INTERNATIONAL FINANCIAL CRISIS
AND THE ROLE OF TRADE UNIONS

EMPLOYMENT CRISIS AND SUSTAINABLE DEVELOPMENT

ALL–CHINA FEDERATION OF TRADE UNIONS
WORLD FEDERATION OF TRADE UNIONS
ORGANIZATION OF AFRICAN TRADE UNION UNITY
INTERNATIONAL CONFEDERATION OF ARAB TRADE UNIONS
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Abbreviations

ACTU  Australian Council of Trade Unions
AITUC  All India Trade Union Congress
APEC  Asia–Pacific Economic Cooperation
APLN  Asia Pacific Labour Network (ITUC)
ASEAN  Association of Southeast Asian Nations
BMS  Bharatiya Mazdoor Sangh (Indian Workers’ Union)
BRIC  Brazil, Russia, India, and China
CASS  Chinese Academy of Social Sciences
CGT  Confédération générale du travail (General Confederation of Labour, France)
CIS  Commonwealth of Independent States
CITU  1. Centre of Indian Trade Unions
        2. Confederation of Independent Trade Unions (Bulgaria)
DGB  Deutscher Gewerkschaftsbund (Confederation of German Trade Unions)
EPZ  Export Processing Zone
ETUC  European Trade Union Confederation
EU  European Union
FDI  Foreign Direct Investment
FDIC  Federal Deposit Insurance Corporation (US)
FEFSS  Fund for Stabilization of Social Security (Portugal)
FIAP  International Federation of Pension Funds Administrators
G20  Group of Twenty (Finance Ministers and Central Bank Governors of 19 major countries plus the European Union)
G7  Group of Seven (Finance Ministers of Canada, France,
Germany, Italy, Japan, United Kingdom, United States

GDP  Gross Domestic Product
GPIF  Government Pension Investment fund (Japan)
HMS  Hind Mazdoor Sabha (Workers’ Assembly of India)
ICATU  International Confederation of Arab Trade Unions
ICFTU  International Confederation of Free Trade Unions
IG Metall  Industriegewerkschaft Metall (Industrial Union of
Metalworkers, Germany)
ILO  International Labour Organization
IMF  International Monetary Fund
INTUC  Indian National Trade Union Congress
ITUC  International Trade Union Confederation
JCS  Jobs Credit Scheme (Singapore)
LDC  Least Developed Country
MNC  Multinational company
LEAP  Livelihood Empowerment against Poverty (Ghana)
NBER  National Bureau of Economic Research (US)
NHIS  National Health Insurance Scheme (Ghana)
NPC  National People’s Congress (China)
NPF  National Pension Fund (Republic of Korea)
NSPS  National Social Protection Strategy (Ghana)
NTUC  National Trade Union Congress (Singapore)
NWF  National Wealth Fund (Russian Federation)
OATUU  Organization of African Trade Union Unity
ODA  Official Development Assistance
OECD  Organisation for Economic Co–operation and Development
ONS  Office for National Statistics (UK)
SFPs  Sovereign Pension Funds
SMEs  Small and medium–sized enterprises
SNEF  Singapore National Employers Federation
SPUR  Skills Programme for Upgrading and Resilience (Singapore)
TUAC  Trade Union Advisory Committee (OECD)
TUC  Trades Union Congress (UK)
UAW  United Auto Workers (US)
UNDP  United Nations Development Programme
UNEP  United Nations Environment Programme
VGCL  Vietnam General Confederation of Labour
WCL   World Confederation of Labour
WFTU  World Federation of Trade Unions
WTO   World Trade Organization
Foreword

The negative impact of the international financial crisis stemming from the sub–prime mortgage collapse in the US is both extensive and far–reaching for the whole world. The International Monetary Fund estimates that the global economic growth rate dropped to minus 1.3% in April 2009 from plus 5.2% in 2007. ¹ Ordinary citizens, especially in low–income countries, have been plunged into an economic quagmire, and development in these countries is seriously hampered.

The financial crisis has caused a global surge in the unemployed and poor populations. According to the International Labour Organization (ILO), over the period from 2007 to 2009 some 29 to 59 million people were added to the numbers of jobless, corresponding to global unemployment rates of between 6.5% and 7.4%. Within the same period, as many as 122 to 233 million additional workers fell into extreme poverty, living on less than 1.25 USD per person per day. ²

The crisis has also triggered widespread social turmoil in many parts of the world.

Despite some encouraging signs for the world economy as a result of global efforts, economic recovery is still uncertain, extensive unemployment continues and life for workers remains difficult.

During and after the crisis, trade unions are mandated to effectively safeguard the rights and interests of workers, and especially to promote employment. Therefore, the following issues are worth discussing.

² Ibid.
The root causes of the crisis
Reflection on the causes will help to prevent the next crisis, and also help us to develop a world economic structure better tailored to the interests and well-being of the people. The global economic system that the trade unions are committed to building should be one that protects the sustainable development of the rights of workers.

The impact of the crisis on the rights and interests of workers
The financial crisis has greatly changed labour relations. This is demonstrated by rapidly rising unemployment rates, a growing trend towards informal employment, deteriorating working conditions posing a challenge to decent work, a lower quality of life for disadvantaged groups and burgeoning numbers of poor people, a decline in the rate of unionization and, in many countries, a slowdown in the improvement of labour laws.

A clear understanding of the impact of the financial crisis on workers’ rights and interests lies at the foundation of the trade unions’ role of protecting their members and will help workers’ organizations to clarify their goals and targets.

The trade union response to the international financial crisis
The protection of workers’ rights was the priority for trade unions under the special condition of the outbreak of the financial crisis. The World Federation of Trade Unions (WFTU), the International Trade Union Confederation (ITUC), the Organization of African Trade Union Unity (OATUU), the International Confederation of Arab Trade Unions (ICATU) and other national, regional and international trade union organizations and various national trade union centres acted promptly with positive results.

A review of the action taken will help us to establish and improve the mechanism to safeguard workers’ rights and interests under these special conditions and will serve as a precious reference for effective work during and after the crisis.

