WORKING OUT OF CRISIS: ALIGNING FINANCE WITH DECENT WORK AND A FAIR GLOBALIZATION

Mary Robinson, Panel Moderator

How to respond to the devastating impact of the global financial crisis on jobs and enterprises around the world was a primary concern at the Doha Financing for Development Conference. It was the focus of a side event organized by NGLS, the International Labour Organization (ILO) and Realizing Rights: the Ethical Globalization Initiative on 1 December 2008 entitled: "Working out of Crisis: Aligning Finance with Decent Work and a Fair Globalization."

The event, moderated by Realizing Rights President Mary Robinson (former President of Ireland and UN High Commissioner for Human Rights), brought together participants from governments, UN agencies, civil society, trade unions and the private sector, to discuss how to deal with the immediate consequences of the crisis, as well as longer-term reforms needed to align finance with the UN objective of "full productive employment and decent work for all," as a basis to shape a fairer globalization.

Decent work: a fundamental human right to shape a fairer globalization

Mary Robinson remarked from the outset that: "Sixty years ago, the drafters of the Universal Declaration of Human Rights understood that decent work was fundamental to their vision of a world where all human beings would be born equal in dignity and rights." She cited Article 23 of the Declaration that she described as remarkably straightforward, in terms of "right to work" – under "just and favourable conditions" and to equally "just and favourable remuneration," "protection against unemployment" and "the right to form and to join trade unions." Over the last few decades, this prerogative had somewhat slipped off the human rights and development agendas, but was coming back. "We have a decent work movement in the making, but it needs broadening," she said. "Never has a movement been more needed, because with the crisis unfolding and affecting everyone, especially the working poor, we are going to face crunch time."

Norwegian Government representative Henrik Harbole said the financial crisis only reinforced the importance of the Decent Work Agenda, which, he reminded the audience, had gone from an ILO goal to a UN global goal. It was essential to link decent work with the Financing for Development agenda: "It is not only a question of getting enough money for development, but what kind of development we are promoting." He noted that the draft Outcome Document of the Conference stressed the importance of decent work in the development process. While it was vital to restore confidence within financial systems, it was equally essential to "restore confidence of citizens in governments' ability to manage the economy and to make it work for them and not for the narrow interests of the financial sector."

Riaz Tayob of Third World Network said the Decent Work Agenda provided a pivotal opportunity to fill the "normative gap in the human rights discourse." Economic, social and cultural rights instruments, he said, were framed at the time of the cold war, when the ideological battle made it impossible to comment in any specific terms on the means to achieve the desired human rights outcomes. He noted that the objective of full employment – that was so important to the architects of the post World War II international order – had been essentially "carved out" from the economic agenda in the last few decades, contributing to an imbalanced global system that was tilted against developing countries. The increasing prominence given to the Decent Work Agenda was an opportunity to correct these imbalances, but the decent work movement needed to get much more forcefully into the economics discourse, including on reforms of economic policies and governance structures needed to change the current unfair global financial and trade architecture; and free up the policy space required to fully pursue decent work policies in developing countries.

From a vicious to a virtuous spiral: ILO assessments and responses to the crisis

Many participants were concerned that a vicious spiral could be taking hold as a result of the crisis – a cascade of job losses and bankruptcies further deepening the global recession – which urgently needed to be stopped and reversed. ILO representative Stephen Pursey noted with concern that the ILO had estimated that unemployment could rise about 20 to 30 million during the slowdown – or even more than 50 million if the slowdown got more severe. And "the counted unemployment is only the tip of the iceberg," he warned: "There are already some 1.3 billion people who are not able to earn more than US$2 a day. That figure is likely to increase by 100 million," he said.

Jacqueline Mugo, Federation of Kenya Employers and ILO Governing Body member, said the impact of the crisis was already being felt in sub-Saharan Africa, especially for workers and small-scale entrepreneurs in the informal economy, the majority of which are women: "Those that have least contributed to the crisis are the ones most impacted." She said it was essential to understand the factors that brought on the crisis, including failures in international regulation and supervision, which led to the concealment of systemic risks that are now spreading throughout the global financial system. From an employer's perspective, there was a clear need to reform global financial structures to align finance with priorities of real economy actors – entrepreneurs and working people.

