

TRADE UNION STATEMENT TO THE 2003 G8 MEETING OF LABOUR MINISTERS

Stuttgart, 14-16 December 2003

(Revision following the TUAC Plenary Session, 12-13 December 2003)

I Introduction and Summary

1. G8 Labour Ministers are meeting at a critical time in three respects. *Firstly* the employment situation across the G8 countries remains deeply disturbing requiring urgent action to achieve faster and more balanced growth, provide more training and create more jobs. *Secondly* if the objective of increasing employment rates and bringing more groups into the labour force is to remain viable, it is essential that governments adopt a new approach focussing on improving job quality. Lessons can now be drawn on what works and what doesn't in terms of labour market policy. *Thirdly* public concerns continue to grow in both G8 and developing countries over the negative impacts of an approach to globalisation based on simple deregulation. In the wake of the WTO Ministerial at Cancun, governments need to give a mandate to the International Financial Institutions and the WTO to work more actively with the ILO and to build a social dimension to globalisation.

2. To meet these challenges G8 Labour Ministers must take action in the following areas:-

- **Coordinated monetary, fiscal and social policy action is needed to raise economic and employment growth.** Labour and Employment Ministers must act as a strong voice within governments in favour of pro-growth, anti-poverty policies and co-operate with Finance Ministers in order to draw up and implement a global growth plan. (§§ 3-8);
- **Making lifelong learning a reality for all must be kept on the agenda.** In implementing the G8 Cologne Charter 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. (§§ 9-11)
- **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.(§§ 12-13)
- **Action to increase labour supply 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. (§§ 14-21)

- **A central priority for governments must be to establishing 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. (§ 22-26)
- **Ministers should encourage the ILO to undertake a serious assessment of the outcomes of labour market reform in the industrialised countries as well as in the transition countries.** It must address the following issues: Why did many reform efforts fail to adequately tackle the important issues of employment promotion, social security and inclusion as well as cohesion? And why have employment and labour market policies in a number of countries, not following the prescriptions of the *standard model of labour market flexibility*, been successful? (§§ 27-30)
- **Building the social dimension of globalization.** G8 Labour Ministers 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 G8 in particular must contribute to building the social dimension of globalisation through joint work with other international organizations, in particular with the ILO on the follow-up to the report of the Commission on the Social Dimension of Globalisation on an agenda of good governance. Moreover, Ministers must renew the commitment of governments to implement the OECD Guidelines for Multinational Enterprises. (§§ 31-34)

II Restoring Growth and getting back on track for Full Employment

3. G8 Labour Ministers are meeting at a time of deteriorating employment. Just three years ago, in 2000, the combination of faster growth sustained over several years and active employment policies meant that in much of the OECD area the return to full employment looked possible for the first time in a generation. That opportunity has been lost - the economic slowdown of the past two years has taken its toll on working families around the globe. The number of unemployed worldwide has grown tremendously since 2000. The ILO dubs this “global out-of-work in progress”. OECD unemployment has risen from 6.3 per cent in 2000 to an estimated 7.2 per cent in 2003. The slowdown has also meant that male labour force participation rates have been falling in nearly all OECD countries. Even in the United States where signs of faster growth, boosted by military expenditure, have appeared, unemployment continues to remain persistently high despite the fact that according to the NBER the “recovery” began nearly two years ago in November 2001.

The need for a global stimulus plan

4. Whilst the OECD is 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. An increasing number of workers, notably women are being forced into precarious and badly paid jobs. Subsequently, poverty levels are rising,

exacerbated by the weakening of welfare systems. Many developing countries face further declines in domestic and export demand, and a further setback to achieving the millennium development goals of poverty reduction. At the same time multilateralism is increasingly under threat. Many developing countries have become trapped in inappropriate macroeconomic policies, largely determined by IMF and World Bank conditionality, with Latin America, Africa and most transition economies stagnating.

