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JOBS, DEVELOPMENT AND CLIMATE ACTION: DELIVERING THE 2030 AGENDA AND PARIS CLIMATE AGREEMENT IN A PERILOUS WORLD ECONOMY

TRADE UNION STATEMENT TO THE G7 ISE-SHIMA SUMMIT, JAPAN 26-27 MAY 2016

Overview

The G7 meets in Japan following two historic agreements by the world's governments in 2015, and against the background of increasing risks of stagnating growth and stalled recovery as a result of turmoil in world trade, emerging markets and financial and currency markets. At the same time, labour markets have still not recovered from the "great recession" with some major economic regions still experiencing historically high unemployment levels. Continually rising inequality and the spectre of deflation with its dire implications in terms of rising real debt burdens continue to confront the G7. 2016 is proving to be the most dangerous year for the global economy since 2009.

The UN Sustainable Development Goals (Agenda 2030) and the Paris Agreement on Climate charted a course for a world, where zero poverty and zero carbon is possible. Unions support these ambitions and call on the G7 Leaders to focus on key policy measures to both confront the short term challenges for jobs and growth and achieve the long term objectives for inclusive growth and sustainable development.

Reducing Inequality

SDG 10: Reduce inequality within and among countries...

"10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality".

Inequalities in global wealth are staggering and with income inequality at record levels where 1% of the population holds equivalent wealth to that of the remaining 99% (Oxfam 2016¹). This is both a social and an economic risk.

Recent OECD work² indicates that income inequalities across the OECD may be even worse than previously thought and that, for example, the mean income of the richest 10% is not 10 times but 15 times higher than the mean income of the poorest 10%, with some of the OECD members even having ratios whereby the 10% richest have earnings that are 50 to 60 times

1. An Economy For the 1%: How privilege and power in the economy drive extreme inequality and how this can be stopped (<http://policy-practice.oxfam.org.uk/publications/an-economy-for-the-1-how-privilege-and-power-in-the-economy-drive-extreme-inequ-592643>)
2. Who are the top 1% earners in Europe? OECD Economics Department Working papers no 1274 by Oliver Denk

higher than the 10% poorest. From its side, the World Bank in its recent World Development Report³ points again to the fact that the share of labour in national income is falling in many countries. With drops as high as 12% points of GDP in Poland or Mexico since 1975.

Reducing inequality requires a comprehensive strategy that includes universal social protection, a minimum living wage and expanded collective bargaining supported by strengthened labour market institutions.

Creating Employment and Decent Work

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all...

"8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value";

"8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms";

"8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment."

In particular, for Youth, Goal 8 is explicit:

"By 2020, substantially reduce the proportion of youth not in employment, education or training"

and "8.b By 2020, develop and operationalise a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organisation".

Restoring Growth and Reducing Unemployment

More than seven years after the onset of the crisis, unemployment remains at historically high levels in too many economies, insecure or irregular work is a reality for up to half of those in formal employment with, and in addition, some 40% of the global labour force trapped in informal work and labour force participation rates have been falling because of discouraged workers.

Economic policy must become pro employment. Investment in infrastructure, the green economy and public services is critical. Monetary policy, however, has reached its limits. Fiscal policy must take over and should grasp the opportunity of reducing future 'net debts' as public investment can generate future benefits for the economy at a cost that is basically zero at this moment.

Jobs must be quality jobs if decent work is to be realised. Business must rise to the challenge and start viewing decent work and quality jobs as an investment in future productivity and innovation.

Simulations⁴ conducted for the ITUC and TUAC show that a coordinated mix of wage and investment policies could create up to 5.84% more growth in G20 countries – compared to business as usual. *"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."* We estimate that this could halve the Jobs Gap in the G7 countries over five years.

Integrating Refugees and Migrants into Societies

Managing the highest number of refugees in modern history is both a challenge and an opportunity. Migrants contribute skills and incomes to host nations but are faced with humanitarian and protection issues. There were 1.5 million asylum seekers in OECD countries in 2015 alone – almost twice as many as in 2014. This calls for determined action from G7 governments to support their

3. World Bank World Development Report, 2016, see Figure 0.15 page 21

4. Ozlem Onaran, University of Greenwich, "The case for a coordinated policy mix of wage-led recovery and public investment in G20", L20 Working Paper, 2014

integration, both in coordination with each other – especially on the question of resettlement to neighbouring countries based on clear agreements – and by directing international organisations such as the World Bank, the United Nations, the ILO and the OECD to work with regional and national institutions. A rapid process for obtaining an asylum/refugee status needs to become an integral part of humanitarian and refugee assistance. Absorbing 1.5 million refugees in Europe with a population of 500 million is feasible. Lebanon for example has taken in 1 million refugees and has a population of only 5 million.

Whole-of-government plans need to be scaled up to integrate migrants into the formal economy with associated labour, social, political and cultural rights. This entails ensuring the legal right to work and education, facilitating qualification recognition, providing counselling and information sharing, and rapid language training to meet individual needs. Many skilled workers are among the refugees fleeing Syria and other conflict regions, but lack proof of qualifications due to the conflicts. Social dialogue is key to mediate between new arrivals and the established workforce, as well as in determining broader questions of labour market integration such as identifying and matching skills, setting wages, ensuring workers' protection and establishing education and training programmes.

Refugee families should be supported in accessing mainstream school classes, while avoiding over-concentration and giving teachers the training and resources needed to cope with the situation. It is particularly important to introduce targeted programmes for unaccompanied minors and young people in need of financial, housing and psychological support as well as training. Overall, funding for refugee needs and for social protection programmes and services in host countries needs to be raised to meet the challenge.

