

Trade Union¹ Proposals to the World Economic Forum

(Davos, 21-25 January 2004)

1. This year's World Economic Forum (WEF) meets at a critical time. Following a sustained period of heightened international tensions and the Iraq war, the global economic situation remains finely poised between recovery and recession. Imbalances between regions are worsening. Meanwhile public concerns continue to grow over the negative impacts of an approach to globalisation based on deregulation and trade liberalization, as typified by the failed WTO Ministerial Conference at Cancun and by the latest cases of corporate corruption. After several years of instability including the Asian financial crisis and the dot.com boom and bust, all the signs point to another year of financial uncertainty. The question on everyone's minds is when the next bubble will burst.
2. The theme of this year's WEF, "Partnering for Security and Prosperity" shows the shared nature of these concerns. The Global Union movement, represented by 25 trade union leaders in Davos, stresses the role of Social Partnership between business and trade unions in establishing consensus on the measures needed for faster and more sustainable global growth and prosperity worldwide and improved productivity and security at the workplace. We believe that respect for rights is essential and that the WEF must take an initiative towards its member companies to obtain their participation in the UN Global Compact, a readiness to negotiate Framework Agreements with Global Union Federations (GUFs) and a commitment to respect the international labour conventions and recommendations of the ILO and the OECD Guidelines on Multinational Enterprises. The statement below provides the trade union contribution to the Seven Threads of the 2004 WEF and to its six action areas.

WEF Thread 1: Ensuring Global Security

3. The starting point in ensuring global security is global economic security. Whilst the OECD and IMF are forecasting the return of economic growth, the global economy remains in a fragile position. Unemployment has risen across G8 countries and wages and household incomes are stagnating. Many developing countries face further declines in domestic and export demand, and a further setback to achieving the millennium development goals of poverty reduction. There is a risk that extremist and racist forces will gain in importance. At the same time, both in politics and in trade, multilateralism is increasingly under threat.
4. The crisis in multilateralism must be resolved. Lessons must now be drawn on what works and what doesn't in terms of economic and labour market policy. Current economic and employment policies that promote flexibility have not been successful. The international community must not be paralysed by the recent setbacks to multilateralism, but must tackle the world's most pressing

¹ This statement has been endorsed by the **GLOBAL UNIONS GROUP** - including the International Confederation of Free Trade Unions (ICFTU), the Global Union Federations (GUFs) and the Trade Union Advisory Committee (TUAC) to the OECD; - the **WORLD CONFEDERATION OF LABOUR** (WCL); and the **EUROPEAN TRADE UNION CONFEDERATION** (ETUC). The Global Union Federations comprise UNI, IFBWW, IUF, IMF, PSI, EI, ITGLWF, IFJ, ITF and ICEM.

challenges with fresh determination. What we need is a serious assessment of the outcomes of economic reform efforts worldwide, with a focus on employment promotion, social security and inclusion as well as cohesion between countries and between policies within countries. The world needs policies to bring the level of the poor countries up and to achieve balanced economic growth that provides decent jobs and gives people everywhere a real stake in economic development and prosperity.

WEF Thread 2: Promoting Global Growth

5. The illusion that an unregulated global market economy will provide a better life for all today stands discredited. In reality, economic deregulation has been the cause of greater poverty and has left consumer credit at unsustainably high levels. The message to policymakers from recent experiences is clear: Macroeconomic policy matters. And the US and UK experience, among others, shows that it works only with an appropriate mix. Concerted and coordinated monetary and fiscal policy action is needed to sustain economic and employment growth. Structural reforms to promote good quality work will gain public support, not simplistic labour market deregulation.
6. Action is needed to achieve faster and more balanced growth, provide more human resource development and create more employment. The world economy can no longer rely on the US being the sole engine of growth. US government policies have brought about huge fiscal and trade deficits and have failed to increase the level of investment. The rise in the Euro is damaging the prospects for growth in the Euro zone. Therefore, further risks should be countered by coordinated monetary and fiscal policy action to raise economic and employment growth. We need pro-growth, anti-poverty policies and a global growth plan coordinated at global level, with the G-8 countries taking the lead.

