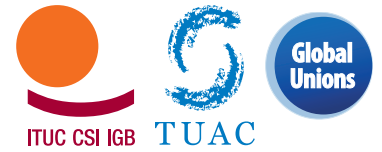




L20

AUSTRALIA 2014

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CREATING QUALITY JOBS AND INCLUSIVE GROWTH: THE ROLE OF G20 LEADERSHIP

L20 STATEMENT TO THE G20 LEADERS' SUMMIT

BRISBANE, AUSTRALIA, NOVEMBER 2014

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"The most urgent need is to increase the momentum of the global recovery, generate higher growth and better jobs."

Saint-Petersburg Summit, Leaders' Declaration¹

Executive Summary

The global economy is faced with weak growth, high unemployment, low investment levels, a rising jobs gap and soaring income inequality. Financial markets are volatile and the climate change and development challenges remain unresolved. The mounting crises such as conflict in the Middle East and the Ebola outbreak in West Africa are only the most obvious reflections of the interconnected nature of economies and societies irrespective of geography or level of development.

The global labour movement represented through the L20 calls on the G20 Leaders to show leadership and political will at this crucial time to press forward with a practical set of policy actions to support demand, create quality jobs and ensure inclusive and sustainable development.

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¹ G20 Saint-Petersburg Summit Final Declaration, September 2013

G20 Leaders should:

- Agree on a balanced policy mix in the Brisbane Action Plan to stimulate demand, raise low incomes and create jobs (§1-4);
- Bring forward investments in public infrastructure and commit to five year investment targets (§4);
- Follow up past commitments to create quality employment and training for young people (§4);
- Commit to an ambitious plan to invest in low-carbon growth and reduce greenhouse gas emissions (§5);
- Step up momentum to ensure fair taxation and implement the BEPS Action Plan (§ 6);
- Move ahead on the past commitments on financial regulation and ending “too big to fail” banks (§ 7);
- Ensure that trade and supply chains contribute to decent job creation and safe workplaces (§8-9);
- Deliver on past policy commitments, increase coordination especially between the G20 Finance and Labour Tracks and bring in the voice of working people in G20 and national policy processes to restore public trust in economic recovery (§10).

The case for a Balanced Policy Mix – The L20 Modelling Results

The L20 simulations 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.

G20 Action for Sustainable Growth and Quality Jobs

1 G20 Finance Ministers and Central Bank Governors have committed to raise G20 GDP “by more than 2% above the trajectory implied by current policies over the coming five years” in February 2014.² However, in the subsequent months, it has become clear that the G20 is off-target. Over the course of 2014, global growth projections from main international institutions have been revised downwards successively. Slowing growth in emerging economies and the increasing threat of deflation in the Eurozone represent major risks to jobs and living standards. Fiscal austerity and stagnant incomes of working families further constrains growth in many economies. The longer unemployment remains elevated or continue constrain to rise, the greater the risk that it becomes “structural” due to scarring effects.

2 The L20 believes that a fresh approach is needed. The world’s workers need a pay rise now. Public investment needs to be expanded to kick-start growth and to ensure that it is job-rich and inclusive for sound long-term economic development. The G20 acknowledged the validity of such a strategy at the Saint-Petersburg Summit in

² https://www.g20.org/australia_2014/finance_ministers_and_central_bank_governors_meeting

September 2013. G20 Labour and Finance Ministers at their joint meeting in Moscow in July 2013 committed to “labour market and social investment policies that support aggregate demand and reduce inequality, such as broad-based increases in productivity, targeted social protection, appropriately set minimum wages with respect to national wage-setting systems, national collective bargaining arrangements, and other policies to reinforce the links between productivity, wages, and employment”.³ The meeting in itself displayed the need for close policy coordination between government departments and for policy coherence among G20 members. The fact that implementation of these commitments is overdue confirms this.

3 The Brisbane Action Plan must put in place comprehensive measures to “support aggregate demand and reduce inequality” as committed to in 2013, and ensure policy coherence through coordination processes at national and G20 levels. Above all it must give confidence to working families both as wage earners and consumers that decisive measures will be taken to support quality job creation. Economic simulations conducted for the L20⁴ that were presented to the Melbourne G20 Labour and Employment Ministers and at the Cairns Finance Ministers’ meeting 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 in the period up to 2018.

