SHARAN BURROW, ITUC GENERAL SECRETARY

ADDRESS TO DGB 2ND CONGRESS ON CAPITALISM

BERLIN, 7 OCTOBER 2010

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Michael, Friends, Dear Colleagues,

Greetings and solidarity on behalf of the 176 million workers organised in the International Trade Union Confederation, on this third World Day for Decent Work! The ITUC salutes the long-standing solidarity of affiliates like the DGB, as a contribution that is absolutely fundamental to achieving the objectives of the ITUC's global campaign for decent work worldwide.

In particular can I pay tribute to the leadership of your President, Michael Sommer and say how pleased I am to have him as our ITUC President.

Colleagues, thank you for this opportunity to address this highly important 2nd DGB Congress on Capitalism. We meet today just over two years since the collapse of Lehman Brothers that marked the outbreak of the global financial crisis. It was the start of a two-year crisis that has plunged the world into a currently desperate situation, as a few facts about the world economy today demonstrate:

- world unemployment stands today at 210 million - **the highest recorded level of unemployment in history**;
- **64 million more people** have been pushed into extreme poverty;
- according to the ILO, **there are 34 million more people unemployed** as a result of the crisis;
- **23 million more people** would be without a job today, were it not for the stimulus packages adopted to confront the crisis – programmes which apparently now stand to be phased out rapidly over the time ahead, as governments (particularly in Europe) fall over one another in their rush to exit from the crisis;
- and this "decent work deficit" can only worsen in the coming years, as there are also a record number of young people entering the labour force all the time – **45 million new job seekers** each year.

This unemployment crisis comes on top of what the ILO Director-General Juan Somavia has termed "a crisis before the crisis" – as shown by the facts that:

- **even before the crisis**, the vast majority of people in developing countries had no social protection;
- that **inequality has been worsening for some four decades** – indeed, that inequality is precisely what contributed in large part to the debt-driven model that brought about the crisis;
- that **over 50% of the world's workforce** are engaged in precarious and vulnerable employment;
- and that even before the food price rises of recent years, **close to one billion people** lived in chronic food insecurity.

In other words, even if the world economy could somehow revert to a pre-crisis "business as usual", that would be insufficient to meet the needs of most people alive today.

And the economic trends are, frankly, not looking like they can achieve even that:

- last month, the OECD shaved a full percentage point off its own growth forecast for the industrialised countries – down from 2.5 to 1.5 per cent**, a massive reduction**;

- and also last month, UNCTAD has issued its annual Trade & development Report, also warning that current policies by industrialised countries stand to be insufficient to maintain an economic recovery, and on the contrary **risk triggering a deflationary spiral** in the world economy.

In short, one would have thought that everything about the current situation should cause world governments to sound the alarm and to start talking about how to find the resources for far-reaching short and long-term measures both to give new momentum to the world economy and to address the enduring problems faced by most of the world's population.

However nothing seems to be further from the case. On the contrary, as you know governments in Europe in particular seem to be taking the opposite path, that of cutting back their stimulus programmes faster than they initially planned, and in some cases instituting drastic curbs in employment and cutting cumulatively millions of jobs in their public sectors – with all the knock-on negative multiplier impact on decent work throughout their economies that can be anticipated.

In some countries like the UK, this may be due more to a clearly ideological dislike of the public sector than any other factor. The government there is leading a charge to slash public spending without concern for jobs or the impact of loss of services on vulnerable workers and their families.

Elsewhere, governments seem to have fallen into a trap of what the Spanish Prime Minister José Luis Zapatero referred to last month as a "collective pessimism" – they seem to see no alternative to cutting their deficits fast, out of a fear that the "market" will punish governments that do not, by reducing their credit ratings, by causing a run on their currencies or even by forcing them into emergency measures to defend their membership of monetary zones like the Euro.

What I think is particularly ironic is that just two years ago, it was precisely the actions of these same financial markets that G20 Leaders said should never be allowed to dictate economic policy again! In the Washington Declaration adopted in November 2008, the G20 Leaders proclaimed a "mea culpa" at their own lack of oversight in the "light touch regulation" policy failures that had led to the crisis; and they pledged themselves to reform financial markets and regulation to prevent future crises. There was an acceptance that the crisis was triggered primarily by massive inequality, asset price bubbles and speculation; that it was driven by a greed that led to a chain reaction of financial meltdown.

Yet despite the promises of tough financial regulation, of decent work and green jobs, governments are once again bowing to the demands of the bond markets and the financial elites who caused the crisis. Business as usual is back, to judge by the complacent tone of the declaration of the G20 Toronto Summit in June, seeming to indicate a belief by G20 Leaders that the crisis was virtually over. One wonders whether by the time of the Seoul Summit in Korea this November the G20 Leaders will perhaps have reached a phase of even more intense denial that their measures are insufficient, heightening the risk of the world tipping into a double-dip recession.

Unfortunately for working people around the world, at this time that does seem to be the most likely outcome. There is already breathtaking evidence of massive human suffering, visited disproportionately on those least able to bear it and those least implicated in causing it, a large number of them women and migrant workers.

And the cumulative impact of austerity at home and austerity abroad is going to be devastating. The so-called “exit” strategies now being implemented could lead to a post crisis situation worse than what we had before. Long term, the best on offer is slower growth; permanently higher levels of unemployment; lower wages and living standards; and harsh cuts in public spending.

