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STATEMENT TO THE LONDON G20 SUMMIT

GLOBAL UNIONS LONDON DECLARATION

APRIL 2009

I. Introduction and Summary

- 1 The world economy is in the midst of an all-encompassing, triple crisis, which started in the U.S. housing market, spread through the un-regulated shadow financial system and resulted in first the credit market crisis and then the employment crisis. It has now evolved into a complex and dangerous vicious circle, with falling house prices and rising unemployment combining to feed the crisis in the credit market. This crisis is extending across industrialised, emerging and developing economies.
- 2 When the G20 Leaders first met in November 2008 in Washington, the world was already facing an unprecedented slowdown in growth with output falling in the industrialised countries. The situation is now dramatically worse. Staggering falls in GDP were recorded in the final quarter of 2008. At an annualised rate, GDP shrank by 6 per cent in the G7 economies, the European Union and the OECD as a whole¹. These are the worst figures ever recorded. The contagion has spread to emerging and developing economies where growth has now stalled and GDP per capita is falling. The impact of the recession is rapidly intensifying in developing regions in 2009, because of the sharp decline in exports and a drying up of private capital flows. 26 low-income developing countries in Africa, Asia, the Americas and Eastern Europe have been identified by the International Monetary Fund (IMF) as being “highly vulnerable” to the adverse effects of the global recession in 2009². The achievement of the Millennium Development Goals, which set minimum objectives for a global

1 OECD, Quarterly National Accounts, 18 February 2009

2 IMF, The Implications of the Global Financial Crisis for Low-Income Countries, 2009

effort to tackle many of the root causes of poverty, is being jeopardized by the economic crisis. Ten years of progress in poverty reduction has been undone in just a few months.

3 Unemployment has continued to surge in the first months of 2009. It now appears likely that the ILO's 'worst-case' scenario of unemployment increasing by 50 million worldwide in 2009 will turn out to be over-optimistic³. Over 200 million workers could be pushed into extreme poverty, mostly in developing and emerging countries where there are no social safety nets, meaning that the number of working poor – earning below 2 USD per day for each family member – may rise to 1.4 billion. 60 per cent of the world's poor are women. Workers around the world, who are losing their jobs and their homes, are the innocent victims of this crisis: a crisis precipitated by greed and incompetence in the financial sector, but which is underpinned by the policies of privatisation, liberalisation and labour market deregulation of recent decades. The effects of these policies – stagnating wages, cuts in social protection, erosion of workers' rights, increased precarious work, and financialisation – have combined to increase inequality and vulnerability. The scale of this crisis serves as testimony to the failure of these policies. Without a radical response by governments, this most serious economic crisis since the Great Depression of the 1930s will transform into a social and, ultimately, political crisis as well.

4 When our economies begin to recover there can be no return to 'business as usual'. The crisis must mark the end of an ideology of unfettered financial markets, where self-regulation has been exposed as a fraud and greed has overridden rational judgement to the detriment of the real economy. A new national and global regulatory architecture needs to be built, which restores financial markets to their primary function of ensuring stable and cost-effective financing of productive investment in the real economy. Beyond this, there is a need to establish a new model of economic development that is economically efficient, socially just and environmentally sustainable. It must bring to an end the policies that have generated massive inequality over the past two decades. This requires a paradigm shift in policy-making. G20 Leaders must begin a multilateral process, working together with other governments, the UN and other institutions, to redraw the governance of the global economy such that social and environmental issues are assigned the same level of priority as trade and finance.

5 The global trade union movement therefore calls on G20 Leaders, working with other governments and international institutions, to develop a five-point strategy, to first tackle the crisis and then build a fairer and more sustainable world economy for future generations. The strategy must:

- implement a coordinated international recovery and sustainable growth plan with maximum impact on job creation focussing on public investment, active labour market policies, protecting the most vulnerable through extended social safety nets, and 'green economy' investments that can shift the world economy onto a low-carbon growth path.

