demand, we call on the G20 to promote global growth through public investment and internal demand, decent wages, decisive measures against precarious work and greater availability of vocational training."

REINER HOFFMANN, PRESIDENT OF THE CONFEDERATION OF GERMAN TRADE UNIONS (DGB)

L20 economic modelling[5] suggest that *"a coordinated policy mix in the G20 targeted 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 the G20 showing the strong internal demand effects of wage-led recovery offsetting any negative effects on net exports or private investment"*. This strategy could surpass the 2% target and actually halve the G20 Jobs Gap that is anticipated to be 64 million in 2018 on unchanged policies.

When revisiting key policy areas in the Saint Petersburg Action Plan that would benefit working families in G20 countries when packaged in such a policy mix, the survey revealed mixed results. Specific country cases were analysed by their impact on (1) Economic Recovery; (2) Investment and Quality Job Creation; (3) Inclusive Growth; and (4) Income Distribution.

(1) Economic Recovery

In 2014, fiscal austerity and stagnant incomes of working families further constrain growth in many G20 economies. The longer unemployment remains elevated or continues to rise, the greater the risk that it becomes "structural" due to scarring effects. The survey results confirm that a fresh approach is needed to close the jobs gap and bring growth back to pre-crisis levels. This entails investment plans that create jobs and avoid wage dumping, progressive tax reforms that provide sufficient revenue for the government, public services that are strengthened after their deterioration during the crisis, and a different set of labour policies that promotes collective bargaining and ensures that the purchasing power of workers improves.

The Saint Petersburg commitments do not show the harsh reality of misguided labour "reforms" in some G20 countries and what austerity has meant for workers. **Spain** has explicitly committed to reduce debt as a share of GDP through country-specific targets for the debt-to-GDP ratio beyond 2016. This has not only, not been implemented, it would also only have a marginal effect on recovery as our results show.

> ***"The St. Petersburg commitments have not been implemented in Spain and this has produced the opposite effect to the one desired of reducing debt. Debt has not been reduced but increased during last year and continues to do so. We consider that the timetable for the reduction of debt, as a consequence of the limited economic growth, does not permit to reduce the percentage and the volume of debt in terms of GDP. Both objectives (growth of GDP and debt reduction) will be impossible to achieve without a clear process of economic growth, with obvious consequences in the economic activity and the social model."***
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> **IGNACIO FERNÁNDEZ TOXO,** GENERAL SECRETARY OF THE CONFEDERACIÓN SINDICAL DE COMISIONES OBRERAS (CC.OO.) AND PRESIDENT OF THE EUROPEAN TRADE UNION CONFEDERATION (ETUC)

Other G20 countries proceeded with self-induced austerity leading to rising inequalities and lack of investments. Such policies showed strong progress in implementation and were rated as having a negative effect on the social and economic situation in the respective countries, such as Canada:[6]

5 http://www.ituc-csi.org/new-l20-modelling-shows-how-the

6 Canada *has explicitly committed to reduce debt as a share of GDP through country-specific targets for the debt-to-GDP ratio beyond 2016.*

Unfortunately, Canada belongs to the group of countries that jumped on the train of self-induced austerity policies and stuck with this approach despite the global labour movement's warnings. Now, we observe rising inequality, lack of investments and of support for unemployed workers, and, to top that off, anti-union legislation. The policy commitments made last year at the G20 level do not point in another direction."

HASSAN YUSSUFF, PRESIDENT OF THE CANADIAN LABOUR CONGRESS (CLC)

(2) Investment and Quality Job Creation

Investments in public infrastructure can create quality jobs and improve the long-term productive potential in G20 countries by supporting the transition to a low-carbon economy that can generate green and decent jobs. Some countries included such policies in the Action Plan, others should follow by setting investment targets in national growth, industry and jobs plans and help mobilise institutional investors – including workers' pension funds – by implementing the G20/OECD High-Level Principles on Long-term Investment by Institutional Investors, and by mainstreaming responsible business conduct by firms and investors all along the investment chain and ensuring accountability and transparency of financial intermediaries.

Brazil committed to a "Logistics Investment Program, within a time horizon of 5 years, to tackle bottlenecks, increase competitiveness, create jobs and promote growth", which was rated as a highly effective measure in the survey:

Unions look at the 5-year Logistics Investment Program as a chance for Brazil to increase competitiveness, but also to create good jobs and inclusive growth. But the private sector also has to deliver. If the outcome is reflected in more and better jobs, it can serve as a good example elsewhere."

