



TUAC-ITUC EVALUATION OF THE G20 SAINT-PETERSBURG SUMMIT OUTCOMES

September 5-6, 2013

Overview

1. The G20 Leaders meeting in Saint Petersburg had jobs and growth as one of the three main items on their agenda. However, the G20 focus on jobs was overshadowed by events in Syria. Nevertheless, several important items from the Finance and Labour Ministers meeting in July on quality jobs, collective bargaining, and rights at work found their way into the Leaders' Declaration.
2. The Summit also made potentially important steps forward in the fight against global tax evasion. The key question is whether these words in the Declaration are followed up by actions by governments in implementing the commitments and, in many cases, change policy. The Declaration recognises that the "*most urgent need is to increase the momentum of the global recovery, generate higher growth and better jobs.*" (#3). Despite mentioning the need to strengthen demand (#20, 21) and wage bargaining including national wage setting systems (#26), the Summit's recommendations mostly feature long term solutions with only few proposals for immediate action. Meanwhile, the Saint Petersburg Action Plan, also issued at the Summit, fails to sufficiently reflect the change of tone of the Leaders' Declaration.
3. Against the background of mixed economic forecasts with stalling growth in emerging economies, low growth and high unemployment rates in the Euro zone, and rising inequality, there still is a lack of follow-up actions to create jobs and demand, as well as to change the focus of structural adjustment policies to smart and sustainable investments and strengthened collective bargaining and labour market institutions. This would entail coordinated global action not only disparate national commitments.
4. On process, progress had been made in view of social dialogue at the G20 level. The Labour20 (L20), representing national and international trade union centres, took part in a joint session with B20 representatives and G20 Leaders on the second day of the Summit. Leaders appreciated "*the contribution of the B20 and the L20 and acknowledge[d] the crucial role of social dialogue as a means to achieve the G20 objectives of fostering growth, employment, and social cohesion*" (#23).

5. On tax avoidance and evasion, the decision in St. Petersburg to adopt the OECD action plan on Base Erosion and Profit Shifting (BEPS) and to commit to automatic exchange of information by the end of 2015 represents a decisive step. It can be compared to the move at the London Summit in April 2009, when international cooperation to eliminate tax havens changed scale (#50, 51). Now, the responsibility to implement these decisions lies with governments.

6. The St Petersburg Summit has taken place ten days before the fifth anniversary of the collapse of Lehman Brothers (15 September 2008). Five years later, this year's G20 missed the opportunity to bring back political leadership over the direction and ambition of post-crisis financial reforms – leadership that has been lost since the London and Pittsburgh Summits in 2009.

7. The Summit issued new G20 Principles of Long-Term Investment Financing by Institutional Investors that were prepared by the OECD. These are welcome to the extent that institutional investors indeed need to shift their investment strategy away from short term, speculative objectives toward long term investments in the real economy. However, the Work Plan adopted at the Summit repeats past recipes to promote “business friendly” environments in the developing world with no reference made to social and environmental rights, despite the declared goal of reaching “sustainable” growth and job creation, and the commitments on climate change as well as the St. Petersburg Development Outlook.

The Global Economy

8. The first section of the Declaration following the Preamble covers the *Global Economy and G20 Framework for Strong, Sustainable and Balanced Growth* by providing a list of challenges to the global economy. It cites the need to address “*weak growth and persistently high unemployment, particularly among youth, and the need for more inclusive growth in many economies*” (#10). The priorities given to Leaders by the L20 delegation were made against the backdrop of a deteriorating economic situation, declining trust and rising inequality with incomes falling beyond the cost of living. In this situation of precarious recovery prospects, financial market instability and unacceptable unemployment levels, the L20 would have wished for a more coordinated G20 Jobs and Growth Plan, than what constitutes the Saint Petersburg Action Plan.