The terrible irony is that where growth falls short of the bond market expectations these economies will be finished again. Perhaps it will take that double-dip recession before governments recognise the seriousness of the situation.

At last month’s Oslo conference organised by the ILO and IMF, the Greek Prime Minister George Papandreou – also President of the Socialist International - spoke of the need to move forward from the crisis in a far-reaching way, by establishing the fundamentals for a different and better world than before the crisis. And given how bad things were even before the crisis, surely that aspiration must still be achievable.

For the ITUC, there would be at least seven components of a series of far-reaching measures that could enable us to achieve recovery in the short term, establish a stable world economic system for sustainable growth for the long term, and address the basic needs for decent work of the working population. At the centre of these measures must be the Global Jobs Pact – a new development model that ensures employment is central to macro-economic policy and consequently any analysis of economic risk. Thus balanced, sustainable and inclusive growth requires:

- First, of course, we need coordinated fiscal stimulus at least until unemployment is back to the level it was before the crisis; we need to ensure jobs centred growth with a plan for jobs put in place now with the support of and active labour market intervention to keep and create employment;
- Secondly – we need Labour Market Justice. The fact that the share that labour takes in national income around the world is at historic lows – back to the levels of the 1930's - represents a massive transfer of resources to capital and the major cause of inequality in our societies. Ending this crisis of distributional justice means restoring justice to the labour market – reinforcing collective bargaining, combating precarity at work, strengthening social protections. We need a major increase in spending on skills and training for the workforce, particularly the young unemployed, as part again of an investment for the future and in preventing the loss of generations of working people into long-term unemployment;

- Third, we need Quality Public Services. We need services of all kinds – for the aged, for health and for maternity care, for education. And we need the establishment of a universal social protection floor that caters for all human beings – something the ILO and the UN have calculated is entirely within our means today, and that would also generate increased demand for goods and services, and so stimulate more jobs and higher growth;
- Fourth, we need balanced world development. Governments must stand by the commitments they have given – particularly the UN Millennium Development Goals – as part of a common responsibility that we cannot simply abandon now.
- Fifth – we need far-reaching investments to begin to change the energy intensity of production and of all economic processes, to begin to move the world towards the low carbon economy that it must become within the shortest possible time. We all know this has to happen; trade unions insist that this must be a "just transition" that respects workers' interests and promotes decent work. Our Governments said that we could not afford a failure in Copenhagen last December and then produced one. We are facing the absolute necessity of bringing about the biggest transformation of our productive system for generations and we need to start the job now;
- Sixth, we need the implementation of the many unfulfilled commitments to regulate the financial sector that have been made in G20 declarations over the

past two years, such that the financial economy is returned to its classic role of providing resources to service the productive economy. And in particular, both to create a roadblock to speculators and also in order to generate some of the resources needed for the public investments I have mentioned, we need progressive taxation, an end to tax heavens and the implementation of an effective financial transactions tax. An FTT would make the people who caused the crisis pay for the crisis; and it would help to mitigate extreme speculative behaviour. It would help pay for public services and the fiscal costs of the crisis. At the same time, it could help governments make a contribution to the MDGs and make progress in the fight against climate change. It would with other collective taxation measures enable progressive and effective fiscal policy; The Prime Minister of Greece says that if everyone paid the taxes the Government would have $20 billion extra in the budget.

- And seventh, we need reforms to global governance so as to address the gaps in the multilateral system that contributed to causing the crisis, and establish a truly coherent multilateral system. . We need to reflect on the content of a world governance structure that can prevent future crises and would be sustainable for the 21st century, a governance structure that is appropriate to a degree of global economic integration never known before, one that can match the degree of international cooperation required to tackle shared global challenges – such as climate change, and universal social protection – that are of an equally unprecedented nature.

Such a reform of governance structures needs, among other things, to review the current international hierarchy of standards and regulations. It should ensure that we turn around the low priority given to the perception of the "soft law" of social and labour standards and reassess the role of institutions of the ILO and the UN charged with their implementation, in the international hierarchy of norms that has placed the so called "hard law" of the rules and regulations of the WTO and the IMF at the apex of that pyramid. Income led growth requires jobs, decent work and social protection.

Colleagues, reform of the governance of globalisation cannot be forgotten, or the world will be condemned to facing another crisis. Chancellor Merkel is one of the few world leaders who seems to take this subject seriously, and the ITUC strongly supports her call for a Charter on Globalisation.

There are tough times ahead. Here in Germany you face budgetary rigour without parallel in recent history, one that is nowadays written into your very

Constitution; but if you can win the arguments here, then others around the world will know they can do the same and take heart. The strategic partnership of the trade unions was important in managing the crisis and your own social security system including the “short time” working model has demonstrated just how important social protection can be for economic stability. If we are important in a crisis then our approach to employment centred growth as the vehicle for fiscal consolidation is equally important. This Conference has an essential role to play in sharpening our arguments and strengthening our resolve.

Once again, on this World Day for Decent Work, let me wish this Conference well, and stress the ITUC’s strongest commitment to putting globalisation on a different, fairer, inclusive and sustainable course that would meet working people’s aspirations for a better world, achieve recovery from this crisis and enable us to prevent another one.

Thank you.