JOÃO ANTONIO FELICIO, PRESIDENT OF THE ITUC AND FORMER PRESIDENT OF CUT BRAZIL

If the implementation of such measures is blocked, shifting timelines and lack of resources do not result in the desired job effect. As seen with the **United States** commitment to "improve infrastructure, both through enhanced public investment and through greater encouragement of private investment in infrastructure assets, by reducing infrastructure permitting timelines and the newly expanded TIFIA loan and loan guarantee program", insufficient progress in implementation results in ineffectiveness.

Increasing infrastructure investments is a good strategy for driving jobs and growth. However, if implementation of the executive order is blocked and the actual resources of the loan guarantee programme remain modest, there will be no positive effect on jobs and the economy coming from this." **RICHARD TRUMKA,** PRESIDENT OF THE AFL-CIO AND OF TUAC

(3) Inclusive Growth

The survey results underline that to achieve inclusive growth, strengthening workers' rights and social protection systems so as to formalize jobs and prevent formal employment from sliding into informality and reducing informal and precarious employment by boosting activity rates of vulnerable groups, notably women, young people and minority ethnic communities, is essential. The Action Plan contained policies that go in this direction. At the same time, there was a lack of commitments towards establishing global social protection floors and social upgrading and workers' safety in global value chains.

The **Chinese policies** on enhancing the social safety net and boosting domestic demand, for instance, were rated as highly effective and as having a strong progress in implementation. According to the survey responses, more than 800 million people in China are now covered through a social security system including pension, medical, unemployment, injury and maternity insurance. The pension level will be gradually enhanced and merged with scattered pension arrangements to promote equal access to social welfare, which is significant towards achieving equal rights for migrant workers. At the same time, this policy commitment needs more deepening through training for health workers, support for doctors in rural areas, and by strengthening the tripartite supervision of the social security fund.

In other G20 economies, such as **India**, issues such as increasing informal employment and contract work in all industrial sectors, migration, and an overall inactive labour policy, concern unions. Workers' rights are not sufficiently respected. Contract workers are deprived from forming unions and work under pressure from employers. Minimum wages are not paid to most of the workers in the informal sector. Work places are unsafe. Health and safety issues are neglected. Implementation and enforcement of legal provisions and regulatory mechanisms is very week. Social protection is not guaranteed to millions of workers.

The bold "regulatory reforms" in **Japan** were rated as having insufficient progress and only a marginal effect while bearing the risk of further increasing inequalities. On the positive side, measures to increase "the capacities of childcare services, to raise the employment rate of women (age 25-44) to 73% by 2020" were rated as quite effective:

> ***Women's participation in the labour force is rising in Japan. However, most female workers have to accept non-regular contracts. The creation of quality employment and robust social safety nets is urgently needed. Tackling precarious work and implementing labour policies needs to involve unions, this is not sufficiently the case in our country. The proof is that the "bold regulatory reforms" announced in Saint Petersburg include deregulation of labour markets, which would only increase inequality."***
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> **NOBUAKI KOGA,** PRESIDENT OF JTUC-RENGO AND VICE PRESIDENT OF TUAC

(4) Income Distribution

Raising low and middle incomes to reduce inequality and to inject purchasing power into economies, and moving to fair and progressive taxation systems, is a top priority for the L20 and the respondents in the questionnaire. While a few national policies go in the right direction, income inequality remains either unaddressed in the Action Plan or is at risk of being enhanced through some of the commitments.

In this respect, **Indonesia** by expanding the poverty reduction program and taking steps to reduce the informal economy by introducing new tax measures for eligible small and medium enterprises is on the right track according to the survey results, as implementation is ongoing and the measures are judged as quite effective. However, more can be done:

> ***"Raising minimum living wages in Indonesia is an essential and much needed step to begin to reduce poverty and fight high inequality. However, if the government truly wants to reduce poverty and informal work, it needs to go further and fully implement the social protection floor. Indonesian economic growth is at around 6% since 2010 – living standards and job conditions need to keep up with that. There is no time for complacency."***
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> **SAID IQBAL,** CHAIRMAN OF THE CONFEDERATION OF INDONESIAN WORKERS UNION (KSPI)

As referred to before, some policies are lopsided towards corporate interests, putting working people's incomes in jeopardy. This is the case with the **UK's** commitment on corporate tax reductions:

