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THE CHALLENGE OF BUILDING EMPLOYMENT FOR A SUSTAINABLE RECOVERY

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GLOBAL UNIONS RECOVERY STRATEGIES AND GROWTH PLANS

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INTRODUCTION –Grappling with a Season of discontent

This is indeed a very challenging time for Global Unions. Hard won gains in terms of achieving decent livelihoods and workers' rights began seriously eroding in 2008 with the onset of the economic and financial crisis. The net effect has been to roll back the gains in those countries and economic sectors where growth and well-being were beginning to make some progress, and to exacerbate the situation for millions of working women and men, already faced with the hardships of informal and precarious working arrangements. A sense of social tension and unrest is palpable in the world community of workers, spanning the popular uprisings in the Middle East and North Africa, through to widespread discontent in face of austerity measures introduced in Greece, Spain, Portugal and Ireland, and to protest movements spawned by proposed legislation to deprive public sector workers in Wisconsin, USA of their collective bargaining rights. And there is a sense that there is more to come.

These social upheavals can be traced back to inappropriate and unsustainable models of economic growth and development – models that keep wealth concentrated in a financialized sector with weak linkages to the real productive economy; - models that fail to provide vital public goods such as decent work and livelihoods for all, and democratic spaces for the enjoyment of fundamental human and trade union rights. Responding to the economic and financial crisis and its continuing impacts are therefore a central focus for Global Unions, represented at broad multilateral level by the International Trade Union Confederation (ITUC), at global sectoral levels by the Global Union Federations (GUFs), and at the OECD level by the Trade Union Advisory Committee (TUAC), representing collectively over 180 million workers world-wide, over 40 % of whom are women.

Who are Global Unions ?

Global Unions are international trade union organisations working together with a shared commitment to the ideals and principles of the trade union movement. They share a common determination to organize, to defend human rights and labour standards everywhere, and to promote the growth of trade unions for the benefit of all working men and women and their families."

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[**BWI** - Building and Woodworkers International](#)

[**EI** - Education International](#)

[**ICEM** - International Federation of Chemical, Energy, Mine and General Workers' Unions](#)

[**IFI** - International Federation of Journalists](#)

[**IMF** - International Metal Workers Federation](#)

[**ITF** - International Transport Workers Federation](#)

[**ITGLWF** - International Textile, Garment, and Leather Workers' Federation](#)

[**ITUC** - International Trade Union Confederation](#)

[**IUF** - International Union of Food, Farm and Hotel Workers](#)

[**PSI** - Public Services International](#)

[**TUAC** - Trade Union Advisory Committee to the OECD](#)

[**UNI** - Union Network International](#)

THE DEPTH OF THE DECENT WORK DEFICIT

In addressing the topic for this Expert Group Meeting, *Building Employment for a Sustainable Recovery*, it is instructive to appreciate the depth of the decent work deficit globally, and hence the challenge faced by Global Unions, policy-makers and development actors.

The total number of jobless worldwide stood at an unprecedented 205 million in 2010, an increase by 27.6 million since 2007¹. The global unemployment rate has risen from 5.6% in 2007 to 6.2% in 2010; and with the widespread slackness in labour markets around the world, the

¹ ILO Global Employment Trends – 2011 Report

trend is set to continue. The overall share of workers in vulnerable employment is as high as 50.1% or half the total global workforce. This represents 1.53 billion workers experiencing extreme job and income insecurity. The statistics on global wage trends corroborate the findings on vulnerable employment. Global wages are stagnating. Excluding China (where wage levels are on a slow but upward trajectory), global wage growth, measured as the monthly average wage, slowed from 2.2% in 2007 to 0.7% in 2009. So for many workers who manage to keep their jobs, they nevertheless find themselves with diminishing pay packets and inching closer to the poverty line. Highly skewed concentrations of wealth within corporate circles and among the drivers of the financialized economy have been matched by increasing income inequality and deteriorating conditions of work for a large part of the labour force in many countries. The share of wages in national income has been shrinking in a large number of countries over the years.

