

Global economic crisis and international trade unions movement's response

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2. Summary of presentation

- a) Start of crisis and medium-term global economic prospects
- b) Impact of crisis on employment and workers, particularly in the rubber industry
- c) Global Unions' strategy against the economic crisis
- d) A coordinated economic recovery and growth plan
- e) Action against wage deflation and to reverse growing inequality

3. From financial crisis to global economic recession

- What started as a crisis in one sub-sector of the US real estate finance sector (sub-prime mortgages) in 2006-2007 spread through the unregulated global shadow financial system (e.g. hedge funds) and led to a rapid tightening of global credit markets in mid-2007
- By early 2008, major financial institutions began to collapse and the world economy went into recession in the last quarter of 2008
- International Monetary Fund's (IMF) prediction: -1.3% global economic growth in 2009 and start of slow recovery (+1.9%) in 2010
- First year of negative global growth since the Second World War and worst economic crisis since the Great Depression of the 1930s

4. Economic crisis affects all regions

- IMF: All regions of the world will experience negative or very slow growth in 2009, with heavily export-dependent countries and regions most affected

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|----------|-------|--------------------|-------|
| Germany: | -5.6% | Ireland: | -8.0% |
| Japan: | -6.2% | Newly indus. Asia: | -5.6% |
| Russia: | -6.0% | Turkey: | -5.1% |
| Mexico: | -3.7% | | |

- Economic growth will be negative in both US (-2.8%) – where financial crisis started – and EU (-4.0%), but less in US because of rapid and massive stimulus response
- China will grow more than other major economies (6.5% in 2009, down from 13% in 2007), in part because of high public spending

5. Workers biggest victims of the economic crisis

- Workers did not cause the crisis but working people are those who will pay the most immediate and heaviest cost
- ILO: Up to 50 million more global unemployed and 200 million more “working poor” (less than US\$2 per day) in 2009
- In addition to massive job reductions, many workers will have reduced hours and there are pressures in many countries to reduce wages and working conditions
- In tire and rubber sector, thousands of dismissals; after important wage gains in countries like Germany, South Africa, Turkey, Liberia during 2006-2008, 13% wage cut recently imposed on tire workers in Thailand

6. Impact of recession on rubber workers

- Recessions hit construction and durable goods production hardest: Consumers delay buying a new car before reducing food purchases
- Automobile sales have collapsed: In US, auto sales were 37% lower in first four months of 2009 than first four months of 2008
- Auto sales are an important determinant of tire and rubber sales:
 - Michelin declared 24.4% decline in unit sales in first quarter of 2009
 - International Rubber Study Group predicts global rubber consumption could decline by “as much as” 8% in 2009
 - Price of natural rubber: \$1.47/pound in June 2008; \$0.64 in March 2009
- Some very recent signs of firmer rubber prices; durable goods sector first to improve during recovery

7. Global Unions' five-point strategy to tackle the crisis and build a fairer and more sustainable world economy

1. Coordinated international recovery and growth plan focused on job creation through public investment, incl. “green jobs”; active labour market policies; protecting the most vulnerable
2. Nationalization of insolvent banks to restore confidence and lending; new rules and mechanisms to control global finance
3. Extend collective bargaining coverage and strengthen wage-setting institutions to prevent wage deflation, increased inequality
4. An ambitious international agreement on climate change
5. Global governance reform: ILO, IMF, World Bank, WTO, etc

8. Coordinated international recovery and sustainable growth plan

- Need for a *coordinated* counter-cyclical stimulus measures to support recovery in 2009 and 2010:
 - G20 countries have agreed with idea of 2% GDP stimulus effort, but among industrialized countries actual amount for 2009 varies between 0.2% in Italy to 3.9% in South Korea
 - In emerging and developing countries, IMF actually encourages borrowing countries to adopt pro-cyclical austerity policies
- Public expenditures through accelerated infrastructures projects, public services, expanded social protection, *not* generalized tax cuts
- Active labour market policies:
 - Support for measures to avoid lay-offs, training programmes, extended UI and other income support, and to protect workers' pensions
- Support for people in developing countries:
 - Assistance from IMF, WB, donors for budgetary expansion, not “fiscal discipline”, in developing/emerging economies
 - Increased assistance to develop social safety nets: automatic stabilizers
 - Assistance for most vulnerable, incl. those affected by high food prices

9. Stopping wage deflation and combating crisis of distributive justice

- Since early 2000s, union movement warned of dangers of growth model based on asset-price inflation while workers' real incomes stagnate: unsustainable, increases inequality and harms the poor
- Long before current crisis, unions warned of risks and imbalances created by obsessive focus on export-led development to the detriment of building up a stable domestic consumption base
- Governments must not make mistake of 1930s and encourage competitive wages cuts: Will only accentuate downward recession spiral and increase income inequality further
- Governments and international institutions must support adequate labour regulations, broader social protection, and full respect for core labour standards in *all* countries
- In addition to improving workers' living standards, such policies will help build a stable domestic demand base, create conditions for more sustainable growth and reduce global imbalances

10. Trade union action on anti-crisis strategy

- Global Unions’ “Five-point strategy to tackle the crisis and build a fairer and more sustainable world economy”
- Strategy has been put forward by Global Unions – ICEM & 10 other Global Unions Federations, ITUC, TUAC – to G20 heads of state (2 April), IMF & World Bank meetings (25-26 April), UN crisis meeting (upcoming: 1-3 June)
- National union organizations have presented the strategy to several governments and further meetings are planned
- For more information: *Global Unions London Declaration*, April 2009
 - In English: <http://www.ituc-csi.org/spip.php?article3071>
 - En français: <http://www.ituc-csi.org/spip.php?article3074&lang=fr>
 - En español: <http://www.ituc-csi.org/spip.php?article3073&lang=es>