



# L20 STATEMENT TO THE G20 SUMMIT

LOS CABOS, MEXICO, 18-19 JUNE 2012

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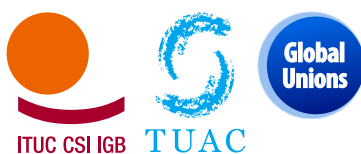
*“We firmly believe that employment and social inclusion must be at the heart of our actions and policies to restore growth and confidence.”<sup>1</sup>*

## Introduction and Summary

**1** The G20 is facing a jobs emergency. Global unemployment has grown to around 200 million. The OECD and ILO estimate that 21 million jobs need to be created each year to return to pre-crisis employment rates by 2015.<sup>2</sup> Yet, with several economies now in recession, other OECD countries experiencing low rates of growth, and growth slowing in emerging economies, unemployment is likely to rise further. Precarious and informal work arrangements, already at unacceptable levels, are increasing. Financial markets continue to wreak havoc on our democracies, economies and societies. People are angry and social tensions are running high.

**2** Governments have failed to deliver on their commitments to prioritise employment and to curb the power of the financial markets. At the onset of the crisis, the G20 demonstrated its effectiveness, taking coordinated action to stabilise global demand and agreeing on proposals for financial regulation. But momentum has been lost with governments shifting to austerity instead of fighting recession and building sustainable and inclusive growth. These policies are failing; austerity and growth are not compatible. At Cannes, G20 Leaders adopted the G20 Cannes Action Plan for Growth and Jobs. At Los Cabos G20 Leaders must reassert their relevance by putting in place an employment-centred, inclusive growth plan to increase demand and measures to raise appropriate tax revenue, thereby reducing debt in the medium-term. They must also take further measures to limit the size and complexity of “too-big-to-fail” global banks and to curb financial speculation, so as to enable government growth plans to succeed. It is democratic governments, not financial markets, which should set the policy agenda.

**3** In their political statements and messages, G20 governments and inter-governmental organisations identified the need to tackle the jobs crisis by addressing the *quality* as well as the *quantity* of jobs. However, the reality is that labour rights are under attack at domestic, regional and international level, through efforts to break up collective bargaining structures, lower minimum wages and remove employment protection.



1 G20 Cannes Summit Final Declaration, November 2011.

2 ILO-OECD Statistical update for the G20 Meeting of Labour and Employment Ministers, 26-27 September 2011.

There are also significant cutbacks in public sector employment. These are misguided policies. They will not restore growth; they will only serve to destroy workers' confidence, eliminate public support, and widen income inequality – now recognised as one of the contributory factors to the crisis.<sup>3</sup>

**4** The escalating jobs crisis is hitting young women and men particularly hard, with an estimated 75 million young people around the world unemployed. Together with rising long-term unemployment, the increasing rate of youth unemployment threatens to weaken the long-term growth potential and increase the risk of social break-down and political instability.

**5** G20 Leaders must make the implementation of their past commitments a cross-cutting objective. They need to shift away from austerity towards employment-contingent, inclusive growth policies. They must act to increase economic cooperation and boost demand and employment, particularly quality employment, increase financial regulation and implement a Financial Transactions Tax, put in place a Social Protection Floor and support development; tackle climate change and promote sustainable growth; and achieve more democratic and equitable global governance.

**6** The L20 is calling on G20 Leaders to:

- Kick-start the global recovery with a “Los Cabos Growth and Jobs Plan” that includes commitments to increase public investment in job creation, education and training, infrastructure, greening the economy and quality public services. A G20 Youth Jobs Pact must be a core element of the Growth and Jobs Plan (§7-8);
- Mandate an early meeting of the G20 Finance Ministers with Labour and Employment Ministers to take forward the conclusions of the Guadalajara Labour and Employment Ministers Meeting (LEMC) and hold a 4<sup>th</sup> LEMC in 2013 prior to the G20 Summit in Russia (§9);
- Take effective, including binding, measures to re-regulate the financial system, tackle “too-big-to-fail” global banks, introduce a Financial Transactions Tax and eradicate tax havens (§10-12);
- Expand International Financial Institutions’ (IFIs) crisis assistance facilities to foster social inclusion and promote decent jobs and reform the IFIs’ governance to make it more democratic and accountable and reflective of global membership (§13-16);
- Develop a G20 action plan and fund involving both Labour Ministers and the Development Working Group to support implementation of Social Protection Floors, including the ratification of ILO Convention No. 102, Social Security, and follow up the G20 Cannes Declaration that “*aid commitments made by developed countries should be met*” (§17-21);
- Expand assistance, refocus subsidies and review trade and investment in order to ensure food security, promote decent work for agricultural workers throughout the agricultural production chain and reduce commodity price volatility (§22-23);
- Raise the level of ambition of the Rio+20 Conference agreeing on global goals for decent work, green jobs and social protection and put in place national plans that include targets for achieving these goals (§24-27);
- Formalise the interaction of the G20 with the social partners through the L20 and B20 (§28-29).