GLOBAL UNION STRATEGIES - BUILDING A FAIRER AND MORE SUSTAINABLE WORLD ECONOMY

In 2009, the first phase response to the financial and economic crisis (sanctioned by the G20 policy prescriptions), was characterized by the putting together of recovery packages, and an unprecedented level of government interventions to shore up failing financial institutions, and industries that were “too big to fail”. From the outset, Global Unions have been present and active at the various multilateral fora shaping crisis responses, with a number of policy proposals, and advocacy efforts geared towards promoting employment-centred responses to the crisis. During this first phase response, the plea of Global Unions was for stimulus packages to prioritize active labour market policies, decent work, and social protection. (Refer to recent Global Unions Reports and Statements on the Global Economy: http://www.ituc-csi.org/spip.php?page=moredocs&id_mot=33)

Global Unions have put forward their strategies to tackle the crisis and build a fairer and more sustainable world economy to G20 Heads of State during successive G20 Summit meetings, to the IMF & World Bank Spring and Annual Meetings, at the International Labour Conference of June 2009 which adopted the ILO *Global Jobs Pact*, and at the UN Conference on the World Financial and Economic Crisis and its Impact on Development in June 2009. National union organizations have presented the strategies to several governments and further meetings are planned, as the after wave effects of the crisis unfold.

DEVELOPMENT GAINS COMPROMISED BY AN ERA OF AUSTERITY

Global Unions have noted that the era of stimulus packages was short-lived. By June 2010 (the G20 Toronto Summit), austerity measures and cuts in public spending were being pushed, in the name of fiscal consolidation. Trade unions in all sectors have decried the negative impacts of the financial and economic crises on their workers, and drawn attention to the inadequacy of global policy responses.

Impacts in the public services and education sector

The public services and teaching internationals **PSI and EI**, have highlighted the effects of austerity measures in their respective sectors. In assessing the impacts of fiscal consolidation

measures imposed by the IMF, the EI Research Network highlights increasing insecurity of tenure among teaching personnel, precariousness of employment contracts, and the tendency to hire under-qualified teaching staff as a cost-cutting measure.

The policy responses being promoted by the International Financial Institutions (IFIs), place the achievement of the MDGs (Millennium Development Goals) and the EFA(Education For All) goals in jeopardy. The undermining of educational curricular and skills training programmes for lack of resources can only hold back the formation of the cadre of young trained professionals so vitally needed for sustained, national development and growth. In addition, in both the teaching and public sectors, EI and PSI record wage freezes and salary cuts in many countries. PSI is reporting that public services are under attack. One of the fallout effects of the crisis is the push for the privatization of public services, undermining PSI's concerted efforts to promote universally accessible Quality Public Services, and weakening the fundamental trade union rights of public sector workers.

In Botswana, public sector workers are facing a three-year wage freeze. In Fiji, a new law has been introduced, denying freedom of association and collective bargaining rights to public sector workers. In the state of Wisconsin, USA, public sector workers are fighting a battle against similar legislation, in addition to threatened cuts in pensions and the privatization of the services they provide. Trade unions have drawn attention to the disproportionate impacts on women of public expenditure cuts. These affect salaries and conditions of work of women who comprise a large part of the workers in the education and health sectors. What is more, as family care givers, the burden of care is passed on to them; reduced resources severely curtail their ability to feed, nurture and educate their children, and provide care for ailing family members.

The PSI/EI findings of negative impacts of the crisis in the public sector are corroborated by a recent UNICEF desk review of IMF Reports of 86 low and middle income countries². The study was aimed at assessing the impacts of austerity measures in the education and health sectors of these countries. The study found that 79 of the 86 countries were asked to cap or cut the wage bill, in the context of IFI loan arrangements. Direct effects of these conditionalities include layoffs and wage moratoria. Indirect effects include loss of motivation and morale among affected staff and deterioration in conditions of work and service delivery. These also constitute push factors for brain drain type migration from countries that could ill afford to lose their qualified health workers and educators, for example, those in sub-Saharan Africa.