New direction for trade unions
The crisis has sounded an alarm bell for us. We must prepare for unexpected challenges. We must adopt scientific measures to judge the change in the situation, and exert influence on that change so as to better adapt ourselves to the new situation. This causes us to think and discuss: What kind of globalization do we need? What can trade unions do for workers who are seriously affected by globalization? What can trade unions do to achieve the kind of globalization and sustainable development we wish to see?
Given that these questions are as vital as they are urgent, this report offers both analysis and proposals in the hope of stimulating discussion of possible solutions during this International Forum on Economic Globalization and Trade Unions.
Chapter 1

Far–Reaching Impact
of the International Financial Crisis

1.1 The world in the tide of crisis

Today, the world still finds itself in the predicament brought about by the financial crisis. Stemming from the sub–prime mortgage collapse in the US, this crisis has brought disaster to the global economy. It spread from America to the rest of the world, from the industrialized countries to the developing ones and from the virtual economy to the real economy. And it has evolved from a financial crisis into an economic crisis which, in some parts of the world, has caused serious political and social problems. Although various terms have been used to describe it, there is a widespread consensus that this is the gravest financial crisis the world has seen since the Great Depression of the 1930s.

1.1.1 A heavy blow dealt to the world economy

This crisis has dealt a heavy blow to the developing world as much as the developed countries, and the real economy as much as the virtual economy. The developing nations have been hit more heavily because of their economic fragility and reliance on the markets of the industrial countries of North America and Europe.

• Enormous drop in global GDP

According to the IMF World Economic Outlook of July 2009, the projected growth rate of the global economy in 2009 was minus 1.4%, one tenth of a percentage point lower than the forecast figure the organization released three months earlier in April, while growth rates in 2008 and 2007 were respectively 3.1% and 5.1%.3

According to World Economic Situation and Prospects 2009, the mid–year report by the

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3 The IMF believes that the world economy is walking slowly out of recession: 
UN, the world economy grew at a rate close to 4% between 2004 and 2007, but growth faltered at 2.1% in 2008 and will further drop to minus 2.6% in 2009.⁴

· Severe recession in major economies
The IMF made a downward adjustment to its economic forecast for all countries and regions in 2009, with the developed economies expected to see a negative growth rate of minus 3.8%; the Euro zone minus 4.8%; newly industrialized Asian economies minus 5.2%; central and eastern Europe minus 5%; and Africa plus 1.8%; while East Asia and South Asia will have the highest among all regions – a rate of plus 5.5% – because of economic engines like China and India. This said, the rate is still largely lower than in recent history.⁵

· Drastic decrease in trade volume
As a result of the economic recession, global trade volume decreased even faster than expected. The world’s trade growth rate was around 4.3% in 2008, only half the average rate of 8.6% for 2004–07.⁶

According to the forecast of the WTO, world trade volume in 2009 will have been slashed by 10%; for the developed countries, it will be down by 14%, and for the developing nations by 7%.⁷

Some Asian nations have been hit badly in terms of exports. In just one year, the value of exports from Indonesia, Malaysia and the Philippines decreased by more than 30%, while China, the world’s biggest exporter, saw a 22.6% year-on-year drop in April 2009.⁸

· Huge drop in the price of major export commodities
Between July and December 2008, the price of UK North Sea Brent crude oil dropped drastically from 147.27 USD to 40.81 USD per barrel, a decrease of more than 72%.⁹

The price of gold also fell from its high position by 27%,⁹ and the price of platinum dropped by 43% from the level of early that year.⁹

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⁵ The IMF believes that the world economy is walking slowly out of recession: http://www.bofcom.gov.cn/bofcom/441945400249679872/20090728/237579.html.
⁷ Warning: The financial crisis exacerbates trade protectionism: http://hhi.10729788.blog.163.com/blog/static/96172628200963101542922.
¹⁰ Ibid.
• Free fall in global FDI
The first half of 2009, compared with the same period of 2008, saw a shedding by 14% of global Foreign Direct Investment (FDI) projects, with an apparent reduction in the average capital invested in each project: in the first half of 2008, the average project obtained investment of about 96 million USD and provided 260 job opportunities but, in the first six months of 2009, the average amount of investment was reduced to 71 million USD, and the average project provided only 194 jobs – a 36% decrease in both cases.¹

The Asia–Pacific region has all along been the optimal destination for FDI, but it received 42% less in the first half of 2009 than in the same period in 2008, creating 43% fewer employment opportunities.²

• The poorest countries have been hit hard

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**Box 1.1 The least developed countries are affected most seriously**

In 2009, demand for exports from the LDCs shrank by 5%–10%.

In 2009, net inflow of private capital to the LDCs will be reduced to 13 billion USD from the level of 30 billion USD in 2007.

In 2009, remittances to LDCs will probably be reduced by 5%–7%.

In 2009, income from the tourist industry fell by 8% for countries reliant on tourism for foreign exchange and employment opportunities.

Source: “The poorest countries have been hit hard in 2009”: http://www.worldbank.org/financialcrisis/.

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1.1.2 Increase in world’s population living in poverty

Workers everywhere have suffered losses as a result of redundancies and wage cuts caused by the international financial crisis. Figure 1.1 shows a downward trend in the actual wage floor in many countries in 2008. Minimum wage standards protect the low–skilled and low–income groups in vulnerable employment. A decrease in the minimum wage leads directly to a lower standard of living for vulnerable groups and increases the risk of poverty incidence.

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² Ibid.
Figure 1.1 Change in the actual minimum wage in 2008


According to the figures of the International Labour Organization,\(^3\) in 2007 there were 624 million workers (about 21% of all workers in the world) and their families subsisting in abject poverty on less than 1.25 USD per person per day. The percentage of poor workers increased in 2008 to 24%, and in 2009 to 28.2%. According to ILO

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estimates, between 2007 and 2009 some 122–233 million more people slipped into this category (Figure 1.2).

Figure 1.2 Increase in world population living in poverty


1.1.3 Deterioration in global employment situation

There has been an upsurge in unemployment because of the crisis. As employment is always slow to respond to a change in the macroeconomic situation, the labour market will remain gloomy even after the economic recovery starts.

Based on ILO data, between 2007 and 2009 (see Figure 1.3) there were 29–59 million more unemployed people, and the global unemployment rate was between 6.5% and 7.4%.  

According to the Economist magazine, the US unemployment rate in September 2009 was 9.8% while in August 2009 that of the euro zone was 9.6%. Many countries reached a double-digit unemployment rate: in Belgium it was 12.2% (September), Spain 18.9% (August), Poland 10.9% (September), Turkey 12.8% (July), Chile 10.8% (August), Colombia 12.6% (July) and South Africa the worst at 23.6% (June).  