5. The spurt in economic output and employment growth in the US is welcome. However serious doubts remain over its sustainability. Meanwhile poverty levels and homelessness are rising dramatically both because of anaemic labour demand, and as a legacy of the dismantling of the welfare system. On the corporate side, over-capacity still exists, exacerbating still weak capital investment. The increasing and unsustainable current account deficit is a threat to domestic recovery and international currency stability. The ongoing systemic crisis in US corporate governance, including the stock exchange, along with the emerging crisis in the mutual fund industry risks further financial market instability.

6. Continental Europe continues to lag behind, and unemployment is rising in the major economies in the face of monetary policy that remains too restrictive. Domestic demand stimulation, not restrictive macroeconomic policy and labour market de-regulation, must be the key to pushing the Euro zone back onto a growth path.

7. Japan meanwhile remains of concern although there has been some recent improvement in the growth situation. Deflation remains locked in the system. Unemployment however remains a serious problem particularly amongst youth. Real wages meanwhile are falling, so too are product and services prices, exacerbating the deflationary and recessionary conditions. The banking crisis is casting a further shadow over the economy.

8. The message to policymakers is clear. Macroeconomic policy matters. And the US and UK experience, among others shows that it works, but with an appropriate mix. Concerted and co-ordinated monetary and fiscal policy action is needed to sustain economic and employment growth. Output gaps are a brake on inflation and not domestic demand led expansion. Structural reforms to promote good quality work will gain public support, not simplistic labour market de-regulation. The world economy can no longer rely on the US being the sole engine of growth. Therefore, further risks should be countered by:

- European policy-makers must play their part in leading the global economic recovery. That demands a forward-looking framework for monetary and fiscal policy to implement the Lisbon commitment to full employment. Instead of preparing the ground for a rise in interest rates, the ECB has room to ease monetary policy. It should therefore cut interest rates now. Governments must boost domestic demand through capital investment in infrastructure, employees' education and training, research and development, and improving the environment. The European growth initiative in this area is particularly welcome. The Stability and Growth Pact should be implemented in a flexible manner, avoiding pro-cyclical tightening in a downturn, and allowing public investments to support recovery.
- The decision by the US Federal Reserve to continue growth supporting monetary policy into the medium term is the right one. On the public policy side, the fiscal mix must now be geared to favour support for low and middle income earners, and repairing and enhancing the social safety net. Restrictions on state level borrowing should be

reversed. Corporate governance reforms need to be accelerated, and broadened to encompass the savings industry.

- The Japanese authorities have to inject significant liquidity into the economy to stimulate private sector job creation, create direct employment, and maintain and improve the social safety net so as to reduce worker insecurity. The financial system is a key component of the socioeconomic infrastructure. Reform of the Japanese banking sector necessitates a role for the public authorities. But the subsequent restructuring process will only be credible if it is accompanied by growing employment levels on the basis of high quality jobs. Policies must be implemented with the full involvement of the social partners.

Urgent action to invest in skills and manage change

9. The current challenges as regards economic, technological and social change, the rapid transition to a knowledge-based society and demographic pressures resulting from an ageing population demand a new approach to education and training that integrates strategies for growth and employment. In this context, lifelong learning has become a recurrent national and international priority. Lifelong learning strategies are of crucial importance in the development of employability and capacity to adapt to the changing situation in the labour market. Promotion of access to lifelong learning will enable citizens to enter and progress within the labour market, while encouraging active citizenship and promoting social inclusion.

10. Trade unions have been increasingly active in the development of lifelong learning strategies at the national level. They have been strong participants in recent developments at the European level. They will continue and strengthen their work for the recognition and implementation of lifelong learning strategies as essential factor in achieving the objective of full employment. The promotion of competent and qualified workforces, contributing to the creation of better jobs and well functioning labour markets accessible to all is in the interests of both enterprises and their employees. Much remains to be done to make lifelong learning a reality for all. It must become a key priority for governments to raise levels of investment in education and training and to adapt them both to the needs of a changing economy and society and to the objective of raising the level and quality of employment.