Impacts in the garment sector

Deteriorating working conditions in the garment sector have been highlighted by the **ITGLWF** which conducted a survey of working conditions in 83 garment factories in Sri Lanka, the Philippines, and Indonesia. The survey found that workers were routinely being denied the legal minimum wage, or payment of this wage was tied to unachievably high production targets. Factory managers were failing to respect labour standards pertaining to overtime work, and workers were putting in hours way above the stipulated limit, without corresponding overtime compensation. In addition, existing labour laws aimed at guaranteeing basic workers' rights

² Social and Economic Policy Working Briefs – April 2010 – UNICEF Policy and Practice

(recognition of trade unions and collective bargaining), were being weakened in the name of labour market flexibility.

Temporary and short-term contracts are on the increase in many industrial sectors, and these have the effect of discouraging workers from joining trade unions to represent their interests, for fear of reprisals, notably the non-renewal of contracts after expiration. Cambodia has witnessed the loss of 38,000 jobs in the garment and textile sectors in 2009, owing to reduced overseas demand in this export-oriented industry, and consequent economic contraction. The export-oriented sector of the Philippines has been hard-hit by the crisis. High levels of retrenchment have been recorded in the electronics, semiconductors and telecommunications industries, as well as in the garment sector.³

The energy, mining and chemical sectors

The **ICEM** also reports that the onset of the crisis has seen depressed demand for commodities and falling prices in the energy, mining, and chemical sectors. With this has come tremendous pressure for downsizing, reduced wages and decreased benefits, resulting in cuts in wages and pensions, and high levels of dismissals.

The construction industry

The **BWI** which organizes in the construction industry draws attention to the heavy reliance on temporary, migrant labour in this sector in many countries. Thus, a priori, this is a sector characterized by precarious work, low wages, hazardous working conditions, and lack of labour law protections. These serious decent work deficits have been all the more exacerbated in the current, global economic downturn.

THE INCREASING PRECARIOUSNESS OF WORK

Indeed, a pervasive feature of labour markets in wake of the crisis is the increasing precarity and informalization of work.⁴ Already, well before the onset of the crisis, 50-90% of total employment in developing countries was characterized as informal work.⁵ But also, even in industrialized and emerging market economies, the increasing integration of markets was putting tremendous pressure for deregulation and flexibilization of markets, so that investors could adapt quickly to global economic cycles. The net effect in crisis times is the ever increasing precariousness of work and growing informality of work arrangements across the globe. This serious decent work deficit has been recognized as a major challenge for Global Unions.

Precarious employment has been defined as forms of work involving job insecurity, low income, limited or no social benefits and statutory entitlements.⁶ Such work is typically non-permanent,

³ ITUC Report, March 2011 – *Living with economic insecurity: women in precarious work*

⁴ ITUC Report – March 2011 op cit

⁵ ILO 2002 – Quoted in: *Is Informality a Cushion? Global Recession and the Informal Economy*, Marty Chen, WIEGO Network, March 2011.

⁶ ITUC Report – March 2011 op cit

contingent, accompanied by short-term or no employment contract, lack of collective bargaining rights, tenuous or no labour law protections, tenuous or no employment relationship.

For the workers concerned, they lack representation by trade unions, and legal recourse for work-related complaints, and are effectively marginalized from any meaningful stake in society. Many of these workers in precarious employment are women. Many operate on the margins of outsourcing arrangements in supply chains, sometimes as home workers; some are in waste recycling; some are in export-oriented industries: flower-cutting, garments, electronics. Many are contributing family workers on farms in rural areas, or they are self-employed in petty trading or street vending in urban areas. With the global economic downturn and drop in demand, many are experiencing significant losses in their means of livelihood.

Increasingly, too, young people are to be found swelling the ranks of those in precarious employment. This is another aspect of the decent work deficit that is of concern to Educational International. It calls for serious redress.