The rapid growth in vulnerable employment is a phenomenon even more alarming than the serious challenge posed by unemployment. It is estimated that in 2009 half of the world’s labour force was in vulnerable employment – a figure seven times higher than the total unemployed population. In East Asia, the number of people in vulnerable employment was 12 times higher than the unemployed population.

1.1.4 Frequent political and social crises in some regions

Economic turmoil leads to social turmoil; economic instability causes social instability. The financial crisis has triggered political and social crises in many parts of the world.

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Box 1.2 Political and economic crises caused by the financial crisis

Social crises

France: Strikes and demonstrations around the country in January 2009, organized by the large

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ILO, Global Employment Trends Update, May 2009, p. 21:

ILO, Global Employment Trends Update, May 2009, p. 18:
trade unions with the participation of 2.5 million people.


UK: Large-scale post office strike in the second half of 2009.


Chile: Spence Copper Mine strike in October 2009.

Latvia: Demonstration of over 10,000 people in January 2009.

Lithuania: Demonstration of over 7,000 people in January 2009.

Turkey: The May Day holiday 2009 becomes Demonstration Day.

Spain: Demonstration of thousands on May Day 2009.

Germany: Demonstration of 5,000 people in Berlin on May Day 2009.

**Political crises**

Belgium: On 20 December 2008, Prime Minister Yves Leterme becomes the world’s first to lead a cabinet resignation in the crisis.

Iceland: Prime Minister Geir Haarde resigns with his Government on 26 January 2009.

Latvia: Cabinet resignation on 21 February 2009.


Hungary: Prime Minister Ferenc Gyurcsány resigns on 23 March 2009.

Czech Republic: Prime Minister Mirek Topolánek resigns on 26 March 2009.


Source: Authors’ compilation based on reports and research studies.

### 1.2 Root cause of the international financial crisis

Any discussion of the root cause of the financial crisis is likely to reach the following conclusion: the sub-prime mortgage crisis in the US was the fuse, and insufficient financial regulation coupled with the breakdown of the Wall Street financial system provided the spark. Behind these overt reasons lurks another explanation: excessive neo-liberalism, providing ideological and policy support, is at the origins of this crisis. It is capitalism, underpinned by avarice and driving an unjust economic globalization, which is the institutional cause for this round of economic suffering.

#### 1.2.1 Income gap created excessive credit consumption in the US

The capitalist market economies are strong economies where the loudest voice belongs to whoever has the most capital. Under neo-liberal conditions, workers and their trade unions are at a disadvantage in the game with capitalists. There is a lack of relevant policies or arrangements in such a society to provide assistance to workers when their actual wages have gone down instead of up, while the profit for capital continues to accrue. As a result, two poles are formed with the increasingly impoverished workers at one end and the ever richer capitalists at the other.
According to an investigation published in August 2007 by the Institute of Social Research of the University of Michigan, the net assets of the richest 2% of the American population doubled between 1984 and 2005 while those of the poorest 25% went down during the same period. In 2005, the richest one thousandth of the US population numbered only 300,000 people. However, their total income was equal to that of one half of all Americans, or the poorest 150 million people. The Bureau of Economic Analysis of the US Department of Commerce believes that the share of labour in economic growth decreased slightly from 60% in 1970 to 56% in 2006, but the share of capital increased by a large margin, from 27% to 43%. The Bureau believes that the trend stems mainly from policy change rather than the increase in marginal productivity.

With this increasingly serious polarization, a relative oversupply of social products is unavoidable. In the short term, loose and unregulated credit tools may provide some underpinning to the low-income stratum in maintaining a certain level of livelihood, i.e. a fallacious economic prosperity created by premature or excessive consumption. In the long run, when such debts are too heavy for the economy to sustain, the bubble will burst and a crisis inevitably results.

### 1.2.2 The imbalance of globalization

The crisis in itself is the product of social imbalance. The developed countries enjoy an apparent advantage in the world economic structure and a privileged and powerful position in international economic and political affairs. The world economic order, dominated by the rich countries, allows them to obtain advantages from economic globalization far outweighing those of the developing countries, making the existing economic divide between South and North even larger. Such an imbalance in the distribution of wealth among countries is an important reason for the spread of the economic crisis around the world as much as a demonstration of the unfair side of globalization.

This globalization allows the free flow of capital but the flow of labour is not so free. In order to maximize profit under such conditions, the capitalists of the developed countries transfer the labour-intensive, resource-reliant and dirty industries at the lower end of the value chain to the developing countries. On one hand, this has hollowed out the real economy of the rich countries; on the other, it creates relative

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over-production on the basis of the labour employment system in some developing countries, which are forced to depend on exports for the maintenance of economic equilibrium.

The gap between the world’s richest and poorest countries in terms of per capita income, according to World Bank figures, was 44:1 in 1973 – the nascent days of neo-liberalism – and widened to 227:1 in 2000. A February 2006 report by the UN University’s World Institute for Development Economics Research shows that the richest 2% of the global population owned 50% of the world’s wealth, and most of that wealth was concentrated in North America, Europe and high-income countries in Asia and the Pacific. Together these regions accounted for more than 90% of all the wealth in the world.  

With the polarization of the global economy, a recession in the developed world will quickly spread to the developing countries. For one thing, the industrial infrastructures of the developing countries are not sound enough in terms of development of products for export, including resources, and they rely heavily on the developed countries. For another, workers in those developing countries, disadvantaged by the irrationality of the international economic order, receive far less than the value of what they produce and are thus too poor to help kick-start their countries’ domestic demand. And since developing countries’ financial markets are vulnerable to risk, they have become the biggest victim, hit by the simultaneous collapse of both the virtual and the real economies.

1.2.3 Loopholes in the financial regulatory system

This financial crisis shows the failure of past policies that coupled negligence in regulation with over-reliance on self-supervision, and also testifies to the fact that focusing narrowly on short-term interests is unsustainable.  

Under the guidance of the neo-liberal philosophy, new financial derivatives are continually being created in the US. The existence of financial derivatives further accentuates the contradictions between the capitalist private ownership system and the socialization of production, and between over-production and under-consumption.