3 ILO Global Employment Trends, 28 January 2009

Developing and emerging economies must be given the resources and the policy space to undertake counter-cyclical policies (§ 6-17);

- nationalise insolvent banks immediately so as to restore confidence and lending in the financial system and beyond this establish the new rules and mechanisms to control global finance with full stakeholder engagement. We propose an eight point-action plan to this end (§ 18-22);
- combat the risk of wage deflation and reverse the growth of income inequality by extending the coverage of collective bargaining and strengthening wage setting institutions so as to establish a decent floor in labour markets (§ 23-26);
- prepare the ground for a far-reaching and ambitious international agreement on climate change at COP15 in Copenhagen, in December 2009 (§ 27-29);
- establish a legal benchmark of norms and instruments of the international economic and social institutions – the ILO, IMF, World Bank, WTO and the OECD – and beyond this reform these institutions and build effective and accountable global economic governance (§ 30-33).

II. A Coordinated International Recovery and Sustainable Growth Plan

The need for coordination

6 The first priority for G20 leaders must be to restore confidence by halting the freefall in world growth and reversing the decline in employment. Governments must take all necessary measures to this end and must use their leverage with the banks to get credit moving again and provide additional liquidity. Since November 2008, most G7 countries and others in the G20 and beyond have announced or implemented fiscal measures to boost growth. These measures would have twice the impact on jobs and growth if they were coordinated and complemented internationally⁴. So far such coordination is missing: the US stimulus amounts to at least 2 per cent of GDP per year, whereas the EU country measures announced by the beginning of February 2009 amounted to less than 1 per cent of the EU's GDP. The G20 must get the current "free-riders" to act and take coordinated measures to stimulate the world economy – with those with trade surpluses taking the lead. We reiterate our call for a global recovery plan amounting to a least 2 per cent of world output. Central banks should continue to cut interest rates and undertake quantitative easing of monetary policy so that government investment can be financed at a low interest rate cost.

Public Expenditure Targeted on Employment

7 Measures must also be targeted within countries so as to have the biggest impact on growth and employment. There is a need to draw a new economic map, which identifies the sectors that provide the greatest opportunities for future growth. Governments should bring forward infrastructure investment programmes that stimulate demand growth in the short

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4 IMF, Fiscal Policy for the Crisis, December 29, 2008

term and raise productivity growth throughout the real economy in the medium term. Measures should be introduced to support the purchasing power of low income earners, including single earner households, which are predominantly female-headed. 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 helps beat the recession. This can be done through increasing benefits, direct job creation schemes and changes in tax. Resources should not be wasted on ineffective, generalised tax cuts: during a downturn, spending on social safety nets and transfers for local government services, including education and health, will have almost twice as much impact as tax cuts.

Green Investment and Jobs

- 8 There has never been a better time to launch the ‘Green New Deal’ called for by the United Nations Environment Programme (UNEP). The ‘Green Jobs’ agenda requires governments to undertake large-scale investment in green infrastructure, such as energy efficiency and renewable energies – thereby stimulating the creation of high quality employment across a range of sectors – as well as to scale-up financial resources for research and development, diffusion and deployment of new technologies, and to upgrade skills development schemes.

Quality Public Services

- 9 As part of a new development model governments must enhance the role of the public sector – national and municipal – in the provision of quality, essential services such as education, health, water, sanitation, law, safety and security, fire-fighting and civil protection. Quality public services can make a vital contribution to social cohesion and equity, which alongside effective and ethical administration of legislation and the application of regulatory frameworks are the cornerstones of healthy democratic societies.
- 10 This is also the time to invest in people – in their education and health, and in care for the very young and the aged. Given the accelerating job losses in industries affected by the crisis, there is a clear rationale for investing in education and training so as to support the transfer of workers into sectors where there is a need for more jobs. In the health/care sectors, for example, due *inter alia* to the ageing population, the World Health Organisation (WHO) estimates a need for an additional 4.2 million jobs worldwide. In education, an estimated eighteen million new teachers must be trained to meet the goal of providing quality education for all primary age children by the year 2015. Millions more teachers and instructors are needed for vocational education and training for skills that underpin the real economy and for retraining of working people as economies restructure. In addition, governments must step up efforts to reduce poverty among women, who today constitute the majority of the world’s poor.

Active Labour Market Policies

- 11 The priority must be to keep people at work, workforces together and workers in activity. Active Labour Market Policies (ALMPs) have a crucial

role to play, yet spending on ALMPs has been only a tiny part of the fiscal packages adopted by most countries. Programmes must be implemented to reduce the risk of unemployment and wage losses, as well as to provide income support. In these difficult times, companies must be socially responsible and retain their workers as long as possible. At the ILO, workers, government and employers have agreed that “restructuring should be based on dialogue between management, unions and workers’ representatives”⁵. Those companies receiving public assistance need to respect agreements with governments and trade unions to undertake agreed restructuring programmes that include employment and training components.