In terms of labour market arrangements, these are characterized by the proliferation of atypical employment contracts, use of pseudo self-employed workers, outsourcing in complex supply chains, and the blurring of the employment relationship so important for establishing clear rights and responsibilities as well as worker protections, as regulated by ILO Convention 198 (2006) on the Employment Relationship.

For the society, the increasing social and income inequality, the lack of social cohesion and inclusion cannot augur well for social stability and sustainable development.

A COMPREHENSIVE FRAMEWORK FOR EMPLOYMENT-CENTRED POLICIES

Global Unions have been pro-active in putting their Platform of demands for employment-centred responses to the crisis before the various multilateral fora shaping global policy responses for economic recovery. However, first and foremost, Global Unions insist on the need for changes in the broader macro-economic framework and policy responses. There is a need for global coordination, so that policies converge and reinforce each other, and remain firmly linked to socially just outcomes, particularly decent work and social protection. This is in line with the ILO Global Jobs Pact (ILO GJP), which provides a comprehensive framework for employment-centred responses to the crisis. The financial sector needs to be firmly regulated in order to curb excessive speculation and volatile short term capital flows, and to ensure that this sector assumes its rightful function of serving the real productive economy, and the creation of decent jobs.

There is a need to shift from export-led models of development which expose countries to commodity and market price volatility, and focus more on production for local and regional markets, and on the employment dimension of production, so that productivity growth converges with employment growth and decent jobs. It is in demand-led growth and in stimulating the local productive base of economies that developing countries will have a good chance of reaching sustainable growth levels. Since the ultimate goal is decent livelihoods for all (ILO GJP), strong distributive mechanisms must be put in place to ensure the spread of the benefits of growth to all. The decent work focus of the ILO GJP with its four strategic objectives: employment, social

protection, social dialogue, and fundamental principles and rights at work provides a framework for the introduction of such distributive measures into the social policy-formulating process. Such an approach implies that IFI-type pro-cyclical policies and austerity measures should not be introduced. They only deepen the decent work deficit, and exacerbate social crises. Countercyclical policies and recovery packages must stay in place.

Active Labour Market Policies

Countercyclical policies should prioritise the strengthening of labour markets through the following means:

- Promoting investments in areas such as infrastructure, that would generate employment opportunities;
- Promoting social infrastructure investment that would generate employment opportunities, focusing on provision of quality public services in education, health, water, sanitation, while introducing an important gender dimension by freeing women from the burden of unpaid work in the care economy, and providing them with decent jobs;
- Promoting large-scale investment in green infrastructure, such as energy efficiency and renewable energies, green construction and transport, thereby stimulating the creation of high quality employment across a range of sectors, while equipping workers through skills development for new green and decent jobs;
- Providing support for retaining workers through incentives to small and medium enterprises (SMEs) affected by credit shortages;
- Promoting investment in people, and offering improved training opportunities, in order to facilitate the acquisition of new skills by workers of all ages.

Constructing a Universal Social Protection Floor

The application of stimulus packages with an emphasis on productive investments in the local economy, decent work, and the development of a universal social protection floor, is tantamount to a strategy that begins a process of fair re-distributive growth in the global economy. Components of the social protection floor should include:

- Employment guarantee schemes to support the purchasing power of low income earners, including single earner households, which are predominantly female-headed;
- Family income support through cash transfers to households in need, and child-care services;
- Providing income support through expanded unemployment benefits and other social protection measures, including maternity protection;
- Access to universal health care.

Instituting a universal social protection floor along the lines described above will have tremendous multiplier effects. Putting more money into the pockets and purses of people on low incomes will boost the economy, as they are more likely to spend any extra cash quickly, ensuring that it contributes to stimulating demand-led growth, and economic recovery.

In addition, hard won gains in social security benefits for workers should not be rolled back in times of crisis. Governments must take action to protect pre-funded pension schemes. The crisis has revealed the danger of unlimited investment of workers' pensions in the 'shadow' financial sector. Governments should take steps to ensure an adequate retirement for workers under pre-funded regimes, through the strengthening of existing government guarantee schemes and pension fund investment regulation generally, including ensuring employers take their share of the pension risk and funding responsibilities. In no way should pension funds be the object of cuts introduced by austerity measures.