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5) The GDP of the US in 2006 was 13.5 trillion USD; the total market value of unliquidated derivatives in that year was 518 trillion USD, 40 times the value of GDP. This ratio was increased to about 50 in the first half of 2008 with a total market value of derivatives of over 600 trillion USD.
These contradictions were hidden for a time under the veil of a financial bubble and false prosperity. But the bubble will always burst sooner or later, leading to an overall outbreak of economic crisis or a recession.

From the failure of financial regulation, people see clearly the greedy nature of capital. The seemingly complicated sub-prime mortgage chain is in fact the outcome of the avarice of humanity. With its self-endowed mechanism of incentives, Wall Street indulged in high-stakes gambling and a blatant negligence of codes of conduct. A fiasco was in the making.

1.2.4 A seriously flawed international financial system

The outbreak of the international financial crisis and its spread across the world reflects the internal defects and systemic risks of the existing international monetary system. After the collapse of the Bretton Woods system, the US dollar, unsupported by gold, became the major currency for settlement of international trade. Before the crisis, the status of the US dollar as an international currency allowed the Federal Reserve’s hugely expansive monetary policy to effectively stimulate the growth of the American economy instead of translating into high domestic inflation. Exactly because of the special identity of the United States as the issuer of such an international currency, the American Government had the opportunity to use the dollar’s advantage in the international monetary system to evade debt and solve the problems of fiscal and trade deficit.

These factors are all closely linked to the formation of the global virtual economy guided by the US dollar. How does such a continuum come about? Briefly, countries around the world accumulate foreign exchange reserves and capital denominated by the dollar through a trade surplus with the US, and with those reserves and capital, they buy American treasury bonds, corporate bonds, stocks and derivatives. With dollar capital, these countries enter into the money market, bond market, capital market and financial derivatives market in the US. The US uses fiscal and trade deficit to turn these countries into supporters of the “Dollar Empire” and then, in the form of investment, claims ownership of assets in various countries. This is the formation of the basic framework of a virtual international financial system based on a vicious circle. In that way, this international financial crisis shifted the problems of the US to the rest of the world. Too much debt, a huge deficit and even salvaging the market by simply printing greenbacks will all lead to dramatic depreciation of the dollar and a global financial quake. As a result, countries that take the dollar as their reserve currency will foot the bill of the American crisis.

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There are two channels for the abuse of dollar issuance: enormous fiscal deficit, which was cumulatively $5 trillion USD by 2008, and enormous trade deficit, which reached a total of $7.5 trillion USD by 2007.
1.3 Global response

1.3.1 Global action against the crisis

Countries have devised various economic stimulus packages to counter the financial crisis. As of March 2009, 32 countries had declared their respective fiscal stimulus plans with an aggregate investment of nearly 2 trillion USD. *

- The main feature of these stimulus packages is the combination of expansive monetary policy and fiscal policy
The cocktail of easy monetary and fiscal policies alleviated the shortage of liquidity in the financial market, restored the market circulation of short–term currency and prevented the real economy from slowing down while stimulating domestic demand.

Box 1.3 Large–scale stimulus packages in some countries and regions

Stimulus package worth 35.3 trillion won announced by the Republic of Korea Government in November 2008.

Stimulus package worth 200 billion rupees included in the additional budget plan for 2009 by the Indian Government.

Stimulus package worth 300 billion pesos announced by the Government of the Philippines in 2008.

Additional investment worth 7 billion ringgit by the Malaysian Government in 2009.

26.5 billion euros by the French Government for thousands of projects.

Source: 26.5 billion–euro new investment of the French Government for economic revitalization:
http://news.qq.com/a/20090203/000009.htm;
EU: Changes from the crisis:
http://theory.people.com.cn/GB/10125122.htm;
“Asian countries throw out stimulus for domestic consumption”, in Nihon Keisai Shim bun:

- These stimulus packages are distinguished from one another at different stages
When financial crisis extends from the virtual economy to the real economy and causes a recession, the policy focus of the world’s governments regarding economic stimulus

shifts from saving the financial market to stimulating the real economy. For instance, early on, the American Fed adopted an expansive monetary policy, repeatedly reduced interest rates and increased market liquidity. But the injected liquidity did not restore the confidence of consumers and investors when it came to saving the financial institutions in peril, and under that monetary policy the capital did not flow into real consumption and investment. When the monetary policy failed, tax cuts and other fiscal policies became the only choice.

· Policies putting people first have a more positive effect
Policies to rescue economies also differ in terms of their respective philosophies. Some are aimed at saving the banks and the big businesses and others are designed to protect the interests of the workers. The latter policy goal is believed to be more effective in expanding demand, promoting employment and stimulating recovery.

Box 1.4 Measures by the Chinese Government to expand demand and create employment

Major investment: The Government plans to have invested 4 trillion yuan by 2010 for infrastructure and livelihood. In addition to local plans, the total investment will be about 30 trillion yuan.

Employment fund: In 2009, the Government allocated 42.01 billion yuan as an employment resource, up 66.7% from 2008.

Redundancy: Any enterprise planning to lay off more than 20 people or over 10% of its payroll must explain to and consult its trade union and/or all employees 30 days ahead of the downsizing and file the layoff plan with local labour and social security authorities for approval.

Relieving burden on enterprise and stabilize employment: Late payment of social security contributions, temporary reduction of payment of medical, unemployment, work injury, and maternity contributions; social security subsidy, job subsidy and vocational training subsidy; promote equal consultation between the enterprise and the trade union and employees.

Source: Forceful measures for demand expansion – the State Council puts forth the 4-trillion–yuan stimulus package; Central fiscal budget allocates 42.02 billion yuan for employment encouragement;
State Council: Any enterprise that plans to lay off more than 20 people or more than 10% of total payroll must give an explanation to its trade union or its employees 30 days ahead of the downsizing;
Box 1.5 Measures by Brazil and Germany to ensure income for citizens

In Brazil, GDP grew by 6.4% in the first three quarters of 2008 but dropped by 3.6% in the fourth. To cope with this, the Brazilian Government raised the income threshold for entitlement to benefit from its Bolsa Familia programme (providing subsidies to poor families) while ensuring liquidity in the banking system and continuing the 1 billion USD national programme for infrastructure. At the same time, the minimum wage was raised by 12%, a 6% real increase, two months ahead of the schedule of April 2009.

The German Government has taken various measures to encourage employees to share jobs and avoid layoffs. This reduced real average salaries, so the Government provided subsidies which raised wages’ share of the country’s GDP by 3.9%.