12 Governments must put in place labour market policies that:

- discourage companies from hitting the redundancy button at the first signs of trouble and provide support for businesses affected by temporary credit difficulties;
- focus on groups most affected by the crisis, such as the young, older and unskilled workers, temporary and part-time workers, women and migrants;
- increase efforts to eliminate the gender pay gap, which is estimated to stand at more than 22 per cent⁶;
- provide income support, in particular through expanded unemployment benefits;
- ensure full respect of national and international standards on workers’ rights regarding termination of employment;
- promote investment in people and offer improved training opportunities in order to facilitate the acquisition of new skills by workers of all ages;
- assure migrant workers the same rights as other citizens, as their stigmatisation not only leads to xenophobia, but ultimately exacerbates poverty.

Support for Emerging and Developing Economies

13 As global unemployment surges, most of the world’s workers do not have recourse to unemployment benefits when they lose their jobs and can rely only on their own savings or their family’s support when they reach old age. The crisis presents both an obligation and an opportunity to establish decent social safety nets that can act as automatic stabilisers in countries that do not currently have them, irrespective of the level of development.

14 Increasing workers’ incomes and expanding social protection will be particularly important for the recovery of emerging economies that had achieved high growth through export-led development but are now facing a collapse of their major export markets. Economic recovery in these countries, and also the achievement of sustainable longer-term growth, will depend on their capacity to build up a stronger domestic demand base. This

5 ILO Global Dialogue Forum on the Impact of the Financial crisis on Finance Sector Workers 24-25 February 2009

6 ITUC, Gender inequality in the labour market: an overview of global trends and developments, 2009

will require improved observance of workers' rights so that trade unions can negotiate wage increases commensurate with increased productivity, and more comprehensive social protection through programmes, such as old-age pensions and health care. Such strategies will help to correct the 'global imbalances' in trade and financial flows and reverse the increased income inequality experienced in many of these countries.

15 As industrialized and emerging economies strive for recovery there is a risk of leaving the low-income countries on the sidelines. The poor are still reeling from the food crisis. Whilst food and commodity prices have moderated with the global recession, the effects continue to be felt: cereal prices, for example, today are still 71 per cent higher than in 2005. The economic crisis will through falling incomes further exacerbate the effects of the food crisis, with the most affected being the rural and urban poor, landless farmers, female-headed households and those recently made unemployed, including migrant workers. It is absolutely critical to maintain and enhance levels of official development assistance (ODA). Development assistance budgets, particularly for the Least Developed Countries (LDCs) need to be maintained with the adoption of binding commitments and a timetable to meet the UN target of 0.7% of GDP. Governments must keep food security on the agenda and work together to build longer term agricultural resilience to ensure that people can afford basic staples and enjoy secure and sustainable access to food.

16 Most developing and some emerging countries are operating pro-cyclical fiscal policies, because they are pressured by the International Financial Institutions (IFIs) to practice 'fiscal discipline' at times of crisis. The international community must support expansionary recovery programmes in developing countries, which are necessary to prevent poverty from growing further and to contribute to global demand. The international and regional development banks, as well as other agencies, have an important role to play in ensuring that all regions of the world take part in the recovery effort. This requires both increased financial assistance from IFIs and donor countries and an end to the harmful economic policy conditionality attached to assistance from the IFIs. The IFIs should expand their debt relief initiatives and undertake governance reforms so that the countries most affected by their actions have a greater say in setting their policies.

Restore Public Support for the Global Trading System

17 Trade is collapsing, but more due to the shrinking of the real economy than protectionism. We must avoid the mistakes of the crisis of the 1930s of reverting to 'beggar thy neighbour' policies. Trade can boost economic growth, recovery and development, but only under the right conditions. Restoring the legitimacy of, and public support for, the world trading system and concluding the Doha Round of trade negotiations, requires progress on the enforcement of the protection of fundamental workers' rights. It also requires ensuring that developing countries are able to achieve economic recovery, decent employment and future industrial development and where necessary control short-term capital flows to meet development objectives. It would also require developing further

mechanisms, including buffer stocks and compensatory mechanisms, to protect low-income countries against primary commodity market volatility.