WEF Thread 3: Managing New Risks

7. On present global policies, there is scant prospect of eliminating poverty, launching sustainable development processes, creating more and better jobs, or improving the lives of working women and men. And deepening social injustice is fuelling intolerance, extremism, xenophobia, tensions and conflicts around the world. To the risks of financial and economic instability is added the spectre of war.
8. To counter this dangerous situation, we need an effort to achieve balanced economic and social development of all countries. Trade and growth policies and the use of natural resources should take place in the framework of sustainable development policies that respect environmental and labour standards, in both producer and consumer countries. We need action to tackle the challenge of sustainable development and to provide credible attention to the employment risks created by environmental challenges as well as by the potential measures to counter such challenges, accompanied by recommendations for effective action.

WEF Thread 4: Building Corporate Resilience

9. Systems of corporate governance must ensure that employees' voices are heard and have an effect. Transparency and accountability are essential in order to prevent the reappearance of corporate crises. Some will seek gain

and profit from injustices, but ultimately there is an overriding and shared interest in rights and democracy as the foundations of corporate resilience. At the heart of that shared interest is the preservation of lasting industrial peace.

10. Fair and balanced social dialogue is central to achieving real results. That means dialogue between employers and unions, including negotiated Framework Agreements at global level, and tripartism on the basis of the principles of the ILO, as well as implementation of important international standards such as the OECD Guidelines for Multinational Enterprises. It means dialogue built on trust, confidence and full recognition of workers' rights, especially fundamental rights such as the right to organize and to bargain collectively. The union movement calls on employers everywhere to recognize the validity of these precepts and to encourage freedom of association at the workplace as a basis for genuine partnership, stability and long-lasting corporate resilience.

WEF Thread 5: Spurring Innovation

11. Making lifelong learning a reality for all must be put back on the agenda. A key priority for governments must be to raise levels of investment in education and training and to adapt them to the needs of a changing economy and society and to the objective of raising the level and quality of employment. They must encourage and facilitate agreements between employers and trade unions that make participation in lifelong learning feasible in practice. Ministers must ensure the linkage of active labour market and training policies so as to support, to the maximum extent possible, retaining workers in firms, while re-integrating those out of work. Social and employment ministers must be given more financial resources to make progress towards raising the level and quality of employment around the world. The private sector has an interest in raising the skills of the workforce and companies must contribute financially towards raising the resources required.
12. Labour market measures must be based on a new approach to ensure: the quality and attractiveness of work; the availability of jobs; health and safety at the workplace; decent wages and salaries, guaranteeing a "living wage", limiting and excluding the risk of being caught in "low pay traps"; career perspectives and employment security, based on the prevention of precariousness; the empowerment of workers and their union representatives to raise their voice in the process of managing change; gender equality in the labour market; equal access to training and adult learning; and a supportive environment reconciling working and non-working life by improving access to public transport, child and elderly care. The universal right to education must be advanced for all children, with particular attention to the effective prevention of gender discrimination in access to education. All these measures will encourage innovation, productivity and higher growth, to the benefit of all.

WEF Thread 6: Harnessing the Diversity of Values

13. Democratic and transparent governance need to be established on the basis of the involvement of the social partners in genuine social dialogue and the implementation of economic policies, and a strong role for the state and public authorities, particularly as concerns the quality of basic public services.

14. The increased participation of women in the labour market is one of the key factors of a changing world of work. Nevertheless women continue to be on unequal terrain with their male colleagues, and to experience unequal labour market outcomes as a result. Thus, eliminating barriers to gender equality in the labour market must be a high priority in all countries and companies.

WEF Thread 7: Reducing Inequality

15. Vision, political will and the necessary capacities must be brought together to attain development and guarantee decent work for the millions of workers who today live in precariousness and poverty without prospects of a better future. That will require resource commitments as well as commitments on paper. It will require governance systems to promote our common good, our rights and democracy. It requires effective democratic processes, and it requires dialogue to make it happen.
16. A central priority at national level must be to establish career paths for low paid workers that allow them to break out of poverty traps as well as putting a floor in the labour market through well targeted minimum wages and integrated benefits systems. The right of workers in non-standard work to organize must also be put on the agenda: laws and regulations governing collective bargaining must be adjusted to ensure that their rights are protected.