Now is the time to invest in infrastructure. Governments in the first place should use fiscal space to invest in public infrastructure. Fiscal rules that restrict public investment should be changed as this is the more effective way to provide infrastructure. Where private finance is required, it should be introduced in accordance with high standards on long-term investments in regard to risk-sharing, transparency and accountability.

4 The L20 therefore urges G20 Leaders to commit to the following policy actions, already debated at the meetings of Labour and Employment Ministers and Finance Ministers and Central Bank Governors:

- Bring forward investments in public infrastructure that create jobs and improve long-term productive potential by supporting the transition to a low-carbon economy that can generate green and decent jobs;
- Include investment targets in national growth, industry and jobs plans for the coming 5 years 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;
- Raise low and middle incomes to reduce inequality and to inject purchasing power into the economy, and move to fair and progressive taxation systems;
- Strengthen workers’ rights and social protection systems so as to formalize jobs and prevent formal employment from sliding into informality;
- Reduce informal and precarious employment and promote inclusive labour markets by boosting activity rates of vulnerable groups, notably women, young people and minority ethnic communities, including through investment in childcare facilities and the “care economy”;
- Introduce global social protection floors to ensure the provision of universal health and elder care, and ensure basic public services;
- Support youth employment by introducing comprehensive youth strategies and youth guarantees that provide counselling, job offers, vocational training, quality internships and apprenticeships, as called for by the L20 and B20, and by increasing investment in quality public education.

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

4 <http://www.ituc-csi.org/new-l20-modelling-shows-how-the>

G20 Leadership on Climate Change and Green Growth

5 There are no jobs on a dead planet. The L20 urges G20 Leaders in Brisbane to drive investment in low-carbon growth and commit to an ambitious and fair plan for reducing emissions to ensure the success of multilateral climate negotiations in Paris in 2015. They should:

- Commit to an ambitious and fair plan for reducing emissions that is binding for all parties;
- Promote social dialogue to deepen R&D and technological innovation to hasten industrial transformation;
- Contribute substantial resources to the Green Climate Fund, including public sources such as the Financial Transaction Tax (FTT) or carbon tax revenues, and support the development of green bonds as a means to provide long-term options for responsible investors;
- Express support for Just Transition strategies where industrial transformation is required, aimed at protecting quality jobs and livelihoods of workers facing challenges in energy-intensive and climate-vulnerable sectors;
- Set attainable targets in view of food and energy security and support sustainable economic activities so as to move to a model of green growth that balances environmental protection and economic development;
- Integrate the external costs of greenhouse gas emissions into price mechanisms, whilst developing parallel measures to protect poor households and consumers and raise awareness.

Step up the Momentum on Taxation and Financial Regulation

6 The L20 supports the OECD Action Plan on Base Erosion and Profit Shifting (BEPS) endorsed by the G20 to curb tax avoidance by multinational enterprises (MNEs). The OECD mid-term BEPS reports delivered in September are encouraging in as far as effective implementation of the Action Plan is concerned. However, concerns remain on some aspects of the plan, including country-by-country reporting. The L20 also supports the commitment to implement the OECD Standard for Automatic Exchange of Financial Account Information between tax authorities to curb tax evasion. Both actions need to be lived up to. The L20 is calling on G20 governments to:

- Commit to public disclosure of a country-by-country tax reporting framework by MNEs. At present, the OECD BEPS proposal for a country-by-country reporting framework would be filed with tax authorities only. Public disclosure, or even partial disclosure, is not under consideration at all. This restrictive approach to corporate tax accountability will not help rebuild citizens' trust in global businesses' contribution to economic development;
- Facilitate the participation of developing countries in both the BEPS process and the implementation of the OECD Standard for Automatic Exchange of Financial Account Information through concrete institutional support. The current format for the involvement of developing countries in the BEPS plan relies exclusively on regional "consultations" and is overall inadequate. G20 should mobilise financial resources and institutional capacities to help tax administrations in developing countries meet the requirements of the BEPS Action Plan and the OECD Standard, including through flexible phase-in arrangements;
- Address the tax treatment of the shadow banking system and private pools of capital. It is time for the G20 to step up and engage a comprehensive approach to tax and finance. In its mid-term reports on the BEPS Plan, the OECD acknowledges difficulties in dealing with the tax treatment of the shadow banking system (including banks

“repo” markets) and of private pools of capital (including private equity and hedge funds). For far too long, the respective G20 Action Plans on tax avoidance and on financial reform have been dealt with separately.