> ***"The government's policy to give businesses corporate tax reductions has cost £7bn a year and failed to deliver the investment we need to deliver sustainable growth and decent jobs. And while business and the rich have been handed tax cuts, ordinary people have seen their wages fall in real terms, and insecure jobs are on the rise. We need G20 country commitments that reverse growing inequalities – especially through collective bargaining - and put people first by promoting investment and good jobs."***
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> **FRANCES O'GRADY,** GENERAL SECRETARY OF THE BRITISH TRADES UNION CONGRESS (TUC)

This policy as many others shows some progress in implementation but is rated as ineffective as it fails to deliver what all G20 economies need: strong employment outcomes and inclusive growth. The L20 survey, in displaying, such dichotomies but also in identifying successful policies shows the importance of keeping track of G20 commitments in the future, but also to deliver Action Plans that are more comprehensive and uniform to allow for synergies and policy coordination. Overall, the assessment of the 2013 national commitments proves that the needs of workers have to be reflected more in future policy packages.

PART II: The Impact of G20 Actions on Social Well-being and Economic Progress

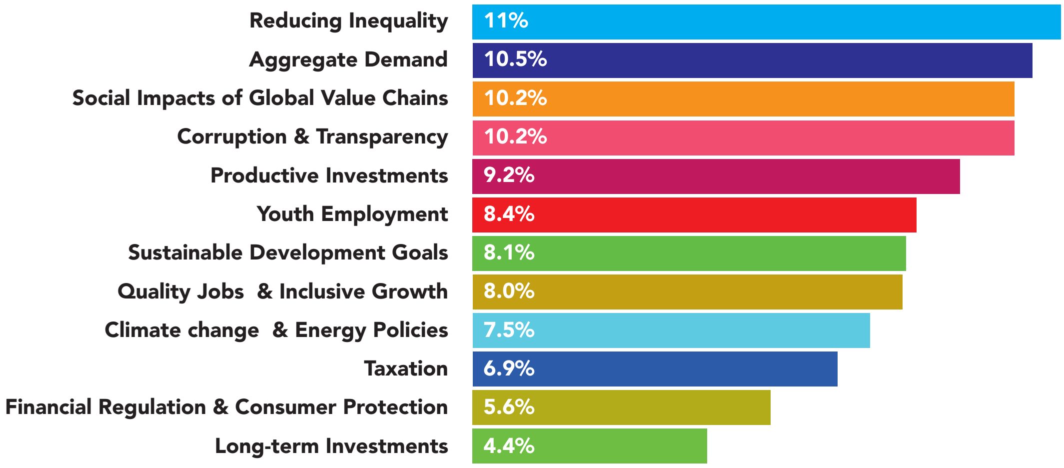
In contrast with the St Petersburg Action Plan, the G20 Leaders Declaration of 2013 contained more commitments that would benefit working families. G20 countries were asked to rank 18 policies from "highly relevant" to "not relevant". As a result, the following actions were ranked highest and should be pursued in future G20 policy packages, both at the national and the global level:

1. Stimulating the creation of formal, more productive and rewarding jobs (§26)
2. Investing in people's skills, quality education and life-long learning programs to give them skill portability and better prospects (§26)
3. Consider policy options for designing transitional policies, including strengthening social safety nets to ensure access for the most vulnerable (§96)
4. Tailored strategies [for Youth Employment] including youth guarantee approaches, quality apprenticeships and vocational training programmes (§29)
5. Developing and strengthening tailored activation strategies for vulnerable groups that include income support (§31)

When asked which policy areas[7] should be urgently addressed through the G20 (see Figure 3), G20 countries selected "tackling inequality" as the top priority, followed by supporting aggregate demand, tackling corruption, ensuring social upgrading and worker's rights and safety in global value chains, and productive investments in infrastructure, green growth and jobs.