- Coordinated global action to stimulate economic recovery

Coordinated actions include tighter regulation of financial institutions; inter-governmental coordination at the macroeconomic policy level; and improvement in the ability of international financial institutions like the IMF to respond to and relieve crises, particularly by lowering the application conditions for a crisis loan from the Fund. In this process, global and regional organizations together with international conferences are playing a key role.

Box 1.6 Key role of global and regional organizations and international conferences

G20 leaders met successfully in Washington, London and Pittsburgh on the financial issue. They reached consensus on the causes of the crisis, the reform of the regulatory body, joint efforts to combat the crisis, reform of the IMF, reform of financial supervision and oversight, economic stimulus, and balanced growth of the global economy.

In June 2009, leaders of the BRIC countries issued a Joint Statement in Yekaterinburg, Russia, promising to promote the reform of the international financial institutions, liberate FDI to facilitate international trade, provide relief to the least developed nations, and step up international cooperation in energy efficiency, so as to spur an economic recovery.

The EU is also positive about tighter regulation over the financial system, calling for a “bonus ceiling” in the banking sector to prevent executives from taking risks for profit.

In May 2009 ASEAN plus China, Japan and Rep Korea agreed on a 120 billion USD reserve.

Source: Joint Statement of the BRIC countries’ leaders: The need for a diverse monetary system: http://news.163.com/09/0617/10/5C0M7UE0001124J.html;


1.3.2 The winding road to recovery

- **Signs of recovery of world economy**
  Through a joint effort by the whole world, some positive signs have appeared in the international economic situation. In July 2009, the IMF World Economic Outlook stated that global economic activity is no longer slowing down so rapidly and the world economy is recovering slowly. The global economy is expected to grow by 2.5% in 2010, 0.6 percentage points higher than the IMF forecast in April 2009. In 2010, the developed economies are expected to grow by 0.6%; the American economy will have bottomed out in the latter half of 2009 and start to grow in 2010 with a GDP growth rate of 0.8%, and Japan’s economy will achieve a 1.7% growth. The expected growth rate of the emerging economies of Asia is revised upward to 5.5% in 2009 and 7% in 2010. The expected growth rate for Latin America in 2010 is improved by 0.7 percentage points, and up by 0.2 and 0.8 percentage points for the countries of central and eastern Europe and the CIS respectively.

- **Still a difficult road towards recovery**
  But the foundation for the recovery is not solid, stabilization does not mean high growth, and some economies may achieve only zero growth. Though the July 2009 edition of the World Economic Outlook expects higher global economic growth rates for 2009 and 2010, the figures are still far behind those of 2007 and 2008. The world economy is expected to grow in 2010 by 2.5% overall, which is 2.6 percentage points lower than the rate of 5.1% in 2007. In 2010, the GDP of the developed economies will grow by 0.6%, 2.1 percentage points lower than the rate of 2.7% in 2007. Most of the major economies will grow around 0%; among them, the whole of the euro zone (minus 0.3%), Germany (minus 0.6%), Spain (minus 0.8%) and Italy (minus 0.1%) will still see negative growth in 2010. According to the World Economic Situation and Prospects 2009, the mid-year report published by the UN, the forecast indices for world growth are even lower.

1.3.3 Alarming questions

Because of the global effort to implement expansive macroeconomic policies, a major depression was successfully fended off. This great feat aside, there are still alarming issues:

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22 The IMF believes that the world economy is walking slowly out of recession: http://www.focum.gov.cn/focum/441945400249679872/200900728/237579.html
• Trade protectionism
The aggravation of trade protectionism is worrying. The WTO sent a report to 153
member countries and regions in March 2009 saying that Argentina, Brazil, Canada,
Russia, Ecuador and Ukraine increased import tariffs on footwear mainly from China
and Vietnam; the US, Brazil and France provided easy and low-interest loans to
domestic enterprises; India was asking for the application of an import licence;
Argentina set a price standard for car parts imported from other countries; twelve
countries have taken action to protect their own car industry; and ten countries and the
EU raised import tariffs on iron and steel products.

In March 2009 alone, there were many instances of trade protectionism: the Republic of
Korea raised import tariffs on oil products, Mexico raised tariffs on 89 categories of
products from the US, Ukraine increased the tariff on all imported products by 13%,
the US increased tariffs on steel pipes from China, and Argentina introduced a special
licence for imported toys.29

• Premature exit strategy
The question of an exit strategy is being debated as the global economy shows signs of
stabilization. It is advisable to be cautious in this connection to avoid sending
misguiding signals to the market as, despite these signs of stabilization, there is still
very high unemployment and seriously insufficient consumer demand. Only when the
basis for a global recovery is solid can we consider an exit from the current ad hoc
fiscal, monetary and financial support.

• Insufficient protection of the rights and interests of workers
An effective job promotion policy is still lacking. Given the scope of the impact of a
long-term employment crisis, a new recovery strategy is needed urgently to outweigh
the existing one in terms of continuity, international coordination and support to
employment.

Without a fundamental improvement in the condition of workers, an economic recovery
is unsustainable.

29WTO: Growing trade protectionism threatens the global economy:
Chapter II

Labour Rights in the Global Financial Crisis

The global financial crisis has triggered a slowdown in world economic growth, leading to serious employment problems and labour rights infringement. The bursting of the financial bubble has caused the contraction of assets and profits in many economic entities, devastated people’s confidence in investment and consumption, and reduced effective demand across the whole economy. In particular, suffering from sluggish demand in the developed world, enterprises have trimmed production, cut jobs and slashed pay. With dwindling foreign contracts, foreign trade and investment have dropped significantly. As a result, the world is confronted with job losses, higher unemployment, lower earnings, less social security and labour protection, as well as the damage to workers’ rights and interests.

2.1 Jobs crisis on the rise

The jobs crisis results from the imbalances between supply and demand in the labour market, culminating in high unemployment, job losses and vulnerable employment.

2.1.1 More dramatic imbalances between labour supply and demand

The financial crisis has not only caused economic slowdown but also further worsened the imbalances in the labour market. In the process, the effect of falling demand has been so prominent that it has been the main source of the jobs crisis.

• Declining labour demand

At the micro level, the decline in labour demand has been reflected in the massive redundancies enacted by many enterprises. With the wave of major job cuts in 2008 still fresh in the memory, new redundancy announcements came out one after the other from some of the world’s top brand enterprises, such as Microsoft, Ericsson, Google, Motorola, Sony, Lenovo, Panasonic and Canon, in January 2009 alone. According to
statistics, the world lost 20,000 jobs on every single day of that month. An overview of the job cuts affecting a selection of the world’s major brands gives a sense of the magnitude (Table 2.1).