9. However, there is a slow departure from the austerity doctrine as the recommendations allow for more flexibility in fiscal consolidation over the medium-term for advanced G20 economies (#13) to take into account near-term economic conditions, so as to support economic growth and job creation (#19). However, this will not be enough to get growth going. Especially, if the accompanying Action Plan still foresees debt reduction as a central, short term policy goal (Section 3.1) and the Declaration itself refers to “*comprehensive growth strategies [...] in the context of fiscal sustainability*” (#6). A decisive policy re-focussing on supporting aggregate demand would be needed instead. Aggregate demand and internal demand re-balancing are mentioned three times in the declaration (#20, 21, 30). They are, however, not as clearly presented as a policy option as in the Labour and Finance Ministers' Joint Communiqué issued in July. Already a year ago, the Los Cabos G20 declaration proposed to “*strengthen demand and restore confidence*” to create “*high quality jobs*” (#5 in the Los Cabos Leaders' Declaration).

Jobs and Incomes

Policy reforms to support higher employment and facilitate job creation and better matching of skills with job opportunities are central in our growth strategies. (#26)

10. With 93 million people unemployed in G20 countries alone, an unemployment rate of 12% in the Euro area and of 7.5% in the United States (OECD Interim Economic Outlook 2013), job creation and activation were prominently featured in the Declaration (#6, #11, #19, #20, #26, #27, #28, #30, #31, #35, #41 in regards to sustainable development, #49 in regards to Global Value Chains, #79, #81, #82, #90). In paragraph 27, job creation is specifically attached to the “Fundamental Principles and Rights at Work” to ensure higher employment levels and a sustained decline in unemployment, underemployment and informal working conditions. In paragraph 35, the role of long-term investments in job creation as promoted by the L20 is underlined. The importance of Small and Medium Sized Enterprises (SMEs) in generating jobs growth is also recognized in #79.

11. The change of tone that was already evident at the July Labour and Finance Ministers Meeting in Moscow in reflecting concern about weak demand and making positive comments on collective bargaining and social protection systems was taken up in the Leaders’ Declaration (#26). Amongst other, *“resilient and effective social protection systems [as] the foundation for sustainable job-creating economic growth”* (#25) have been recognised. However, the support for minimum wages is missing and there is little policy proposed in the Action Plan that would reduce income inequality despite worsening income distribution in most G20 countries.

12. We welcome the focus on skills enhancement policies and skills matching (#26, #32), quality education and lifelong learning, especially in view of the high youth unemployment numbers (#31) and demographic challenges ahead. It is considered a valuable step to give the G20 Employment Task Force (ETF) the mandate *“to focus on strategies to address structural unemployment, especially among youth and the long-term unemployed, and on national social protection systems”* (#34). The L20 stands ready to participate in this reporting process, as it already did in developing the B20-L20 Principles on Quality Apprenticeships (#34). Nonetheless, effective follow-up action on the creation of quality jobs and the reduction of youth and long-term unemployment needs to be implemented after the Summit.

13. In view of inclusive growth (#7), the responsibility of G20 countries *“to ensure that all people have an opportunity to gain from strong, sustainable and balanced growth”* (#6) is evoked, as are labour market access facilitation for vulnerable groups (#30) and tailored activation strategies (#31). There is no specific focus on migrants nor on gender balance issues, the gender-pay gap or support for the care economy to enable women to re-enter the workforce as well as to decrease precarious working conditions for employees in the care sector.

The St. Petersburg Action Plan

14. As noted, in addition to the Leaders’ statement (#11), the Summit issued the 50 pages long St. Petersburg Action Plan. It mostly covers existing government actions rather than new national or joint policy commitments. The plan comprises three sections: a section describing *The State of Global Economy* and outlining prevailing economic challenges (1.), a section on policies *Supporting the Recovery and Addressing the Near-Term Risk’* (2.) as well as a section on *Strengthening the*

Foundations for Strong, Sustainable and Balanced Growth (3.). The key pillars of the action plan are building on the paragraphs 9–12 and 19–21 of the Leaders’ Declaration. In contrast to the latter, however, the plan shifts the focus from job creation to structural reforms.

15. Most national policies cited in the plan are not new. Most are supply-side measures with the exception of infrastructure investments for some countries. Many focus on the enhancement of productivity and competition. One section covers labour force participation and human capital development and includes about 29 “reform” actions. The L20 will be tracking these actions through its national trade union centres throughout the next year.