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3 “Inequality, Leverage and Crises”, Michael Kumhof and Romain Rancière, IMF, November 2010.

# Growth and Employment

**7** A dangerous credibility gap is appearing between G20 Leaders' statements on jobs and G20 governments' failure to prioritise employment in their economic policy-making. Governments' austerity measures and short-term deficit reduction have pushed the eurozone back into recession. The rise in unemployment is not only a social and political time-bomb, it now represents the biggest obstacle to deficit reduction. Workers and consumers need confidence in their future, just as firms need confidence to invest their record profits. A fundamental change in policy is needed in order to avoid self-defeating, collective deflation. Public services and transfers have played a key role in stabilising demand in the crisis, yet they are now under attack. Public services need to be strengthened not destroyed.

**8** The L20 is calling on G20 Leaders to shift the focus away from austerity towards inclusive growth and job creation and implement a "Los Cabos Growth and Jobs Plan" that includes:

- Investment in infrastructure, prioritising projects with the highest growth and job creation, in particular those contributing to building environmentally-friendly economies, facilitating green investment and growing green jobs;
- The creation of a G20 Youth Jobs Pact in close cooperation with the social partners to invest in education, training, skills, innovation and in-work programmes, with a special focus on unemployed youth;
- Action by the European authorities to move to growth-promoting governance reforms through the introduction of growth bonds, Eurobonds and expanded capitalisation of the European Investment Bank;
- Invest in quality public services, including the care economy;
- Put in place job subsidies and, where appropriate, targeted reductions in payroll taxes designed to maximise job creation impacts;
- Boost incomes for low and middle income earners so as to stimulate demand and reduce inequality;
- Ensure that the policy recommendations of the IMF, OECD, ILO and World Bank on job creation are consistent with the decent jobs agenda.

**9** In order to implement this plan we call on the G20 Leaders meeting in Los Cabos to:

- Endorse G20 Labour and Employment Ministers' Guadalajara recommendations as a fully integrated part of the G20 Los Cabos Conclusions;
- Endorse and expand the agenda of the G20 Task Force on Employment in order to oversee G20 policy actions on employment and social protection;
- Mandate an early joint meeting of the G20 Finance Ministers with Labour and Employment Ministers to take forward the conclusions of the Guadalajara Labour and Employment Ministers' Meeting (LEMC) and hold a 4<sup>th</sup> LEMC in 2013 prior to the G20 Summit in Russia;
- Make decent employment a formal indicator in the Mutual Assessment Process for "Strong, Sustainable and Balanced Growth", together with indicators of relative income and wealth inequalities;
- Institutionalise enhanced consultation at all levels, including the G20 Leaders, with representatives of workers' and employers' organisations.

# Strengthening the Financial System and Fostering Financial Inclusion

**10** Progress in making the agreed reforms is lamentably slow under the “Action Plan” of the Financial Stability Board<sup>4</sup>. Of primary concern is the low level of ambition in tackling “too-big-to-fail” large financial conglomerates, as identified on the list of the G20 Global Systemically Important Financial Institutions<sup>5</sup>. But there is also an urgent need to accelerate reforms as regards shadow banking, regulation of derivatives, bankers’ pay and risk management, credit rating agencies, speculative trading, cooperation on international tax evasion and financial consumer protection. The G20 has similarly failed to take forward initiatives for taxing the financial institutions – the IMF-proposed Financial Stability Contribution and Financial Activity Tax and the EC-proposed Financial Transaction Tax (FTT).