![Table 2.1 Redundancies in selected world brand enterprises](image)

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Country/region</th>
<th>Job cuts</th>
<th>Enterprise</th>
<th>Country/region</th>
<th>Job cuts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citibank</td>
<td>US</td>
<td>70 000</td>
<td>Panasonic</td>
<td>Japan</td>
<td>15 000</td>
</tr>
<tr>
<td>Sun Microsystems</td>
<td>US</td>
<td>5 000</td>
<td>Broadcom</td>
<td>US</td>
<td>200</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>US</td>
<td>about 3 000</td>
<td>CSM</td>
<td>Singapore</td>
<td>1 300</td>
</tr>
<tr>
<td>HSBC</td>
<td>Hong Kong, China</td>
<td>450</td>
<td>Los Angeles Times</td>
<td>US</td>
<td>300</td>
</tr>
<tr>
<td>Rolls–Royce</td>
<td>UK</td>
<td>2 000</td>
<td>Toshiba</td>
<td>Japan</td>
<td>projected 4 500</td>
</tr>
<tr>
<td>Toyota</td>
<td>Japan</td>
<td>3 000</td>
<td>Hitachi</td>
<td>Japan</td>
<td>projected 7 000</td>
</tr>
<tr>
<td>IBM, Japan</td>
<td>Japan</td>
<td>1 000</td>
<td>NEC</td>
<td>Japan</td>
<td>20 000</td>
</tr>
<tr>
<td>Arcelor Mittal</td>
<td>US</td>
<td>9 000</td>
<td>Kodak</td>
<td>US</td>
<td>3 500 – 4 500</td>
</tr>
<tr>
<td>Fujitsu Siemens</td>
<td>Germany</td>
<td>700</td>
<td>Philips</td>
<td>Netherlands</td>
<td>projected 6 000</td>
</tr>
<tr>
<td>Washington Mutual</td>
<td>US</td>
<td>9 200</td>
<td>Microsoft</td>
<td>US</td>
<td>5 000</td>
</tr>
<tr>
<td>Canon</td>
<td>Japan</td>
<td>1 100</td>
<td>Intel</td>
<td>US</td>
<td>6 000</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>US</td>
<td>12 000</td>
<td>Sony</td>
<td>Japan</td>
<td>2 000</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>Switzerland</td>
<td>5 300</td>
<td>Ericsson</td>
<td>Japan</td>
<td>5 000</td>
</tr>
<tr>
<td>Volvo</td>
<td>Sweden</td>
<td>4 616</td>
<td>Autodesk</td>
<td>US</td>
<td>750</td>
</tr>
<tr>
<td>Dow Chemical</td>
<td>US</td>
<td>5 000</td>
<td>Google Human Resources</td>
<td>US</td>
<td>about 100</td>
</tr>
<tr>
<td>Sony</td>
<td>Japan</td>
<td>16 000</td>
<td>SAP</td>
<td>Germany</td>
<td>about 3 500</td>
</tr>
<tr>
<td>Rio Tinto</td>
<td>Australia</td>
<td>14 000</td>
<td>Lenovo</td>
<td>China</td>
<td>2 500</td>
</tr>
<tr>
<td>Bank of America</td>
<td>US</td>
<td>30 000</td>
<td>Sprint</td>
<td>US</td>
<td>8 000</td>
</tr>
</tbody>
</table>


The other factor contributing to the shrinking labour demand may be the bankruptcy of enterprises, which can be categorized in three groups: one group comprises those financial institutions based at the original location of the crisis, which have been hit

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head-on and severely, and whose collapse seems inevitable in the midst of the turmoil; the second group includes those foreign-trade-oriented companies with limited capacities which were unable to manage to survive their business hardships due to the plummeting numbers of foreign contracts; and the third group is made up of SMEs running on slight profits, which may be so fragile that they are likely to vanish under the pressure of low demand.

**Box 2.1 A hundred US banks go bankrupt in 2009**

The number of US small banks that have failed is surging and 2009 saw some 100 bankruptcies. Almost every Friday, the Federal Deposit Insurance Corporation (FDIC) has to clear up the mess left behind. By 12 October 2009 it had dealt with 98 failed banks.

With underperforming commercial mortgage lending and mounting problems in home loans, many small banks could not withstand major losses. Toxic assets still threaten to bring down the remaining small banks in a few years, and FDIC Chair Sheila Bair believes the bankruptcy of small banks will continue in the short run.


**Box 2.2 SME closures in China**

The survey conducted by the Guangdong Commission of Economic Cooperation and Trade shows that 7,148 enterprises were closed in the first ten months of 2008.

The CASS SME Research Centre has concluded in a study on the role of SMEs in the recovery from the financial crisis that 40% of SMEs have been shut down, another 40% are struggling for survival and the remaining 20% remain safe despite the crisis. Based on the approximate total number of SMEs in 2007, the closures may well exceed 17.2 million.


• Growing labour supply
In contrast to the reduction in demand, labour supply is going up, further intensifying the imbalances in the labour market.

First, the global population in total and in the different age groups has increased year on year (Table 2.2).
Table 2.2 Global population in total, and in different age groups (thousands)

<table>
<thead>
<tr>
<th>Age group</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6 659 199</td>
<td>6 737 619</td>
<td>6 816 060</td>
</tr>
<tr>
<td>15 or above</td>
<td>4 814 040</td>
<td>4 889 322</td>
<td>4 963 632</td>
</tr>
<tr>
<td>15 – 64</td>
<td>4 318 621</td>
<td>4 384 233</td>
<td>4 448 217</td>
</tr>
<tr>
<td>65 or above</td>
<td>495 419</td>
<td>505 089</td>
<td>515 415</td>
</tr>
</tbody>
</table>


Second, the global economically active population in the different age groups has also increased year on year (Table 2.3).