III. New Rules for Global Financial Markets

18 G20 Leaders must take immediate action to restore liquidity and solvency in the banking system so that it fulfils its essential role of financing productive investment. Beyond this, G20 Leaders must start the process of fundamental reform of the global financial system, so as to bring to an end the financialisation that has devastated the real economy. Governments must ensure that a crisis on this scale never happens again.

Restore Confidence, Nationalise the Banks

19 The banking sector contains a large number of insolvent banks, which would have already gone out of business were it not for the magnitude of the crisis and the fact that some are simply ‘too big to fail’. Governments are faced with two options: (i) create taxpayer-sponsored ‘bad asset’ pools, where bankers can dispose of their toxic assets; or (ii) nationalise all weak banks on the basis of the risk they present to the system. The first option will neither separate the ‘bad’ assets from the ‘good’, nor restore confidence, serving only to worsen the state of the public finances. Also, such ‘bailing out’ of bank shareholders would amount to a transfer from working people to the world’s wealthiest households, who are disproportionately represented among the shareholders of financial institutions. Under current circumstances, nationalisation is the only way to restore confidence, provide fair risk-sharing and ensure that taxpayers benefit from any gains once solvency is restored.

Reform the Financial System

20 Governments must also correct the democratic deficit that has characterised efforts to re-design the post-crisis financial architecture. They should not leave the reform of the financial system to the experts of the Financial Stability Forum (FSF) – the same experts who created the current system that has now collapsed so disastrously. Furthermore, the FSF has failed in the past to engage with trade union, civil society or other stakeholders, including the UN and the ILO, and does not have the appropriate governance structure, expertise or resources to enable it to do so in the future.

21 The current crisis has revealed the limits of the ‘delegated supervision’ approach, which prescribes that only a small part of the financial system (e.g., commercial banks) requires proper oversight. Several post-September 2008 initiatives have identified the need to reverse the light regulatory approach to global finance of the past⁷. Now is the time for binding regulation to ensure public control and oversight of all financial

7 Modernizing the American Financial Regulatory System, Congressional Oversight Panel (COP), Special Report on Regulatory Reform, January 2009: <http://cop.senate.gov/documents/cop-012909-report-regulatoryreform.pdf>; Principles for a New Financial Architecture, Stiglitz, UN Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System, January 2009; <http://www.un.org/ga/president/63/commission/newfinancialarchitecture.pdf>

institution, products and transactions. We propose the following eight point action plan:

- > **Clamp down on the ‘shadow’ financial economy.** Governments must ensure full regulatory coverage of all institutions, products and transactions. In particular, private pools of capital (hedge funds and private equity) must not be exempted from regulation that applies to other asset management entities, which provides for accountability to investors, transparency and, where needed, employer responsibilities. All forms of credit-related, off-balance sheet transactions must be prohibited. Financial products that transfer credit risk (such as credit default swaps and obligations) and other opaque ‘structured products’ that are securitised on the markets must come under the oversight of public authorities. As a general rule, trading should be tied to beneficial ownership. Credit rating agencies must be properly regulated so as to avoid conflicts of interest in the valuation of products and institutions.
- > **End tax and regulatory havens and create new international taxation mechanisms.** G20 Leaders must agree on international cooperation measures so as to bring tax havens, offshore financial centres (OFCs) and bank secrecy jurisdictions – including but not limited to the 38 territories on the OECD watch list – in line with international standards. They must also act to stop the ‘race to the bottom’ between tax jurisdictions, which is eroding the tax revenue source of many countries. Governments should develop a package of sanctions to protect their tax base, including investment restrictions for institutional investors and higher penalties for tax crimes. Moreover, international taxation of financial transactions, such as on short-term movements, should be introduced in order to finance taxpayer funded public debt incurred as a result of the crisis. Such a tax could help protect developing countries against global market volatility.
- > **Ensure fair and sustainable access to international finance for developing countries.** Developing countries should be given access to credit lending terms that are commensurate to their needs and capacities. Measures include activating the IMF Special Drawing Rights (SDRs) programme, accelerating regional currency cooperation, and re-directing the capital flows of current account surplus countries, including their Sovereign Wealth Funds, towards development objectives.
- > **Reform the private banking business model to prevent asset bubbles and reduce leverage risks.** Capital adequacy rules – the amount of capital banks are required to put aside as collateral for their lending – must be further tied to the growth of the bank’s holdings in assets and to the degree of risk borne by those assets. This would discourage banks from exposing themselves to excessive asset risk. It would also help drive asset allocation towards socially desirable goals and facilitate the control of asset price inflation by central banks.
- > **Control executive, shareholder and other financial intermediary remuneration.** Remuneration schemes must be regulated by law to reflect and promote long-term economic, social and environmental performance and allow companies to allocate profits to the company’s reserves for reinvestment in productive assets. Remuneration of management and traders