The ILO Governing Body had discussed responses to the crisis prior to the Doha Conference. Mr. Pursey listed six major points that the Governing Body Officers (representing governments, workers and employers) had emphasized as particularly important for slowing down the impact of the crisis on the real economy: (i) make sure the flow of credit is maintained;

Mary Robinson, Stephen Pursey (ILO) and Jacqueline Mugo (Federation of Kenya Employers)

(ii) relaxing budget deficits; (iii) not cutting back on minimum wages; (iv) making sure social protection systems are working and extended for unemployment benefit; (v) making sure training and retraining opportunities are offered; and (vi) getting emergency employment schemes going, especially in developing countries. Mr. Pursey also noted that, in the face of a real risk that the crisis could lead to an erosion of even fundamental principles and rights at work, all sides of the ILO Government Body had stressed they would be particularly vigilant to ensure that labour rights were maintained and protected.

The Decent Work Agenda offered an opportunity to turn the current vicious spiral into a virtuous spiral – where the extension of steadily improving jobs through enhanced productivity, standards of living and resources to fund social protection fed back into enterprise development and productivity growth. It was this virtuous spiral that finance should be serving, Mr. Pursey stressed, but the financial system was currently "extremely short-termist." It was not supporting this fundamental process of productivity-incomes-and-savings growth. "Somehow, this has been stripped off the agenda."

Jo-Marie Griesgraber, New Rules for Global Finance Coalition

"This is not a time to be practical and realistic. This is a time to push."

Jo-Marie Griesgraber

An important aspect of getting this virtuous spiral going was to tackle the immediate problem of the extreme poor, which meant making sure they had access to some cash. In that regard, Mr. Pursey noted that the ILO stresses four major elements of a basic social security package: (i) income support for families with children (making sure they are still able to go to school); (ii) a minimum income for the elderly; (iii) systems for the financing of health; and (iv) employment guarantee schemes (of the type recently developed in India). ILO has calculated that such schemes are affordable, he said, representing between 2%-4% of GDP in least-developed countries (LDCs), which could be kick-started with ODA.

Root causes of the crisis

Many participants attributed the root causes of the crisis to the rise of the "neoliberal agenda" of deregulation, liberalization and privatization in the early 1980s, which was captured in the words of US President Ronald Reagan: "Government is not part of the solution: government is the problem." Guy Ryder, General Secretary of the International Trade Union Confederation (ITUC), said the best way to get out of the crisis was to "depart quite radically from the policies that got us into the crisis. We have seen finance act over the last decade or more in ways that have been detrimental to the creation of decent work." He noted that the most significant financial flow of recent years had been the flow of finance away from productive investments – which is the prime source of decent employment creation – to speculative activities. This has been an "enormously harmful process encouraged by governments by their deregulation of financial markets." "Despite what a number of governments are saying today," he added, "they seemed to have approved this process until it stopped working." Mr. Ryder denounced what he called the "financialization of corporate behaviour" whereby enterprises are now treated as a bundle of assets (not a social organism) for which maximum returns are demanded every three months. "We've seen predatory finance – the private equity cabals – squeeze healthy enterprises to the point of breaking them. It has been one of the most dangerous things that has happened in recent years."

Sony Kapoor of Re-Define (Rethinking Development, Finance & Environment), speaking from the perspective of someone who used to work in the finance industry, suggested that large investment firms' assessments of other companies' and countries' performances were in essence inversely related to progress on the Decent Work Agenda. Ratings of a company would tend to improve after layoffs or wage cuts; a country's ratings would tend to go down when it attempted to promote meaningful social objectives such as introducing or raising the minimum wage. He said the "capture" of the State by financial sector interests was the reason for such zealous deregulation across the board. It increased power imbalances at the same time as the countervailing power of collective bargaining was weakened as a result of the anti-union bias of neoliberal ideology.

Addressing the global crisis of distributive injustice

In this regard, Mr. Ryder emphasized the need to address the "crisis of distributive justice" around the world. "We have seen decades of growing inequalities and distributive injustice within and between countries, where the share of national income going to labour relative to capital has declined to the levels of the 1930s: in effect, we got to the Great Depression even before this crisis hit, in terms of returns to labour." He argued that this phenomenon is related partly to tax incentives that have favoured speculative and unproductive investments and an ideological onslaught on workers' rights. In particular, he described collective bargaining as "one of the most powerful instruments of redistributive justice," which in the last two decades had been "eroded by government inaction and the behaviour of business around the world in the most damaging ways."