7 Some policy areas included several issues: "Quality Jobs and Inclusive Growth" (Active labour market policies, Strengthened labour market institutions, Support for the care economy, Job creation in the formal sector); "Youth Employment Creation" (Youth jobs pact/ Youth guarantees, Investment in skills and education, Quality apprenticeships and life-long learning); "Reducing Inequality" (Support for collective bargaining, Strong wage floors and set minimum wages, Social Protection Floors); "Long-term Investments" (Implement the G20 Principles on Long-term Investment, Promote responsible investment practices and improved transparency and accountability standards); "Social Impacts of Global Value Chains" (Social upgrading strategies, Safer workplaces, Strengthening of workers' rights); "Taxation" (Implement the BEPS Action Plan, Adopt unitary taxation to Multinational Enterprises transfer pricing, Move forward with MNE country-by-country tax reporting, Introduce a Financial Transaction Tax); "Financial Regulation and Consumer Protection" (Tackle too-big-to-fail banks, Separate retail from investment banking);

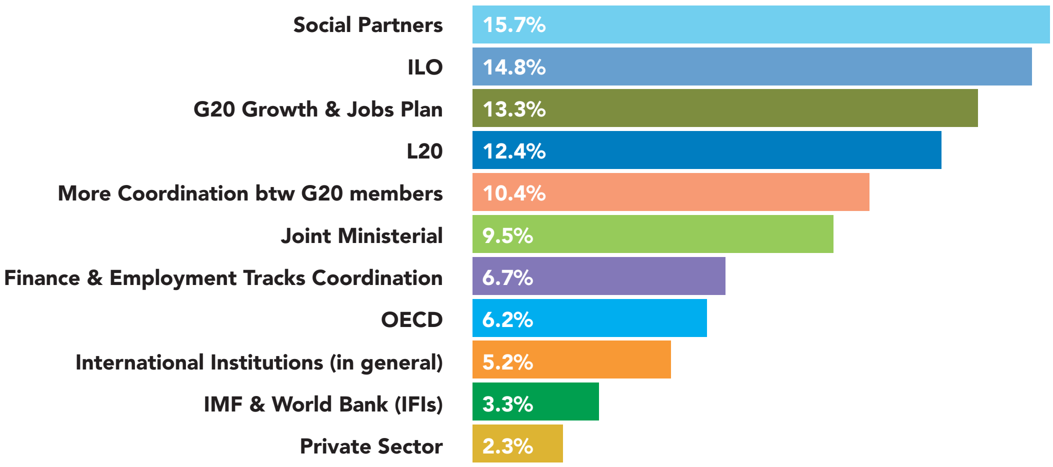
FIGURE 3 FUTURE POLICY PRIORITIES FOR THE G20



The wider data spread revealed that some areas such as taxation, the regulation of long-term investments and climate change rank high as priority areas but are seen as benefitting more from long-term strategies, as through the implementation of the Base Erosion and Profit Shifting (BEPS) Action Plan, and a successful outcome of the Paris climate negotiations, not from "very urgent" actions.

When asked about how to best achieve policy progress and coherence, G20 countries were able to select between various actors and measures (see Figure 4).

FIGURE 4 POLICY COHERENCE WITHIN THE G20



The data spread reveals that on average total, G20 countries felt that the engagement of the private sector and of the International Monetary Fund (IMF) and the World Bank in the G20 should be scaled back as their influence is exceeding that of other stakeholders, which is also partly mirrored in the way that some policies were formulated. Much more engagement should thus be pursued through:

Consultations with Social Partners and with the L20

This practice has been expanded throughout the years, and social partners' consultations with Leaders as well as with Labour and Finance Ministers were organized during the Russian Presidency. The L20 also took part in outreach sessions of the Employment Task Force, Sherpa meetings and specific G20 events. However, this year, the L20 felt that this was scaled back by the current G20 Presidency and should be reinvigorated in 2015.

The International Labour Organisation (ILO)

According to the survey, this should particularly be done in the development of G20 Action Plans on safer workplaces and youth unemployment. The ILO can also play a decisive role in monitoring labour standards and social cohesion trends—especially in global value chains as the results in Figure 3 confirm—and deliver recommendations on reducing the global jobs gap.

G20 Action Plan on Jobs and Growth

The L20 would like to see a comprehensive Action Plan to meet the 2% growth target that includes joint actions and tailored national policies that are comparable in scale and reach.

Coordination between G20 members

In order to achieve policy coherence, all available channels (working groups, special G20 events, etc.) need to be fully activated to promote spill-over effects of national policies that would spur investments and demand, and close the global jobs gap.

Joint Labour and Finance Ministers' Meeting

Related to the previous point, the Moscow joint meeting of Labour and Finance Ministers confirmed the benefits of intra-departmental coordination. If not pursued on an annual basis, no institutional memory and mechanisms can develop. The L20 opted in favour of a second edition of the meeting in 2015.