WEF Action Area 1: Jump-starting Trade

17. The collapse of the 5th WTO Ministerial Conference in Cancun leaves the WTO at a watershed. The failure to meet so many commitments to developing countries has created a crisis of trust between the WTO's industrialised and developing country members. At the same time, the WTO's credibility and legitimacy among the general public continue to be widely questioned. All the while, the impact of China's WTO accession on other developing countries, in terms of continual pressure to reduce core labour standards and, all too often, to increase misery and exploitation (particularly of women workers) often in export processing zones, is continuing to worsen. The gaping social deficit at the heart of the international trading system just gets larger with every passing year. Current strains on the multilateral system can only intensify, creating the strong chance of a backlash that will see a rise in protectionist pressures worldwide.
18. If the WTO negotiations are to restart, the broken promises from Doha must be resolved and developing countries' concerns dealt with first, before discussion gets underway on the rest of the Doha agenda. Decisive actions are required to address fundamental social and labour priorities and to achieve a fair world trading system that can provide a balance between the strong and the weak in the globalisation process, help lead to an expansion in world trade, and promote better living standards in both the developing and the industrialised countries. WTO members must recognize that trade is only one of the elements in the three pillars of sustainable development endorsed at the World Summit on Sustainable Development in 2002, and that trade is a means to growth and development and not an end in itself. Debt relief, democracy, environmental protection, poverty eradication and decent employment (including the respect of fundamental workers' rights of the ILO) must simultaneously be achieved as part of a wider, far-reaching agenda to achieve development and higher living

standards for all people, in accordance with the objectives outlined in the preamble of the WTO Agreement.

WEF Action Area 2: Improving Governance

19. Corporate collapses and the huge fines imposed on Wall Street in recent times have highlighted systematic failures of financial and corporate governance and the widespread existence of incentives for malpractice. Business leaders are not sufficiently accountable, as massive pensions fraud has shown, and vast numbers of employees have suffered grievously as a result.
20. Urgent action is required to provide effective governance of the global economy and to guarantee fundamental rights and the creation of decent work. The multilateral system must ensure that corporate leaders are fully accountable to all their stakeholders. In particular, systems of corporate governance should ensure effective employee representation. Financial transparency must be ensured both in developed and in emerging markets. Furthermore the global market now needs binding rules anchored in established rights and responsibilities. The international community can no longer persist in its failure to put them in place and implement them fully.

WEF Action Area 3: Saving Transatlantic Relations

21. The US and the EU must recognize their shared interest in a common agenda in many areas of the world economy. They must give a clear signal that they will work multilaterally for a set of effective social rules to govern globalisation so as to achieve a more broadly-based and equitable distribution of the benefits of growth, that can provide security and stability to the benefit of all. They must contribute to building the social dimension of globalisation through supporting joint work of the WTO, IMF and World Bank with other international organizations, in particular with the ILO and its World Commission on the Social Dimensions of Globalisation.
22. Specifically, the Transatlantic partners should promote a greater commitment by all governments to implement the OECD Guidelines for Multinational Enterprises and to ensure they are applied effectively by their corporations. Although the Guidelines cover a wide range of aspects of corporate operations, their core is employment and industrial relations and most cases appearing concern this Chapter. Labour ministers must work with their colleagues in other government departments to ensure that National Contact Points have adequate expertise to handle cases concerning industrial relations, employment and human and trade union rights abuses. Governments as a whole – including the US and the EU themselves - must assume their responsibilities in ensuring that National Contact Points function efficiently, thus allowing the Guidelines to become an effective instrument for ensuring corporate social accountability.