Table 2.3 World’s economically active population (thousands)

<table>
<thead>
<tr>
<th>Age group</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 or above</td>
<td>3 133 494</td>
<td>3 181 784</td>
<td>3 229 431</td>
</tr>
<tr>
<td>15 – 64</td>
<td>3 032 825</td>
<td>3 078 755</td>
<td>3 123 914</td>
</tr>
<tr>
<td>65 or above</td>
<td>100 669</td>
<td>103 029</td>
<td>105 517</td>
</tr>
</tbody>
</table>


Lastly, the global labour force participation rate in different age groups remains fairly stable with almost no changes, even though the participation rate for the 65 or above age group is slightly up (Table 2.4).

Table 2.4 Global labour force participation rate (%)

<table>
<thead>
<tr>
<th>Age group</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 or above</td>
<td>65.1</td>
<td>65.1</td>
<td>65.1</td>
</tr>
<tr>
<td>15 – 64</td>
<td>70.2</td>
<td>70.2</td>
<td>70.2</td>
</tr>
<tr>
<td>65 or above</td>
<td>20.3</td>
<td>20.4</td>
<td>20.5</td>
</tr>
</tbody>
</table>


In addition, the ILO statistics demonstrate that there is not much change in the global labour force participation rate, either by age group or by gender, or even taking both together. With the increase in population in the world, labour supply will continue its upward trend for the foreseeable future.²

2.1.2 Rising unemployment

Plagued by a dramatic fall in labour demand and an ongoing increase in labour supply, the labour market has to endure one of the effects of the financial crisis at the macro

level, i.e. the surge in the number of unemployed and in the unemployment rate.

- **Rebounding global unemployment rate**

The developed world suffers the hardest unemployment problems in the current financial crisis. The economic growth rate of the developed economies and the EU in 2008 was around 1.4% on average, representing a continuous slide since 2007 and a record new low since 2002. In this part of the world, the unemployment rate in 2008 reached 6.4%, an increase of 0.7% over the figure in 2007, far higher than the other areas of the world. The number of unemployed increased by 3.5 million and went up to 32.3 million in total.

The economic slowdown also has effects on the sectoral distribution of employment. In 2008, job creation in the services sector, the main generator of new jobs in the developed economies and the EU, slowed dramatically. Total employment decreased from 473.1 million in 2007 to 472.2 million, or by 900,000 jobs.³

With the spread of the financial crisis, this higher unemployment has been transmitted to the developing world. At the beginning of the crisis, the spill-over effect was not pronounced given the development gaps between different areas. The disparity may owe much to the different extent to which countries or regions have connected their economies to the developed world. Also, the employment crisis usually lags behind the financial crisis.

In East Asia, the economic growth rate lost 2 percentage points while the unemployment rate gained 0.3% in 2008.

In Southeast Asia and the Pacific, due to the economic slowdown in China and India, the economic growth rate fell to 5.1% in 2008 and further to 4.2% in 2009 as expected. Unemployment increased from 5.5% in 2007 to 5.7% in 2008.

In Latin America and the Caribbean, economic growth is projected to decline from 4.5% in 2008 to 2.5% in 2009. Unemployment went up slightly from 7.2% in 2007 to 7.3% in 2008 when the crisis began.

In central and south-eastern Europe (non-EU), economic growth is expected to decline from 6% in 2008 to no more than the 3.3% projected for 2009. Unemployment increased from 8.5% in 2007 to 8.8% in 2008.⁴

There was no notable increase in unemployment in other less developed countries before the crisis and even a slight fall in some countries. But the development of the labour

---

market in these countries always has to face some entrenched problems. For example, the Middle East and North Africa regions have the lowest employment-to-population rates in the world and persistently high levels of unemployment. The slowdown in economic growth and the problems of labour market development pose a challenge to these countries’ chances of mitigating the impact of the financial crisis or preventing a jobs crisis.

Globally, employment at the beginning of the crisis underwent a significant turnaround from the pre–crisis downward trend to the upward one in 2008. As Figure 2.1 shows, in 2008 the world economy grew much less than in previous years and the labour market withered accordingly: global unemployment reversed the downward trend of the previous four consecutive years by rising from 5.7% in 2007 to 6.0% in 2008, including male unemployment (5.8%) and female unemployment (6.3%). Compared with 2007, 10.7 million more workers lost their jobs in 2008, the biggest increase since 1998. The global number of unemployed in 2008 was around 190 million, of whom 109 million are men and 81 million are women.  

**Figure 2.1 Global unemployment trends (1998–2008)**


Because of the steady labour force participation rate in recent years, the unemployment rise would definitely translate into an employment fall, as the global employment rate in 2008 decreased by 0.2% compared with 2007 (Figure 2.2).  

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Surge in global unemployment in 2009
Given the gloomy expectations for economic growth, the global unemployment situation is likely to have got even tougher in 2009. The ILO estimates that global unemployment will have increased by 39-61 million in 2009 compared with the figure in 2007, pushing the total number to a historic high of between 219 and 241 million. In particular, unemployment in the developed world has increased by 50%, far more than in the developing world. Table 2.5 and Figures 2.3 and 2.4 show the surge in global unemployment.

Table 2.5 Unemployment trends
(change over the same period of the previous year)

<table>
<thead>
<tr>
<th>Period</th>
<th>Change in unemployment (%)</th>
<th>Change in unemployment rate (percentage points)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Developed countries</td>
<td>Developing countries</td>
</tr>
<tr>
<td>2008 – 03</td>
<td>-4.6</td>
<td>-4.8</td>
</tr>
<tr>
<td>2008 – 04</td>
<td>2.6</td>
<td>-5.6</td>
</tr>
<tr>
<td>2008 – 05</td>
<td>4.7</td>
<td>-8.1</td>
</tr>
<tr>
<td>2008 – 06</td>
<td>10.0</td>
<td>-5.1</td>
</tr>
<tr>
<td>2008 – 07</td>
<td>9.4</td>
<td>-2.7</td>
</tr>
<tr>
<td>2008 – 08</td>
<td>9.2</td>
<td>1.0</td>
</tr>
<tr>
<td>Year</td>
<td>Unemployment change</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>---------------------</td>
<td></td>
</tr>
<tr>
<td>2008-09</td>
<td>6.7 0.5 1.5 0.3 -0.3 -0.2</td>
<td></td>
</tr>
<tr>
<td>2008-10</td>
<td>7.3 0.3 1.4 0.3 0.0 0.0</td>
<td></td>
</tr>
<tr>
<td>2008-11</td>
<td>7.3 0.3 1.4 0.5 -0.2 -0.1</td>
<td></td>
</tr>
<tr>
<td>2008-12</td>
<td>14.7 3.4 5.2 0.5 0.0 0.1</td>
<td></td>
</tr>
<tr>
<td>2009-01</td>
<td>15.9 7.2 8.6 1.4 0.3 0.5</td>
<td></td>
</tr>
<tr>
<td>2009-02</td>
<td>32.3 6.7 10.9 1.5 0.3 0.5</td>
<td></td>
</tr>
<tr>
<td>2009-03</td>
<td>38.5 6.7 11.9 1.8 0.4 0.6</td>
<td></td>
</tr>
<tr>
<td>2009-04</td>
<td>37.0 12.9 16.8 2.1 0.4 0.7</td>
<td></td>
</tr>
<tr>
<td>2009-05</td>
<td>40.9 13.0 17.5 2.1 0.8 1.0</td>
<td></td>
</tr>
<tr>
<td>2009-06</td>
<td>44.2 11.9 17.1 2.2 0.3 0.6</td>
<td></td>
</tr>
<tr>
<td>2009-07</td>
<td>46.0 17.0 21.7 2.1 0.2 0.5</td>
<td></td>
</tr>
<tr>
<td>2009-08</td>
<td>44.8 11.8 17.1 2.5 0.5 0.8</td>
<td></td>
</tr>
</tbody>
</table>