11. In the current context of rising unemployment we call on Ministers to ensure the linkage of active labour market and training policies so as to support, to the maximum extent possible, retraining workers in firms, while re-integrating those out of work. The retraining and redeployment of workers facing job loss can protect firms' investment in human capital and help to avoid unemployment. Subsidising paid leave for employees when replaced by unemployed persons as temporary substitutes can also make an important contribution to reducing unemployment.

12. Lessons have now been learnt in terms of what works in the field of labour market policy. G8 Labour Ministers must take action to implement good practice. They must in particular implement policies aiming to:-

- Strengthen active labour market policies in order to allow socially acceptable and viable restructuring of firms, including support for company-based paid educational leave schemes;

- Provide adequate financing for education and lifelong learning: the responsibility must be accepted in particular by employers, individuals should not be left to fend for themselves;
- Encourage and facilitate agreements between employers and trade unions that make participation in lifelong learning feasible in practice;
- Promote both the implementation of high performance work systems and the effective use of the skill potentials of the workforce, especially the insights and experience of workers;
- Commission a thorough stocktaking of lifelong learning policies, focusing especially on what has worked and what has not in order to better inform the implementation of the Cologne Charter on lifelong learning.

13. Trade unions are prepared to strengthen their activities as negotiators of training and in managing change in order to support the “high-road” approach. They will continue to promote collective bargaining, collective agreements and social dialogue at all levels as key instruments for opening up access to lifelong learning to each and every worker inside companies. They also support new ways of organising work and time, which will necessarily be associated with new approaches to lifelong learning. However, their role as key actors in the process must be supported.

III Bringing more groups into employment – a new approach

14. Increasing labour force participation and in particular that of under-represented groups in the labour force is an important economic and social objective. It is a key to maintaining and improving retirement and social security systems that are sustainable. However, measures simply aiming to increase labour supply won’t work. Increasing labour force participation requires a comprehensive approach, taking account of factors determining both demand and supply side conditions as well as specific needs of under-represented groups including older workers, women and migrants.

15. Improving employment opportunities of under-represented groups requires above all strong labour demand and tight labour markets.. Moreover, action to increase labour supply must be based on a new approach to ensure:-

- The attractiveness of work and the availability of jobs;
- Decent wages and salaries, guaranteeing a living wage, limiting and excluding the risk of being caught in low pay traps;
- Gender equality in the labour market;
- Equal access to training and adult learning;
- A supportive environment reconciling working and non-working life by improving access to public transport, child and elderly care.

Gender equality in the labour market – a remaining challenge

16. 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 G8 countries.

17. In order to raise women's labour market opportunities and outcomes,

- Equal opportunities policies must be pursued and strengthened further. However, these policies must state goals and time frames more clearly; they must also include enforcement mechanisms.
- Basic employment standards must be enforced more effectively in order to protect both women and men employed in non-standard forms of work.
- Effective equity policies and legislation must be implemented and enacted in order to reduce the gender gap in pay.
- Training and bridging programs must be tailored more closely to individual needs.
- The double workload must be reduced in a balanced way by promoting a more extensive male involvement in parental leave as well as by the provision of (affordable) childcare.
- Employers must be encouraged to contribute more actively to the reconciliation of working and non-working life by the implementation of appropriate working time arrangements as well as by supporting child care.

Increasing participation by older workers

18. The focus of the policy debate must move away from the divisive issues of statutory retirement age and towards the key issue of ensuring improved employment opportunities and participation of older workers. In order to reverse the trend towards enforced early retirement or terminal unemployment, it is of utmost importance to remove the pressures coming from high unemployment and low demand for labour, from age discrimination in employment as well as from corporate restructuring. Joint initiatives of governments, employers and trade unions are required in order to review and change current employment practices and to adapt work systems, workplaces and career paths to ageing. Such initiatives must focus on:

- Improved access to training;
- Ways to improve the quality of work by raising standards of health and safety at work;
- Promoting prevention instead of cure;
- Combining corporate restructuring with retention of older workers; and on
- Improving flexibility linked to appropriate security.