This was also a preoccupation of economists around the table, including from a strictly economic growth perspective. Heiner Flassbeck, Chief Macroeconomist at the United Nations Conference on Trade and Development (UNCTAD) said a key lesson of the Great Depression was that a primary cause or aggravating factor had been "beggar-thy-neighbour" policies through "wage dumping" which had only fed the crisis further by destroying markets leading to more wage cuts or layoffs. He echoed Mr. Ryder's concerns that today wage shares relative to capital were again falling in real terms all over the world. "We have to challenge fundamentally the neoclassical economic notion that lower wages lead to more employment, it's the other way around," he insisted. "The evidence is very clear: that those countries that have reasonable, decent wage increases in line with productivity have much more and much better employment performance than the others. It is very important to make clear that wage dumping cannot go on." (Just before the Conference the ILO released a report warning of cuts in real wages for millions of workers in 2009 as a result of the crisis.)

Decent work: a "global public good" in the new financial architecture

A representative of the Dutch Government compared the systemic pressures to cut back on labour costs to a "tragedy of the commons" – used to describe environmental deterioration as a result of market externalities. "Decent work is like a global public good," he said. "Everyone benefits, through increased productivity and demand which generates more market opportunities, but the incentives of individual firms are stacked in the opposite direction." Many participants stressed that full employment and decent work objectives should be an integral part of any new multilateral framework to reform the global economic governance.

This could include an agreement or at least commitment to halt wage dumping and ensure wage shares in national income rise in line with productivity growth (see interview with UNCTAD Chief Macroeconomist on page 20). It also implied changing incentives structures away from the very high unsustainable short-term returns that capital markets and shareholders have got accustomed to – which do not produce value in the real economy while jeopardizing longer term quality job-creating investment strategies. Participants mentioned raising capital gains taxes as a means to discourage unproductive investments and closing tax loopholes and "secrecy jurisdictions," which many argued were not limited to tax havens, such as the Cayman Islands, but also to more reputable jurisdictions including in Europe and the United States.

In this regard, Mr. Harbole from the Norwegian Government said that greater coherence between different policy clusters dealt with by separate ministries and international arrangements was a key determinant in devising a better financial architecture. For example, in order to make progress on the Decent Work Agenda, it might be necessary to focus on areas outside traditional ILO concerns, such as addressing the issue of tax havens that have important ramifications on implementation of decent work, including the capacity to fund adequate levels of social protection and fiscal policies designed to meet full employment goals.

Ambassador Debapriya Bhattacharya of Bangladesh emphasized the need to find new ways to channel excess liquidity to help developing countries sustain their budgetary expenditure. Jo-Marie Griesgraber of New Rules for Global Finance Coalition suggested that one way this could be done would be by emitting Special Drawing Rights (SDRs) or some other form of artificial global currency that could be used for that purpose.

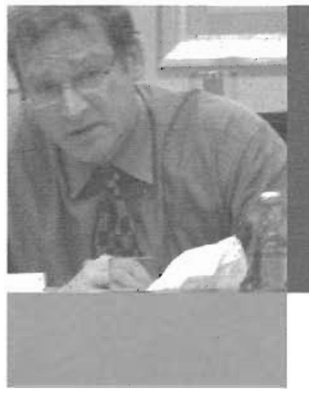
The limits of corporate social responsibility

A crack-down on lax corporate governance was also called for by many speakers, including by Ambassador Bhattacharya: "Where is the oversight, transparency, good governance and accountability that international financial institutions have promoted in developing countries, when it comes to the corporate world? CEOs responsible for the current mess are getting away with golden parachutes and generous severance packages – where is the accountability there?" Many speakers said the crisis was testing the limits of voluntary corporate social responsibility (CSR) in very graphic terms. Mr. Ryder said that from a union perspective CSR was "massively problematic" in many aspects. "It can be a quality add-on to strong and adequate State action, but not a substitute." Ms. Mugo, from the perspective of employers, was also concerned about too much social welfare responsibilities being pushed onto business when its core function was to make profit in order to generate resources for employment and wealth creation. Some speakers said the most important CSR contribution that corporations could make was to respect all fundamental human rights and pay their fair share of taxes in order for governments to fulfil their social welfare obligations.