16. As the plan includes less policy proposals than the actual Declaration, various policies have not made it into the plan including:

- The promotion of inclusive labour markets, labour market adaptability and efficiency as well as ensuring adequate labour protection;
- Targeted investments to ensure that labour market infrastructure and effective labour activation policies are in place to help jobseekers find work and bring under-represented and vulnerable groups into the labour market and reduce informality;
- The improvement of job quality, including through working conditions, wage bargaining frameworks, national wage-setting systems, and access to social protection;
- The promotion of youth employment as a global priority through quality apprenticeships and vocational training programmes;
- Policies “*ensuring that underrepresented and vulnerable groups are given both incentives and support to find productive and rewarding jobs*”.

Base Erosion and Profit Shifting

17. The G20 in St Petersburg has made bold commitments to curb tax avoidance and evasion. The G20 endorsed the global Action Plan prepared by the OECD to curb Base Erosion and Profit Shifting (BEPS)¹ and to ensure that profits are “taxed where economic activities deriving the profits are performed and where value is created” (#50). The BEPS Action Plan was disclosed in July and is supported by the ITUC and the TUAC. There will very likely be pressure from some business interests to roll back the Action Plan in its implementation phase, which in turn will require renewed labour and civil society mobilisation to oppose these pressures and to ensure the Plan gets translated into effective action so that multinational corporations pay their fair share of tax.

18. On tax evasion, the G20 endorsed the OECD proposal for “a global model for multilateral and bilateral automatic exchange of information”, which was initially submitted to the G8 Summit in Lough Erne last June². G20 members “expect to begin” automatic exchange information (i.e. by opposition to exchange upon request) by the end of 2015 (#51). The deadline coincides with the first

¹ <http://www.oecd.org/tax/beps.htm>

² http://www.oecd.org/ctp/exchange-of-tax-information/taxtransparency_G8report.pdf

intended outcomes of the BEPS action plan. The G20 also calls for the signing of the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters³ “without further delay” (#51), which had been signed by China days prior to the summit, and commit to support tax administration capacities in developing countries (#52).

Long Term Investment Principles

19. Upon recognizing “the key role of long-term investment for sustainable growth and job creation” (#35), the G20 endorsed a “work plan” prepared by the G20 Study Group on Financing for Investment with inputs from the IMF, World Bank (WB), OECD and UNCTAD among others (#37), as well as the new G20/OECD High-Level Principles of Long-Term Investment Financing by Institutional Investors (#38). The High-Level Principles⁴ are welcome to the extent that institutional investors – including workers’ pension funds – indeed need to shift their investment strategies away from short term speculative objectives toward long term investment in the real economy.

20. The Work Plan’s goal is to help mobilise “domestic capital markets” (including debt securitisation), promote a business friendly “investment climate” and public-private partnerships (PPPs), “leveraging” private capital with public money and changing the “business model” of the WB and other multilateral development banks. There is nothing in the work plan that would suggest that long term investment requires compliance with minimum social and environmental standards despite the G20 goals of reaching sustainable growth and job creation. And where “rule of law” is mentioned, it implicitly refers to the exclusive protection of foreign investors’ contractual rights. Most of the Work Plan’s recommendations repeat past recommendations by the G20 the Development Working Group, the activities of which are reported in a separate section of the Communiqué (“Promoting Development for All” #81-89).

Financial Regulation

21. The regulation of Financial Markets remains an unfinished business, bearing high risks for the global economy. As previous G20 communiqués, the St Petersburg text includes a long section (#61-76) on the implementation of the Action Plan on financial reform, which was issued at the London summit in April 2009. Prior to the summit, the Financial Stability Board (FSB) had released a series of progress reports on this plan. The G20 itself claims having “made substantial progress” (#61). The truth, however, is that implementation is marked by many delays and missed deadlines in all key areas: Basel III, the regulation of over-the-counter derivatives trading, “resolution frameworks” for “too-big-to-fail banks” are among the “red” areas of the FSB “scoreboard status report”.