We also ask G7 nations to recognise that with some 80 million people displaced and only 20% in developed economies there is a need to ensure support for the poorer countries struggling to manage the issues detailed here.

Ensuring Decent Work in Global Supply Chains

Ensuring decent work in global supply chains must also be a priority. Accounting for 60% of production this dominant form of global trade is contributing to inequality with low wages,

insecure and often unsafe work. ITUC research (Scandal Report 2016⁵) shows that in 50 of the largest MNEs only 6% of the workforce is directly employed. 94% of workers contributing to the profits of these companies comprise a 'hidden workforce'.

The G7 in 2015 recognised the need to strengthen rights in supply chains. Building on the Leaders' Summit Conclusions,⁶ the G7 Labour and Development Ministers stated at their October 2015 meeting that: *"globalisation should benefit people and support progress in sustainable development worldwide. Working conditions endangering the environment, occupational safety and health as well as fundamental principles and rights at work and other human rights are not acceptable."*⁷

The Ministers established a "Vision Zero Fund" to work on accident prevention and safety in supply chains. They must make sufficient funding to make available for the "Vision Zero Fund" to make supply chains safe.

G7 leaders must also live up to their 2015 commitment to strengthen the National Contact Points (NCPs) of the OECD Guidelines for Multinational Enterprises, including by ensuring that G7 *"NCPs are effective and lead by example"*⁸. Trade unions are calling on all G7 governments to sign up for country peer review, including Japan.⁹ G7 Leaders should also ensure that adequate funding is made available to undertake an intensive peer review programme (5 country peer reviews per year) and to conduct peer learning.¹⁰

Under the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, all enterprises should conduct human rights due diligence, and provide access to remedy. The OECD is currently developing General Guidance on Risk-Based Due Diligence for Responsible Business Conduct. The ILO is holding a general discussion on supply chains in June. G7 Leaders should, building on their previous commitments, legislate to require due diligence by companies headquartered in G7 nations.

5. http://www.ituc-csi.org/IMG/pdf/frontlines_scandal_en-2.pdf

6. Leaders' Declaration: G7 Summit, Schloss Elmau, Germany, June 8, 2015

7. Meeting of the G7 Employment and Development Ministers, Ministerial Declaration, Berlin, 13 October 2015

8. Leaders' Declaration: G7 Summit, Schloss Elmau, *op. cit.*

9. Japan was the first NCP to volunteer for peer review (in 2012) but the OECD has since developed a model peer review which it encourages all NCPs to follow.

10. http://www.bmz.de/g7/includes/Downloadarchiv/G7_Ministerial_Declaration_Action_for_Fair_Production.pdf

Gender Equality

Goal 5: Achieve gender equality and empower all women and girls...

"5.4 Recognise and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate".

Women still lag behind men in employment and income. The G20 has recognised the need to increase women's participation in the workforce by 25% by 2025. Increasing women's participation in the workforce is a boost for productivity but to enable women to choose to work. We need investment in the care economy; in child care, aged care, health and education. Investment in the care economy also drives jobs.

Research undertaken for the ITUC¹¹ shows that with an investment of 2% of GDP in the care economy, into social and physical infrastructure, growth could result in 13 million new jobs in the USA, 3.5 million in Japan, nearly 2 million in Germany, 1.5 million in the UK, 1 million in Italy, 600,000 in Australia and nearly 120,000 in Denmark. As a consequence the employment rate of women would increase by 3.3 to 8.2 percentage points across the 7 countries.

Environmental Sustainability and Climate Action: both an SDG component and the subject of specific commitments in the Paris Agreement

SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all...

"7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology" and Goal 13, Take urgent action to combat climate change and its impacts...

"13.2 Integrate climate change measures into national policies, strategies and planning".

The Sustainable Development Goals bring together a strong, comprehensive list of objectives that link environmental sustainability and social development, including Goal 7 on energy, Goal 6 on water, Goal 12 on sustainable consumption and production, Goal 14 on Oceans and Goal 15 on forests.

G7 governments must provide leadership by ensuring their own implementation of these goals is done in coherence with the need for jobs and social justice, and putting in place the dialogue mechanisms to secure broad participation and engagement from all relevant actors, including trade unions.

The Paris Climate Agreement committed to eliminate greenhouse gas emissions and keep the temperature as far below 2 degrees as possible. This will require industrial transformation that is deeper and faster than at any time in our history. Technology sharing, innovation and skills are at the heart of raising ambitions in every nation.

Global leaders also made a commitment to ensure that this transition would be a 'just transition'.

Projected investment in infrastructure is some \$7 trillion per year. This creates jobs. However, there is also job displacement to be expected. Handling this requires social dialogue to be in place as well as developing just transition funds to secure workers' pensions, skills upgrading, redeployment and economic renewal in vulnerable communities.

Securing financing for developing countries to accelerate their implementation of the SDG and climate commitments is critical for meeting global targets.

G7 governments must take the lead on funding levels up to and beyond 2020 as well as ambitious technology sharing arrangements to ensure development based on a transition to renewable energy at a pace and scale that contributes to the commitments made at the COP21.

G7 governments should also lead by example by putting in place the dialogue mechanisms that would ensure a just and democratic transition to a sustainable and climate-sound economy.

11. "Investing in the Care Economy - A gender analysis of employment stimulus in seven OECD countries".