should be capped in line with workers' pay and pensions and, in the case of financial services, linked to responsible sales and lending practices. The cashing-in of bonuses and other performance-related schemes within five years should be prohibited. Shareholders must be prevented from plundering the wealth of companies during growth times through dividends and 'share buy-back' programmes, which leave companies with under-capitalised balance sheets during economic downturns. Private equity in particular has put millions of jobs at risk due to its unsustainable, leveraged buy-out takeover model.

- > **Protect working families against predatory lending.** Governments should take steps to increase the security of lending for working families by providing for the transparency of financial contracts (housing, credit cards, insurance), access to effective recourse, proximity of services and affordability (ceilings on interest rates and fees). The remuneration and incentive schemes of banks, their employees and other credit-suppliers should be designed to ensure responsible sales and lending practices, which serve the interests of customers.
- > **Consolidate and enhance the public accountability, mandate and resources of supervisory authorities.** Governments must act to end the fragmented approach to financial regulation, which is currently divided according to business activity and national jurisdiction. There must be supra-national consolidation where needed, notably in Europe. Supervisory authorities must be assigned sufficient enforcement powers and resources that are commensurate with their tasks. In particular, their mandate should be extended to cover monitoring of asset price inflation. A trade union voice must be heard in their governance structure. In addition, the supervisory framework, including 'colleges of supervisors', should provide for the cooperation of financial authorities with trade unions and other workplace employee representative structures in the financial sector: e.g., works councils and international framework agreements that are drawn up between Global Union Federations and multinational companies.
- > **Restructure and diversify the banking sector.** A diversity of business models and legal forms is needed to help build balanced and robust domestic financial services that serve the real economy and meet the needs of working families. Governments should promote alternative models to for-profit banking and insurance services, such as credit unions, cooperative banking, mutual insurance, and other community-based and public financial services. They should also take steps to ensure that there is no future creation of large conglomerates that are either 'too big to fail', or which combine different types of business: banking, insurance, investment banking, etc. Restructuring must be carried out on the basis of the highest standards of social dialogue and any employment impacts must be mitigated.

Protect Workers' Pensions

- 22 G20 Leaders must also 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. OECD-based pension funds have declined in value by over USD 3.3 trillion, 20 per cent in real terms, in 2008, due to the fall in value of equity, fixed-income assets, hedge funds and structured products. The immediate impact of the crisis will be felt most by those nearing retirement age, whose pensions fall under un-protected 'defined contribution' schemes, where the final level of pension depends on the performance of the pension fund. Governments should take steps to ensure an adequate retirement for workers under pre-funded schemes, including ensuring employers take their share of the pension risk and funding, strengthening existing government guarantee schemes and pension fund investment regulation at large.

IV. Stopping Wage Deflation and Combating the Crisis of Distributive Justice

23 The 'flexibilisation' of labour markets that has occurred in most economies over the past 25 years has increased the risk of wage deflation contributing to the crisis due to purchasing power being cut and increasing insecurity. Governments must not make the same mistake as in the 1930s and allow competitive wage cuts. Rather than pursuing policies that weaken worker protection and increase the precariousness of work, governments must ensure that floors are put in labour markets to prevent a worsening spiral of deflation of earnings and prices. They must act to protect workers' core rights and the extension of collective bargaining and encourage the rebuilding of the institutions that help distribute income and wealth more fairly. Minimum wages need to be high enough to ensure that workers and their families have decent living conditions, so as to prevent further increases in the number of the working poor. Women represent the majority of those for whom working conditions are the most precarious and achieving gender equity and the elimination of discrimination against women in employment must become a priority of the national and international policy agenda.