Stronger State, stronger multilateralism and policy space

Much of the discussion also focused on the need to reinforce the role of the State after nearly three decades of promoting the self-regulation of the financial sector and a retreat of the State's development and social welfare functions. Richard Kozul-Wright of the UN Department of Economic and Social Affairs (DESA) said that one of the tragedies of international organizations during that period had been that "a lot of quick fixes and well-intentioned agendas have entered the vacuum. But whether we are talking about micro-credit, reflationary measures, strong regulation, redistributionary policies, none of them work in the absence of strong States: indeed multilateral solutions – the strong international rules that everyone is calling for – do not work in a world of weak and soft States." It was not simply a matter of strong or weak States, he added: "The neoliberal State has extended protection to certain parts of society, while weakening it for other groups: if you are an owner of intellectual property rights, or a multinational company operating abroad, your protection has increased significantly over the last 20 years." Understanding how States had been "captured" by certain interests was essential when thinking of ways forward.

This concern was also echoed by Mr. Tayob of Third World Network, who noted how a number of multilateral and regional/bilateral rules were tilted in



Richard Kozul-Wright, DESA

Ambassador Bhattacharya (Bangladesh)

favour of certain interest groups, whether intellectual property rights at the World Trade Organization (WTO) or Free Trade Agreements that sponsored financial services liberalization in developing countries – even as counter-part developed country parties were seeking to re-regulate these industries in the face of the financial meltdown.

There was strong debate on the extent to which conditionalities attached to the loans of the Bretton Woods institutions had been relaxed during the current crisis as compared to the crises in the 1990s. Some government officials argued they did, while other participants said that despite the new rhetoric, the same policies were repackaged differently but essentially imposed the same fiscal and monetary straightjacket that risked deepening the recession in countries that had to turn to the IMF. According to Mr. Flassbeck of UNCTAD, this was part of a fundamental asymmetry in the global economy that urgently needed to be addressed (see also page 19).

A related area of controversy was the extent to which developing countries were using externally-imposed conditionalities as a front to absolve themselves from being held accountable for decent work deficits at home. "I agree that lack of policy space has been a problem," one Northern government representative argued, "but I don't understand why this should prevent a government from respecting labour union rights in its country." Ms. Griesgraber of New Rules countered this by citing the World Bank's highly influential *Doing Business Report* which in effect discourages the promotion of labour rights (including unionization), which are treated as negative factors in the report's country ranking. Ambassador Bhattacharya noted that the World Bank's assessment does not correspond to the perspectives of senior business executives surveyed for the World Economic Forum's *Global Competitiveness Report*, whom he said widely held the view that "an elected credible collective bargaining agent is a precondition for a much more stable industrial relationship."

The way forward

Many participants believed the crisis had brought an abrupt end to the neoliberal agenda and now was an opportunity to bring meaningful reforms, not just to prevent future crisis, but deal with the longer term problems of poverty, inequality and jobless growth that made achievement of the Millennium Development Goals illusory, even before the food and financial crises hit, without a dramatic shift in policy direction. This meant notably being serious about mainstreaming employment and decent work objectives in development strategies, as Ms. Mugo emphasized a number of developing countries had started to do.

Ms. Griesgraber insisted that "this is not a time to be practical and realistic. This is a time to push. Because we've been 'practical and realistic' for years and that has gotten us nowhere. There are forces pushing for a return to business as usual, but we've got more space now, we really do." Mr. Kapoor said that "now that finance is weakened, it is a good time to push the decent work agenda squarely on the global economic governance reform agenda – have all unions and civil society put their weight behind it, together with other forces including governments from developing countries."

Ambassador Bhattacharya noted that coming out of this Doha Conference there were two road maps in terms of global economic governance reform: the G-20 road map to which the IMF and the World Bank were more associated with and the UN-led road map. The G-20 left out the majority of the world's population, he said, while the UN was the most representative global body. But he insisted that it would be foolish to assume that the UN could do anything meaningful without the political cooperation and support from important countries. The challenge was there: "We need that critical political mass."

Mr. Pursey said it was equally critical that the voice of the real economy be heard "loud and clear." Without that voice, "we are not going to be able to turn around the financial crisis." This meant that effective social dialogue around the world would be essential during this period.

Ms. Robinson closed the meeting by reiterating the relevance of the Universal Declaration of Human Rights as a framework for recasting the Bretton Woods and the overall approach to economic governance. She referred to Article 28 which states that: "Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized."

"If we are going to have true reform of the financial institutions," she concluded, "let us not do it in a 1944 model: we got locked into this idea of total respect for the sovereignty of nation States, rather than sovereignty belonging to the peoples of those States. We have to think of a multistakeholder model, one that includes governments, of course, and international institutions, but also the private sector, trade unions and civil society, who are essential to influence the change that we must bring about."