

Global economic crisis and international trade union movement's response

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2. Summary of presentation

- a) Introduction of Global Unions' Washington Office
- b) Impact of crisis on employment and workers
- 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. Global Unions' Washington Office

- Joint office of ITUC and Global Unions Federations created in 1994 to monitor and lobby the IMF and World Bank (IFIs) on behalf of the international trade union movement
- 2002: Creation of Global Unions/IFIs regular consultative structures
2003: GUF/WB consultative structures in some sectors
- Some achievements:
 - 2006: IFC (WB's private-sector arm) makes core labour standards (CLS) a requirement of all borrowing companies
 - 2007-2009: WB extends CLS requirement to some public infrastructure projects & later to all WB procurement
 - 2009: regional development banks adopt CLS requirement for projects
 - 2008-2009: IMF and WB instruct staff to stop using anti-labour indicators of *Doing Business*
- Major challenges remain:
 - Most IMF emergency loans contain measures like wage/pension cuts
 - WB has reduced but not eliminated privatization/deregulation conditions

4. 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 as the extent of the global speculative bubble became evident , 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 (compared to +4.3% annually 2001-2008)
- First year of negative global growth since the Second World War and worst economic crisis since the Great Depression of the 1930s

5. 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

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 (-2.5%) – where financial crisis started – and EU (-4.0%) , but less in US because of rapid and massive stimulus response
- WB: Sharp drop in private capital flows to developing countries
2007: \$1,200 billion ; 2008: \$707 billion ; 2009: \$363 billion
- China will grow more than other major economies (7.2% in 2009, down from 13% in 2007), in part because of high public spending

6. Workers biggest victims of the economic crisis

- Workers did not cause the crisis but working people are those that 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 are experiencing decreased hours and there are pressures in many countries to reduce wages and working conditions
- In energy, chemical and mine sectors, thousands of dismissals; after important bargaining gains in countries around the world 2005-2008, some workers are suffering from wage cuts or reductions in benefits

7. Impact of recession

- Recessions hit construction and durable goods production hardest: consumers delay buying a new car before cutting food purchases
- Automobile sales have collapsed: North American auto production 49.8% lower in first 5 months of 2009 than same period in 2008
- Mining and several types of chemical manufacturing particularly hard hit by sharp reduction in durables production and construction
- However, massive government stimulus programmes that unions supported are starting to have positive impacts, notably those linked to publicly-funded transport, energy and utilities projects
- IMF/WB revised 2009 growth forecast for US & China upward due to stimulus and are adjusting their global 2010 forecast slightly higher
- But growth revised downward in several crisis countries, e.g. CEE
- Most commodity prices in metals and energy down 30-50% in June 2009 from a year ago, but most have been creeping up since Feb.

Brent Crude Oil vs. Ethanol



Copper vs. Aluminum



9. 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; protect the most vulnerable
2. Nationalize 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.

10. Coordinated international recovery and sustainable growth plan

- Need for *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 many 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

11. 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; these 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

12. 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 (London, 2 April), IMF & World Bank Meetings (Washington, 25-26 April), at ILO Conference: *Global Jobs Pact* adopted (19 June, Geneva), UN Crisis Conference (New York, 24-26 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>