19. Employers' attitudes and practices regarding the employment of older workers need to be changed. There is ample evidence of widespread age discrimination in internal and external labour markets across G8 countries. There are prevailing perceptions among employers of older workers as difficult to train, unable to adapt to new technologies and as being too cautious. Yet increasing evidence shows that older workers are no less effective than younger ones and businesses that have eliminated age discrimination as a criterion of employment are being rewarded by enhanced productivity. There is no evidence of the claim/assumption that the ability to participate productively in innovation processes declines with increasing age. With regard to maintain the ability to innovate against the background of an ageing workforce it is of increasing importance to provide for an age-related design of work systems and career paths.

20. Lifelong learning can help the adjustment of workers' skills and competencies to labour market demand. Moreover, it can help improve the attachment of older workers to the labour market. Adapting skills will be more fruitful than acquiring completely new ones given the relatively shorter time to recoup costs. The aim must be to develop and maintain the ability of workers to perform tasks throughout the entire course of their working life. However, particular attention must be given to new career paths. Older workers should feel that they have their place in new structures with flatter hierarchies, for example. Preparation for new career patterns should be included in training programmes, so facilitating the capacity of employees to adapt to more flexible and mobile job requirements and to change jobs within their firms.

21. At the same time flexible work-retirement transition paths must be made available. This implies that retirement should be flexible and that early retirement should be voluntary. Gradual retirement is an option which has important advantages. For instance, it can help to avoid or at least to overcome the supposed "pension shock" associated with a too rapid transition from working to retirement. Moreover, it permits the demands of work to be better adjusted to any decline in health that might be associated with age. Thus, it enables older people to stay longer in work than might otherwise be the case. Finally it retains experience within the employing organization.

IV Providing Decent Work: The quality of jobs must be addressed

22. Despite the commitment of a number of governments to the ILO objective of "Decent Work", evidence on job quality is providing a clear and disturbing picture:

- Working conditions are not improving, in some respects they are getting worse;
- Non-standard work, comprising part-time employment, temporary work, contingent or casual work that is not freely chosen, is increasing, often going along with low paid and less socially protected jobs;
- Wage and earnings inequality has tended to increase, often driven by labour market "reforms".

23. The lack of decent work is not just a cause for social concern - a strategy of increasing labour market participation for older workers and under-represented groups has to be based on improving job-quality. Workers are more motivated and productive in decent jobs. Current

trends in working conditions therefore have serious implications for health and productivity. It is not encouraging to see that there has been no real improvement in working conditions at a time when the workforce is coping with changing job patterns, job autonomy and job content. At a time when the workforce in G8 countries is expected to meet the challenge of increased competition in a global economy, labour market and social policies must ensure workers access to quality jobs, economic security, and employment stability.

24. Concerns about job precariousness, low pay traps and jobs will not disappear when more jobs are created. Thus, policy needs to focus on the job quality issue and it is essential that the promotion of job quality following the “high-road” approach focus on:

- maintaining and promoting health and safety at the workplace;
- promoting the acquisition and use of skills and competencies;
- ensuring career perspectives and employment security, based on the prevention of precariousness, decent wages and the empowerment of workers to raise their voice in the process of managing change;
- reconciling working and non-working life.

25. A central priority for governments must be to establishing 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.

26. Moreover, ensuring the right of workers in non-standard work to organize must be put on the agenda: Temporary and contract workers often face a situation, in which their legal employer is different from the one to whom they are providing their service. Working under such conditions implies that workers are losing their ability to exercise the right of collective bargaining. In order to address this issue, laws and regulations governing collective bargaining must be adjusted and modernized.

V. Structural reform and labour markets – the need for a “high road” approach

27. The OECD’s Growth Study and the recent growth and employment performance of a number of European countries, in particular those in the Nordic area, that have chosen a “high road” to reform, shows that labour market success and high employment rates can be achieved through appropriate and interlinked policies in the fields of social dialogue, macroeconomic policy and labour market policy. This shows that there are different paths to improving labour market performance:

- High quality social protection systems are consistent with good employment performance. Well-funded and efficient welfare states and decent systems of employment protection do not prevent high rates of employment.
- Appropriately set labour market regulation can raise efficiency. For instance, unemployment benefits increase the efficiency of the ‘job match’ process – they allow the unemployed to search for a job better suited to their skills and expectations. Employment security supports the willingness of employees to perform as well as to accept mobility within the firm, technical and organisational changes.