7 Progress on G20-agreed financial reforms is far too slow and insufficient. Financial reforms must ensure that investors shift away from short-term and speculative behaviour towards patient, productive and engaged capital investment strategies. Whilst some important regulatory reforms have been introduced, including the strengthening of prudential and supervisory rules, efforts to address the systemic risks of the shadow banking system and of banks that are “too-big-to-fail” (TBTF) remain only “work in progress” at the Financial Stability Board (FSB). The larger a bank becomes, the greater the “implicit” public guarantees on its liabilities and the cost saving advantages that go with it. Further delays seem very likely, as shown by the recent decision of the G20 Finance Ministers to add another round of “consultations” with the banking industry before any final measure on TBTF is agreed. Meanwhile, financial speculative behaviour remains widespread in financial markets, including in government debt restructuring processes as the experience of Argentina has shown. The L20 is calling on G20 governments to accelerate and raise the ambition of the FSB action plan by:

- Instructing the FSB, the IMF and the OECD to pursue further work on supervision and structural reforms of TBTF groups, including internationally harmonised measures to shield retail banking from volatile trading and investment banking activities;
- Supporting a FTT that also covers listed securities and over-the-counter derivatives as well as by introducing additional measures to dampen speculative trading – including in debt restructuring processes – and to channel resources into economic and sustainable development in line with the call for a comprehensive approach to tax and finance.

Ensure that Trade and Supply Chains Contribute to Decent Job Creation and Safe Workplaces

8 The G20 and its members must ensure that multilateral and regional trade agreements (RTAs) and global and regional development cooperation processes are consistent with international labour standards, and sustainable and inclusive development goals and principles such as guaranteeing universal access to public services and social dialogue at the country level. The L20 is calling on G20 governments to:

- Ensure that supply chains are purged of slavery, informal work and other forms of forced or precarious labour through legislative guarantees and monitoring procedures;
- Introduce minimum living wages and social protection for workers in global supply chains;
- Add a Declaration on Safe Workplaces to the Leaders’ Declaration in Brisbane that includes a set of policy actions to protect lives and ensure social and economic upgrading in supply chains that is in line with the decent work agenda of the ILO;
- Guarantee that workers’ rights and workplace safety are legally enforceable in regional and bilateral trade agreements based on internationally agreed standards;
- Ensure that G20 actions give developing countries policy space and review the G20’s own role in the post-2015 and other international development cooperation processes;
- End investor-state dispute settlement (ISDS) procedures, which lack public accountability, legitimacy and transparency, and seek to re-balance investment protection with investors’ responsibilities and with the rights of states, citizens and workers;
- Reinforce the role of National Contact Points with respect to the implementation of the OECD MNE Guidelines and the UN Guiding Principles on Business and Human Rights ;

- Make Non-Financial Reporting compulsory in order to enforce the accountability of MNEs with respect to sustainable development and human rights in developing countries.

9 The G20 Leaders' Summit comes at a point in time where the Ebola outbreak in West Africa has taken an unprecedented toll and urgently requires international solidarity and joint policy action, including active support on the ground and financial relief. It draws attention to the interconnected nature of our economies and societies. Failure to ensure public health and development anywhere becomes a risk everywhere. Moreover, as health care workers are in the front line of the fight to halt the spread of Ebola – their death toll shows the risks they face – they urgently need adequate protection, equipment and safety protocols, and all of our support.

Deliver on Commitments and Increase Coordination

10 A policy package that expands demand, reduces inequality and creates quality jobs would have the support of working people and give back the much needed confidence to crisis-hit societies. To achieve progress and follow-up of G20 commitments, there is need for greater policy coordination between government departments and policy coherence among G20 members. This entails:

- Moving beyond "Action Plans" that only contain existing policies to coordinated actions and new specific commitments that can be operationalized at national and international levels – in this respect, commitments made in G20 Declarations need to be reflected in concrete national policy changes;
- Transform the G20 Employment Task Force into a G20 Working Party with a strong mandate to work jointly with the Finance Track to establish coordinated policy packages – with the help of international organisations and social partners;
- Establishing policy coherence through a Joint Labour and Finance Ministers' Meeting in 2015;
- Organizing social partners' consultations at both, the Ministerial and Leaders' meetings and involve unions in national implementation procedures and dialogue to bring in the voice of workers.



L20 TRADE UNION STATEMENT TO THE G20 LEADERS MEETING

BRISBANE, AUSTRALIA, 15-16 NOVEMBER 2014

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www.global-unions.org



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IFJ

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