**11** Whereas bankers have argued that the risk of a double-dip recession is a reason for delaying or weakening the reform agenda, trade unions consider that the reforms should be accelerated. In Europe in particular, the most immediate threat to governments and workers lies not in budget deficits but in their exposure to the risks and liabilities generated by badly regulated and improperly supervised financial markets and institutions and by repeated speculative attacks on bond and derivatives markets. Although the European Central Bank (ECB) has injected a staggering 1 trillion Euros of liquidity into the banking system, banks are hoarding this money instead of using it to provide increased credit or to alleviate distressed sovereign debt markets. This escalating crisis poses a real threat not only to the eurozone but to the global economy at large.

**12** The L20 is calling on the G20 to:

- Agree on further binding measures to limit the size and complexity of “too-big-to-fail” global banks, including the mandatory separation of commercial and investment banking activities;
- Support the creation of a FTT;
- Eliminate ultra-speculative trading strategies – such as High Frequency Trading and naked short-selling;
- Ensure that all forms of standardised derivatives are effectively traded under the scrutiny of regulated exchanges and enforce strict rules on the remaining non-standardised derivatives;
- Implement Basel III Framework across G20 jurisdictions and eliminate the risk of “regulatory arbitrage” through effective regulation of the shadow banking sector;
- Strengthen the risk management procedures of banks, which are still wholly inadequate, and limit bankers’ and traders’ remuneration;
- Introduce legal liability of rating agencies, shift their business model to an investor-pay system, reduce reliance on their ratings, and increase competition;
- Upgrade the standards of the OECD-led Global Forum on Tax Transparency to include automatic exchange of information between tax authorities and the application of sanctions on jurisdictions that fail the minimum requirements;
- Empower consumers through standardised and detailed disclosure of financial services, protect them against predatory sales practices, and facilitate, where needed, household debt restructuring.

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<sup>4</sup> As shown in the FSB “Status Report on the progress in implementing the G20 Recommendations on Financial Regulatory Reform” 4 November 2011 [http://www.financialstabilityboard.org/publications/r\\_111104hh.pdf](http://www.financialstabilityboard.org/publications/r_111104hh.pdf)

<sup>5</sup> “Policy Measures to Address Systemically Important Financial Institutions”, Financial Stability Board, 4 November 2011 <[http://www.financialstabilityboard.org/publications/r\\_111104bb.pdf](http://www.financialstabilityboard.org/publications/r_111104bb.pdf)>.

# Financial Architecture

## *Crisis assistance facilities*

**13** The Greek debt crisis has demonstrated the inter-connectedness of the global financial system as well as the inadequacy of existing crisis assistance facilities. The Greek economy represents just over 2 per cent of the eurozone's GDP, yet the repercussions of its debt crisis extend far Europe's borders. When the European authorities finally took action, it was a case of "too little, too late". It is not yet clear whether the enhanced eurozone bailout fund will have sufficient resources, and while the London G20 Summit tripled the IMF's lending resources, no such provision has been made with regard to the eurozone bailout fund, should additional large economies require crisis assistance.

**14** In addition to growth-orientated European economic governance reforms, the L20 is calling on the G20 to improve the crisis assistance facilities in view of the continuing fragility of all parts of the global economy:

- Provide emergency lending resources at low rates, whether through specific regional arrangements or a global mechanism managed by the IMF, but introduce the criterion that financial assistance should be provided to support inclusive growth strategies in borrowing countries, giving priority to policies which maximise employment impacts, including lending to SMEs that are deprived of vital short-term credit, so as to prevent bankruptcies;
- Ensure that the World Bank, whose lending capacity has been augmented following a general capital increase endorsed by the G20, gives much higher priority to the creation of decent jobs, respect of labour rights and education as central objectives of its development strategies;
- Support an additional general allocation of Special Drawing Rights (SDRs), building on the first general allocation made following decisions taken at the London G20 Summit.

## *Accountability and transparency*

**15** The governance structures of the IFIs should set the highest possible standards of democratic decision-making procedures, accountability and transparency. As regards representation, the L20 is concerned that the increase in the voting weight of emerging economies agreed in the IMF – a step towards wider representation – has not yet been fully ratified and implemented. And far from setting a benchmark for transparency, the procedures for selecting the heads of the IMF and the World Bank could scarcely be more undemocratic. The process involves the economic powers that have monopolised the respective posts since the end of the Second World War exercising their unwritten, un-transparent, traditional prerogative.