22. One notable change is a more assertive position of the G20 regarding the option of separating commercial banking from “volatile” investment banking and trading activities by law to effectively

³ <http://www.oecd.org/tax/exchange-of-tax-information/conventiononmutualadministrativeassistanceintaxmatters.htm>

⁴ <http://en.g20russia.ru/load/782802644>

“dismantle too-big-to-fail” banking structures by recognizing “*that structural banking reforms can facilitate resolvability*” (#68)⁵. The issuing of a new “straightforward roadmap” (#76) to start “*addressing risks posed by the shadow banking*”⁶ is also welcomed. It should nevertheless be questioned why the G20 did not act on this before.

23. The Summit constituted an opportunity to bring back political leadership over the direction and ambition of post-crisis financial reforms – leadership that has been lost since the London and Pittsburgh summits in 2009. This opportunity was missed

Global Trade & the G20 Development Outlook

24. On global trade, the Declaration supports the multi-lateral system and calls for a better understanding of the Regional Trade Agreements (RTAs) spread and their effects (#47). It also mentions the development mandate of the Doha Round (#42). Moreover, it underlines the need for a better understanding of Global Value Chains (GVCs) and their impact on trade, development, industrial structures and job creation (#49). Meanwhile, the resisting of “protectionism” and the extension of the standstill on tariffs were expected outcomes of this year’s G20.

25. The evolution of GVCs has been accompanied by an increase in outsourcing, subcontracting, indirect employment, low paid, insecure and often unsafe work, in particular in Export Processing Zones. 40% of the global workforce are condemned to work in the informal economy. The recent tragedies in Bangladesh are emblematic of a global problem of poor working conditions in global supply chains. The L20 thus welcomes the mentioning of unsafe working places and the commitment to follow up on this issue in #34. The L20 recommended the implementation of the decent work agenda throughout GVCs, including with enforceable responsibilities for investors and states in trade agreements.

26. In view of the St. Petersburg Development Outlook and the sections on development in the Declaration, Leaders have established that there are sizable obstacles to sustainable development, such as poor infrastructure, unfair tax rules and a lack of skills (#81). Both documents, however, cannot be considered a breakthrough of any sorts as there is no significant change in positions. The L20 called for a stronger focus on environmental concerns, social standards and development effectiveness. The major development gap in rural infrastructure also remained largely unaddressed.

27. The support for public-private partnerships as a central solution to development problems, despite evidence that benefits from PPPs have not always materialised needs to be re-assessed. The G20 Leaders missed the opportunity to make clearer commitments and to propose concrete steps for policies and cooperation. It is nevertheless welcome that investments for poverty reduction were put in one line with ensuring growth as it indirectly refers to tackling inequality not only focus on enlarging GDP numbers.

⁵ See also FSB reports to G-20 on progress and next steps towards ending “Too-Big-To-Fail” http://www.financialstabilityboard.org/press/pr_130902.pdf

⁶ See also FSB recommendations to strengthen oversight and regulation of shadow banking http://www.financialstabilityboard.org/press/pr_130829a.pdf

Moving Forward

28. Follow ups on commitments on employment will be one of the issues on the agenda of the final meeting of the ETF under the Russian Presidency to be held at the ILO in Geneva on 18 October. The ITUC and TUAC acting as the secretariat of the L20 will prepare an analysis of the commitments made in the Action Plan and show, where they fall short of the commitments made in the Leaders' Declaration. We will also be in touch with affiliates from G20 countries in order to track the implementation of key commitments.

29. Although there is no formal agreement on holding a further joint Finance and Labour Ministers' meeting, which was a positive innovation under the Russian presidency, the Declaration acknowledges its benefit for establishing coherent policy frameworks (#28) and calls for further cooperation between Labour and Finance Ministers. The L20 will press for a further joint meeting to be held in 2014 to step up policy coordination.

30. The Australian G20 Presidency will be launched at the time of the Sherpas' meeting in Sydney in December 2013. The Australian L20 has been formally constituted and is represented by the Australian Council of Trade Unions (ACTU), working closely with ITUC and TUAC. It is intended to hold the main L20 "Summit" on the eve (12-13 November 2014) of the G20 Brisbane Summit (14 November, 2014). The L20 will also be making inputs to the preceding Ministerial meetings and other G20 events and outputs in close cooperation with the ACTU.