WEF Action Area 4: Meeting Health Challenges

23. Poverty levels are rising worldwide, exacerbated by the weakening of welfare systems and leading to declining food security and poorer health care. The situation risks worsening as a result of pressure exerted during the GATS negotiations. Frequently, privatization of health care is taking basic health services out of the reach of the poorest, leaving them marginalized and creating a breeding ground for extremism. The impact is worst for the world's poorest and above all on women.

24. Vital services like education, health, and water must not be subject to the dictates of the market and must be universally available for all citizens. Therefore they must be excluded from trade negotiations, as WTO agreements could undermine the inalienable rights of all people to access to them and the legitimate rights of democratic governments to conduct their own education, social welfare and public investment policies. Furthermore, increased development assistance should be devoted to health care, as well as further domestic resources. There is an immense long-term payback from investment in health and in ensuring access to good health care. In priority, further global investments are needed in measures for prevention and treatment of the HIV/AIDS pandemic.

WEF Action Area 5: Re-energizing Development

25. One year after the last WEF meeting in Davos, the world has fallen still further away from achieving the objectives of decent work for all and the goals of the UN's Millennium Declaration, agreed to by all nations as basic objectives for a better world. The record of development today is one of failure in every respect. And unless the international community finds the capacity to react, the failures will continue and one year from now the achievement of better living standards, decent employment and the Millennium Development Goals (MDGs) will be a still more distant objective.
26. The failure of the international financial institutions (IFIs) to achieve the goals of development and poverty reduction set out in their statutes points to a lack of capacity to respond to the challenges with which they are confronted. Renewed progress in attaining the MDGs will require systemic reform of the IFIs so that they act more consistently and more in coherence with the UN system, as part of the follow-up to the 2002 Monterrey Conference on Financing for Development and the Johannesburg Conference on Sustainable Development. The IFIs must respect the core labour standards of the ILO in all their programmes, initiatives and policy recommendations. The IFIs and the world's major governments need to develop operational practices that are consistent with their stated commitments in areas such as poverty reduction, gender equality, core labour standards, quality public services, and an international financial system that is supportive of stable and sustainable development in all regions. As a start, increased and effective debt relief is needed for highly indebted developing countries.

WEF Action Area 6: Reforming the UN

27. Governments must give a clear signal that they will work for a set of effective social rules to govern globalisation so as to achieve a more broadly-based and equitable distribution of the benefits of growth. The unbalanced approach to globalisation based on the simple deregulation of markets has led to a questioning of the multilateral trade and investment system. If the system is to have legitimacy then trade and investment rules must be made coherent with wider concerns of public policy such as environmental protection and sustainable development, quality public services, food and product safety and the observance of fundamental labour rights. Mechanisms are needed for effective consultation with trade unions and other representative elements of civil society. This requires the WTO, IMF and World Bank to work with the United Nations and ensure their actions do not undermine the basic objectives

of the UN and its specialized agencies, particularly the ILO.

28. Globalization needs governance so that citizens everywhere enjoy guarantees of their fundamental rights, and the rule of law. And governance has to be rooted firmly in democracy. Central to global governance is the need for the IMF, the World Bank and the WTO to act in concert with the UN system, and for these institutions to be made more transparent and democratically accountable. In the year 2004, this means that the global community must pull together and work to achieve the most effective possible follow-up to the recommendations of the World Commission on the Social Dimension of Globalisation.

Conclusions: Building the social dimension of globalization

29. Trade unions demand respect for working people and their families, dialogue, consultation and recognition of democratic and workers' rights. Change in living and working conditions will not come through charity or paternalism. Real progress can only come through the involvement of people in their own development and in defence of their own interests, and in reinforcing international solidarity.
30. This requires organisation, inclusion and engagement rather than exclusion and impoverishment. It requires respect of the right of workers to form their own trade unions and to influence their own futures. It requires respect for the rights of all people and all peoples to live without discrimination and exploitation. It requires respect for the earth itself and for its resources. And it requires equity, justice, and solidarity.
31. The international trade union movement has a simple message to Davos. We call on the WEF to address the need to globalise social justice. Our objective is finding constructive approaches to harnessing globalisation to the interests of all companies and all workers.