**16** The L20 is calling on the G20 to:

- Implement the agreed change in the voting of emerging economies at the IMF and introduce further increases at the IFIs, which benefit developing countries in particular, so that the group of developing and emerging economies at the IFIs attain at least parity representation with high-income countries;
- Examine the potential for introducing a double-majority voting system whereby a majority of voting countries as well as a majority of weighted votes must approve decisions taken at board meetings;
- Reform the process for selecting the heads of the IFIs by introducing a transparent process aimed at recruiting the best candidate for the post.

# Development Resources

## *Social Protection*

**17** Today, 1.4 billion people are struggling to survive on less than \$1.25 a day, some 84 million more than before the crisis. There is a risk that key Millennium Development Goals (MDGs) will not be reached by the target year of 2015. Urgent action must be taken to get progress towards the MDGs back on track. This means putting social protection at the heart of the international development agenda.

**18** At Cannes, G20 Leaders recognised “*the importance of social protection floors in each of our countries, adapted to national situations*” (C#6) using the ILO’s four-part definition comprising: “*...access to health care, income security for the elderly and persons with disabilities, child benefits and income security for the unemployed and assistance for the working poor*”. The Cannes Communiqué also noted “*the report of the Social Protection Floor Advisory Group, chaired by Ms Michelle Bachelet*”.

**19** Trade unions support a dual approach based on the “horizontal” and “vertical” dimensions of social protection: extending the Social Protection Floor (SPF) to all, while at the same time seeking to provide higher levels of income security through the ratification and implementation of ILO Convention No. 102, Social Security.

**20** The L20 is calling on G20 Leaders to:

- Elaborate a G20 action plan to support implementation of the SPF at national levels;
- Establish a global SPF fund co-financed by G20 governments, the World Bank and multilateral development banks;
- Promote action to support the ratification and implementation of ILO Convention No. 102, Social Security;
- Support the implementation of the Recommendation on the SPF to be adopted at the 2012 International Labour Conference of the ILO;
- Assist a group of pilot countries to fast-track the implementation of the SPF with the support of all relevant international organisations;
- Increase cooperation between the ILO and IMF to support countries in creating fiscal space for the implementation of the SPF;
- Support the full integration of the above into the World Bank’s Social Protection Strategy 2012-2020;
- Create an interagency mechanism coordinated by the ILO and involving all relevant UN agencies, IFIs and regional entities to promote the implementation of the SPF at global, regional and national levels, as advocated by the UN Bachelet report;
- Endorse the proposal that all governments have in place, as a minimum, an SPF based on relevant ILO standards by 2020.

## *Development Assistance, Decent Work and FDI*

**21** The L20 is concerned that official aid flows have stagnated, and in some cases declined, despite the commitment made in the Cannes G20 Declaration that “*Aid commitments made by developed countries should be met*”. We call on the G20 to:

- Maintain and strengthen their commitments regarding Official Development Assistance (ODA) so as to achieve the MDGs;
- Allocate further resources to promote development programmes that promote social justice, promote decent jobs and enhance the participation of the social partners;

- Meet commitments on universal access to HIV and AIDS prevention and treatment, so as to break the link between poverty and renewed economic insecurity and increased rates of HIV transmission;
- Endorse the full implementation of the conclusions of the Fourth High Level Forum on Aid Effectiveness (Busan, November 2011) and recognise the importance of promoting social dialogue and empowering worker organisations to organise and bargain collectively;
- Base its work on supporting the “*regulatory framework for foreign and domestic investment*” on the authoritative international instruments in this area, most notably the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights endorsed by the UN Council of Human Rights in June 2011 and the ILO Tripartite Declaration concerning Multinational Enterprises and Social Policy, ensuring that compliance with these standards is integrated across international and national structures including export credit agencies.

## Food Security and Commodity Price Volatility

**22** Millions of people around the world face hunger and starvation because food security is being undermined by a trade and investment regime that supports unsustainable agriculture and the inadequacy of food and commodity price regulation. It is essential that decent work, living wages and the right to food for food workers are placed at the heart of policies to achieve a sustainable food system and food security.