- Employment security is conducive to investment training and in workforce development by employers.
- Taking flexibility in the direction of the “low road” approach of human resource management is detrimental to innovation.

28. This experience as well as that in implementing the European Union’s Employment Strategy must be taken as a starting point for a reassessment of *labour market reform policies in Europe*. Particular attention must be given to the issue of success and failure of labour market reform. Why did many reform efforts fail to adequately tackle the important issues of employment promotion, social security and inclusion as well as cohesion? And why have employment and labour market policies in a number of countries, not following the prescription of the *standard model of labour market flexibility*, been successful?

29. With regard to severe problems caused by poverty traps, the reassessment of *labour market reform policies* must also address the following issues:

- How to better achieve a co-ordination of labour market policy and social policy and how to achieve a mutual compatibility between labour market reform and appropriate regulation on one hand and continuing social protection on the other?
- What has been the impact of redesigned protection and benefits systems in order to become instruments of employment promotion upon social equity? In particular: Has the redesign of social protection towards work the traditional and still necessary function of social protection, namely to guarantee economic security, undermined that function and thus contributed to the formation of poverty traps?
- How can social security linked best to flexibility in order to make them more compatible and mutually supportive.
- What has been the role of social dialogue with regard to policy outcomes of employment promotion and labour market reform?

30. We call upon G8 Labour Ministers to encourage and to support the ILO to undertake a serious assessment of the outcomes of labour market reform in the industrialised countries as well as in the transition countries and to work with the OECD in its reassessment of the OECD Jobs Strategy. We also urge G8 Labour Ministers again to support the design as well as the use of key indicators of the labour market in order to address labour market and employment policy challenges. In doing so, the set of the now available 20 key indicators of labour markets designed by the ILO, should be used as a starting point and be developed further.

VI Building the social dimension of globalization – the role and responsibility of the G8

31. G8 Labour Ministers 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. Giving workers a voice at work is impossible if basic workers’ rights do not exist. 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.

32. Building the social dimension of globalization requires decisive steps to address fundamental social and labour inequities in order to achieve a fair world trading system that can provide for socially just and sustainable development. Thus, G8 Governments must mandate the International Financial Institutions and the WTO to contribute to building the social dimension of globalisation through joint work with other international organizations, in particular with the ILO on the follow-up to the report of the Commission on the Social Dimension of Globalisation on an agenda of good governance. The key to this is implementation and effective enforcement of the ILO Declaration on Fundamental Principles and Rights at Work as a system wide standard which needs to be applied through all multilateral institutions. To this end a standing forum should be established between these organisations.

33. With regard to trade in services, G8 Labour Ministers must give particular attention to regulation regarding the provision of services linked to the temporary cross-border movement of workers (referred to as Mode 4 under GATS). The related specification of GATS is not about the free movement of workers but about the right of employers to post their workers abroad. Trade unions are concerned that the temporary movement of workers may create a situation where workers are abused and traded contrary to human and trade union rights principles. Thus, it is essential to ensure that the provision of services, based on a temporary cross-border movement of natural persons, does not violate or undermine international labour standards, national labour standards and existing collective bargaining agreements. Companies delivering cross border services with own personnel must grant working conditions and wages which are not less favourable than those in the receiving country. In case of not compliance companies must be suspended of delivering cross-border services under mode 4 of GATS. Moreover, core labour standards must be respected in the country of origin of the workers as well in the receiving country.

34. Moreover, Ministers must step up their commitment to implement the OECD Guidelines for Multinational Enterprises. 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 must assume their responsibilities in ensuring that National Contact Points (NCP's) function efficiently thus allowing the Guidelines to become an effective instrument for ensuring corporate social accountability.