24 Prior to the crisis, income inequality had risen both within and between nations. Increases in wages had fallen behind wider growth rates in productivity in two-thirds of the wealthiest countries that make up the OECD⁸, and the share of wages in national income had fallen in all countries for which there are data. In developing nations, even before the food price crisis of 2007-2008 and the current financial crisis, the World Bank noted that in 46 out of 59 examined, inequality had increased over the previous decade. The worsening economic situation, on top of the crisis in the world food system, will exacerbate these existing inequalities. Instead of steady economic growth built on investment, productivity and the growing prosperity of working people, we have had a series of speculative bubbles that have increased the wealth of the few, but are now being paid for by the many. We need a new model of economic development that is environmentally sustainable and ensures balanced real wage growth, in line with productivity increases. We also require a fairer tax system, which tackles inequality by shifting taxation from labour on to capital.

8 "Growing Unequal", OECD October 2008

25 In most developing countries, labour market institutions are even weaker than in industrialised countries and large proportions of the labour force are sidelined in the ‘informal economy’, where workers have no protection of any sort. Basic labour market regulations – such as minimum wages, maximum hours, severance pay in case of job loss and limitations on the use of short-term contracts – are essential for protecting workers against abuse, as is full respect of the core labour standards so that workers can organise and bargain collectively to improve their wages and working conditions. The IFIs should not promote further labour market deregulation in developing countries during the current crisis, as this will only exacerbate the situation of workers, especially since the vast majority of developing-country workers have no income support programmes to fall back on. The IFIs should work jointly with the ILO in its efforts to promote the creation of safe employment with adequate wages, social protection and rights.

26 Looking to the longer term, the tripartite structures for economic and social consultation and policy planning that provided the springboard for the 30 years of high economic growth and improving living standards of the post-war period need to be recreated. Involving representatives of working people in the decisions that determine employment and economic growth is not only consistent with democratic principles, but makes good economic sense. The alternative neo-liberal model condemns us to repeating the mistakes of the 1920s and 1990s and maintaining the levels of spiralling inequality that resulted in financial instability and ultimately stock market crash.

V. Laying the Foundations for an International Agreement to Mitigate Climate Change

27 G20 Leaders must ensure that the urgent measures needed to tackle climate change are not derailed by this crisis. Rather, as called for in this declaration, governments must use the coordinated global fiscal response to the crisis to move ahead with the ‘green economy agenda’, thus preparing the ground for an ambitious climate agreement this year in Copenhagen. These are essential steps if we are to prevent the world’s average temperature rising more than 2°C and to avert widespread climate disaster: at best, the loss of 5 per cent global output “now and forever” according to the Stern report, or, at worst, the collapse of societies as predicted by current models of long-term environmental and economic interactions. It is essential that the G20 meeting sends a strong message on the need to reach an agreement in Copenhagen. Such an agreement must include ambitious targets for Greenhouse Gas (GHG) emission reduction in developed countries, as well as effective action for achieving GHG emission reduction or controlled increases to bring about low carbon development in developing countries.

28 Governments must recognise that reaching such an agreement on climate change depends on building a broad and sustainable political consensus on goals, as well as the means of achieving them. The agreement must show that signatory governments recognise the social and economic impacts of its implementation by providing a clear strategy for addressing them since,

to date, the employment challenges, together with the potential benefits, have remained unaddressed. Furthermore, the new climate change agreement must call on governments to consult on, plan and implement a 'just transition' strategy, aimed at protecting the most vulnerable from climate change risks and from the consequences of climate change adaptation or mitigation measures. These 'transitional' strategies must include, *inter alia*, provision for consultation with unions, business and civil society, skills development schemes, social protection policies and economic diversification.

- 29** Developed countries should make financial and other support available to the poorest countries to enable them take up the challenges of climate change, including through the United Nations Framework Convention on Climate Change (UNFCCC) Adaptation Fund.