**23** The L20 is calling on the G20 to show leadership in addressing this issue and:

- Expand assistance to the poorest countries affected by rising cereal and other food prices;
- Review the regulatory trade and investment policies that are promoting food insecurity and undermining agriculture’s capacity;
- Eliminate subsidies that undermine current and future food security – including for export crops and biofuel production;
- Provide effective regulatory mechanisms in the agricultural commodity and futures markets to limit speculation;
- Commit to real investment in agriculture including assistance to small-scale agricultural production to restore the supply-demand balance that ensures food security, and policies aimed at creating decent work and securing the right for food for food workers;
- Involve unions in developing policies on food security at national and international level and take measures to support unions to organise freely in the agricultural sector.

## Sustainable Development, Green Growth and Climate Change

**24** There can be no environmentally-sustainable growth without social inclusion and employment generation. Governments must kick-start the transition through an ambitious investment programme accompanied by “Just Transition” strategies: investing in skills development and active labour-market policies, expanding social protection, creating new mechanisms for consulting trade unions, and broadening research on the potential employment impacts of a green transformation.

**25** Greening economies can create decent jobs across developed, emerging and developing economies in a range of sectors including power generation, energy efficiency

and retrofitting, public transportation and rural development. Research by the ITUC and the Millennium Institute suggests that investing 2% of GDP in green infrastructure in just six G20 countries in each of the next five years could create up to 42 million jobs<sup>6</sup>. Realising this potential requires immediate and significant action. This in turn will help build the confidence of workers that new jobs will be secured and that the transition to a more sustainable economy will be just.

**26** The G20 Summit should agree on an ambitious contribution to the upcoming United Nations Conference on Sustainable Development (Rio+20), taking place immediately after the G20 Summit in Rio de Janeiro, Brazil, 20-22 June 2012 and:

- Agree on launching a global initiative on employment, which will include the promotion of green jobs, with a special focus on young workers, in order to reach the goal of “Decent Work for All”. Progress in meeting this goal should be measured in terms of the reduction in unemployment, the elimination of working poverty and the share of green jobs created as a percentage of total job creation by 2030;
- Ensure that decisions made under the “Green Economy” enshrine social equity, gender equality, decent work, including trade union rights, democracy and a Just Transition for workers;
- Agree on national 5-10 year plans that include targets for creating decent and green jobs and transforming existing jobs into decent and green jobs with accompanying decent work policies, through green investments of at least 2% of GDP.

**27** G20 governments should, building on the outcomes of COP17 in Durban, confirm the following priorities in advance of the COP18, December 2012:

- Develop an ambitious mandate based on the Durban Platform as well as on UNFCCC core principles, aimed at providing a legally-binding architecture for the climate regime in order to limit the temperature increase to below 2°C, and consider reducing the target to 1.5°C;
- Attain full implementation of the Green Climate Fund, including making the necessary resources available;
- Ensure the implementation of previous commitments to ensure a Just Transition towards a low-carbon and climate-resilient economy in the work of the Durban Platform for Enhanced Action, and encourage joint UNFCCC-ILO work on the employment aspects of climate policies.

## Governance and the G20

**28** The G20 must reassert its relevance to fighting the recession and building sustainable and inclusive growth. The L20 is calling on the G20 to:

- Encourage coherence between economic, trade, social and environmental policies at national, regional and global level, with close involvement of the ILO, IMF, World Bank, WTO, EU OECD, FSB and relevant UN bodies to assess the compliance of their analyses (crisis and post-crisis) with ILO standards and the aims of the Global Jobs Pact. This should be carried out in collaboration with the social partners;
- Establish reciprocal arrangements for observer status between all international, social, environmental and economic organisations;
- Upgrade the level of social dialogue and consultation at national and international level so as to ensure effective implementation of policy commitments;
- Facilitate the direct representation and interaction of the social partners, organ-

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6 Unions Challenge G20 Finance Ministers to Unleash Green Jobs Investment; <<http://www.ituc-csi.org/unions-challenge-g20-finance.html>>.



ised in the L20 and B20, with G20 Leaders as the basis for the effective incorporation of workplace concerns.

**29** In order to be effective in fighting the recession and building inclusive growth the G20 must plot a steady path from Mexico in 2012 to Russia in 2013. In line with the Cannes Declaration's commitment to include social partners – "*Convinced of the essential role of social dialogue, we welcome the outcomes of the B20 and L20 and their joint statement*" – this should have at its heart social dialogue with the social partners.



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