At national level, trade unions are beginning to mobilize in support of the universal social protection floor. Supported by Global Unions, Indonesian unions have established an Action Committee for Social Security. This has spawned a dynamic Campaign for improved social security, with a focus on health, pensions, and extension of social protections to workers in precarious forms of employment.

Financing the Decent Work Agenda

Global Unions are calling for sustainable and predictable finance for development. The most sustainable financing route for developing countries over the long term is for them to have the policy space and the necessary support to raise domestic revenue through strengthened tax administrations, and through progressive tax regimes that adequately tax capital gains and levy corporate taxes and combat tax evasion. Over the short and medium term, developing countries should be given access to credit lending on concessional terms, commensurate with their needs and capacity, so as not to build up unsustainable debt. Various innovative financing mechanisms should be explored. Trade unions are putting their full support behind the Financial Transactions Tax (FTT). An FTT would serve to curb excessive speculation and abusive practices within the financial sector, and would raise much needed new resources for development, including the financing of Decent Work Country Programmes (DWCPs).

TACKLING PRECARIOUS AND INFORMAL WORK

Global unions are tackling the issue of the increasing precariousness and informalization of work. In a Resolution adopted by the 8th General Council of the ITUC in February 2011, Council Members have agreed to give high priority to working with the other Global Unions and the ILO to "implement a programme of action to respond to the urgency and the gravity of the situation faced by the hundreds of millions of workers in precarious and informal work worldwide," and in that context, to give full consideration to the gender dimension in informal and precarious work.⁷

The Programme incorporates, inter alia, the following measures:

- To campaign for the extension of social protection to all, for ratification of ILO social security conventions and for a basic social floor for all, including the adoption of an ILO Recommendation on the establishment of a social protection floor set at a level above the poverty line, and sufficient to provide reasonable living standards;

⁷ 8GC/E(FINAL) International Trade Union Confederation Resolution on Tackling Precarious and Informal Work

- To assist the ILO in promoting such efforts in the UNDP's work initiated by the Seoul G20 Summit to support developing countries to strengthen and enhance social protection programmes, and insist that the ILO's primary expertise and mandate in this area be recognised by the G20 as well as in the elaboration of the World Bank's new Social Protection Strategy;
- To assist affiliates in pressing for broadly-based and higher minimum wages, both to protect vulnerable sections of the work force and, as recognised by the Global Jobs Pact, as this provides a vital means of raising aggregate demand and hence achieving economic recovery;
- To realise the provisions of the ILO Employment Relationship Recommendation No. 198 (2006) and translate it into national law and action, as well as implementing the 2002 conclusions of the ILO general discussion on the informal economy and supporting effective labour inspection to ensure the application of labour law, as is central to eliminating poverty and exploitation in the informal economy, and to promote ratification and implementation of ILO Convention No. 181 (1997) on private employment agencies.
- To work with the ILO, governments and donors to support active labour market programmes for vulnerable workers including increased access to public employment agencies and training, whilst ensuring equality in access for women;
- To intensify organising campaigns focusing on young workers performing precarious or informal work including the "Decisions for Life" programme for young women workers, as well as actions under the ITUC special action programme on the informal economy;
- To prepare reports on precarious and informal work worldwide with a focus on vulnerable groups particularly affected by the economic crisis and on identifying problems common to different countries and to proposing solutions.

CONCLUSIONS

For employment to be effective as a mechanism for poverty alleviation, sustainable growth and development, it must be quality employment. Informal and precarious employment will not deliver on poverty alleviation, nor will it contribute to achieving a virtuous cycle of sustainable growth with decent livelihoods. Policy responses to the financial and economic crisis must incorporate a strong decent work dimension. They must specifically aim to be inclusive, and to be coherent with and to reinforce social policies the goal of which is to provide decent livelihoods and well being to all.