VI. Effective and Accountable Global Economic Governance

30 In 1944 the world's major countries came together in Bretton Woods to set up new global financial arrangements that would support economic recovery. Today we need to show greater ambition: change must go beyond financial regulation. The crisis has revealed serious weaknesses in the governance mechanisms for the global economy. While there is no one blueprint for optimal world governance, governments can start by identifying the requirements of global coherence in areas such as environment, finance, development assistance, migration, labour, health and energy, where it is self-evident that national governance alone is deficient and that a new world institutional architecture is required in a 'grand global deal'. If the trade agenda is to move forward, a much stronger social pillar is needed in order to anticipate and smooth the employment shifts that more intense competition will provoke. The G20 process contains some of the necessary elements, but remains heavily weighted towards finance issues. The real economy, decent work and poverty reduction are currently being treated as marginal to its discussions. Furthermore, countries representing one third of the world's population are not represented at the table and have no means of influencing the G20's work.

31 There is a need for a new decision-making forum on economic and social policies at a global level which combines effectiveness, legitimacy and accountability. A possible starting point is the charter or legal instrument on global economic and social governance based on OECD, WTO, ILO, IMF and World Bank instruments proposed by the German Chancellor and the Italian Minister of Finance. This Charter would provide a synthesis of the guiding principles of these bodies, referencing standards such as the core labour standards of the ILO and the OECD's MNE Guidelines, Anti-bribery Convention and Principles for Corporate Governance. This would combine rules concerning market behaviour with the "complementary elements regarding employment and enterprise development, social protection, humane working conditions, sound labour relations and rights at work"⁹, of the ILO's Decent Work agenda. We urge G20 leaders to give serious consideration to this proposal and to begin the process of

9 Statement by the ILO, WTO, IMF, OECD, World Bank and Germany February 5 2009. available at http://www.oecd.org/document/32/0,3343,en_2649_34487_42124384_1_1_1_1,00.html

consultation that is required to build support for the truly authoritative global summit of world leaders that is needed to manage our increasingly interdependent world economy.

32 Governments must start the work, but it cannot be left to bankers and finance ministry officials meeting behind closed doors. Trade unions are ready to engage constructively in this process and call on governments to give trade unions a seat at the table. Trade unions need to be a full part of new governance and advisory structures to international organisations, just as they are at the OECD. In line with the mandate provided by the *Declaration on Social Justice for a Fair Globalization* adopted by the International Labour Conference in June 2008, the ILO needs to be at the centre of a new multilateral architecture that can respond effectively to the current crisis in market-driven globalisation by placing employment, social priorities and the promotion of decent work at the heart of decision-making.

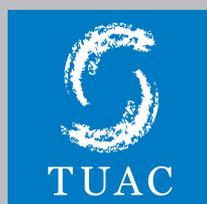
33 There is need to increase the representation and strength of the poorer countries in global institutions and processes. Emerging economy and developing country governments must play a full part in the institutions of a new economic order. In particular the World Bank, whose focus is developing countries, must give them voting rights – based on economic but also social criteria – that are at least equal to those of the industrialised countries. The IMF is equally in urgent need of reform and should change its governance structure to increase the representation of the low-income ‘client’ countries, and of the emerging economies whose role in the global economy has increased over the past several years. G20 Leaders have already agreed to commit greater resources to the IFIs¹⁰, but in return, both the Bank and the IMF must stop imposing the conditionality on developing and emerging countries that pushes them in to pro-cyclical policies. For example, emergency IMF loan agreements negotiated with several governments since October 2008 included interest rate hikes, reduction of wages and pensions, increased fees for public services and privatisation of state-owned entities with several agreements including the obligation to carry out reforms of social protection that could eliminate its availability to those who are not among the most vulnerable. Instead the attainment of decent work and observation of core labour standards must underpin the new arrangements. Regional bodies such as the African Union (AU), the Association of Southeast Asian Nations (ASEAN) and the Organisation of American States (OAS) should have a place in the G20, just as the European Commission (EC) does.

VII. Conclusion

34 Trade unions have long been critics of the imbalances in the relative priority given to economic and social institutions and the growing dominance of unregulated and unmanageable financial markets to the detriment of the financing needs of the real economy, undermining its ability to provide decent work for all. Governments, working together with the social partners and with the input of relevant international organisations

10 G20 Finance Ministers’ and Central Bank Governors’ Communiqué - 14 March, 2009

such as the ILO, must create a new economic world order. This requires a paradigm shift in policy-making that 'puts people first'. Trade unions and the workers we represent, however, have no confidence that this time governments and bankers will get it right. Working people must have a seat at the table. There must be full transparency, disclosure and consultation. The Global Union organisations are ready to play their part in building this fairer and greener future.



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