Figure 2.3 Unemployment change
(over the same period of the previous year, %)

As indicated by Table 2.6, in the past year or so, the unemployment rate in some countries did not follow the general upward trend and even decreased a little, but in most countries it rose. In a number of countries it increased by a large margin, as in Chile, Puerto Rico, Canada, Mexico, Denmark, Finland, Italy, Portugal, the UK, Australia and New Zealand. Some countries saw their unemployment surge quite alarmingly, including the US, Estonia, Iceland, Ireland, Latvia, Lithuania, Spain, Sweden and Turkey. Also, US Labor Department statistics show that the unemployment rate in the US, the birthplace of the current crisis, was set to rocket to 10.2% by October 2009, surpassing the 10% threshold for the first time in 26 years.

<table>
<thead>
<tr>
<th>Region</th>
<th>Country</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Q1</td>
</tr>
<tr>
<td>Africa</td>
<td>Egypt</td>
<td>10.7</td>
<td>9.0</td>
<td>8.7</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td>Mauritius</td>
<td>9.1</td>
<td>9.0</td>
<td>7.3</td>
<td>8.0</td>
</tr>
<tr>
<td></td>
<td>South Africa</td>
<td>25.6</td>
<td>24.3</td>
<td>22.9</td>
<td>23.3</td>
</tr>
<tr>
<td>South America</td>
<td>Argentina</td>
<td>10.2</td>
<td>8.5</td>
<td>7.9</td>
<td>8.4</td>
</tr>
<tr>
<td></td>
<td>Brazil</td>
<td>10.0</td>
<td>9.3</td>
<td>7.9</td>
<td>8.6</td>
</tr>
<tr>
<td></td>
<td>Chile</td>
<td>7.8</td>
<td>7.1</td>
<td>7.8</td>
<td>9.2</td>
</tr>
<tr>
<td></td>
<td>Colombia</td>
<td>12.1</td>
<td>11.1</td>
<td>11.3</td>
<td>12.5</td>
</tr>
<tr>
<td></td>
<td>Peru</td>
<td>8.5</td>
<td>8.3</td>
<td>9.1</td>
<td>8.6</td>
</tr>
<tr>
<td></td>
<td>Puerto Rico</td>
<td>10.4</td>
<td>10.9</td>
<td>11.6</td>
<td>13.9</td>
</tr>
<tr>
<td>Country</td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Uruguay</td>
<td>10.9</td>
<td>9.2</td>
<td>7.6</td>
<td>7.6</td>
<td>8.0</td>
</tr>
<tr>
<td>Canada</td>
<td>6.3</td>
<td>6.0</td>
<td>6.1</td>
<td>8.3</td>
<td>8.4</td>
</tr>
<tr>
<td>Jamaica</td>
<td>10.3</td>
<td>9.9</td>
<td>10.6</td>
<td>11.1</td>
<td>11.4</td>
</tr>
<tr>
<td>Mexico</td>
<td>3.6</td>
<td>3.7</td>
<td>4.0</td>
<td>5.1</td>
<td>5.2</td>
</tr>
<tr>
<td>US</td>
<td>4.6</td>
<td>4.6</td>
<td>5.8</td>
<td>8.8</td>
<td>9.1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10.4</td>
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<td>7.1</td>
<td>9.1</td>
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<td>2.6</td>
<td>3.1</td>
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<td>7.1</td>
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<td>7.9</td>
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<td>7.6</td>
<td>8.9</td>
<td>9.1</td>
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<td>11.3</td>
<td>17.5</td>
<td>17.9</td>
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<tr>
<td>Sweden</td>
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<td>6.2</td>
<td>7.9</td>
<td>9.0</td>
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<td>11.0</td>
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<td>9.5</td>
<td>9.1</td>
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<td>4.2</td>
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<td>New Zealand</td>
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<td>3.7</td>
<td>4.2</td>
<td>5.6</td>
<td>5.8</td>
</tr>
</tbody>
</table>


If the labour force participation rate is stable, the rise in unemployment will always
predict the drop in employment and the contraction of outputs and earnings, driving the economy further into recession.

2.1.3 More vulnerable employment

Generally, the deterioration in employment quality can be reflected in the growth of vulnerable employment, the informalization of employment and the weakening of labour protection. Of these, the informalization of employment also highlights the change from formal employment to vulnerable employment.

• Vulnerable employment soars

Vulnerable employment has long been in existence in the underdeveloped countries. As shown in Table 2.7, vulnerable employment usually dominates in Asia and Africa where its share could be as much as 80.9%. The figure for the developed economies and the EU is relatively small, but still more than 10%. It should be noted that over the ten years from 1997 to 2007, the share showed only a slight fall in all countries, whatever their development status, which means the level of employment quality has remained stagnant without substantial improvement.

<table>
<thead>
<tr>
<th>Table 2.7 Vulnerable employment’s share of total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>World</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Developed economies and European Union</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Central and south – eastern Europe (non – EU) &amp; CIS</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>East Asia</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Southeast Asia and the Pacific</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>South Asia</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Middle East</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>North Africa</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Sub – Saharan Africa</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>


The financial crisis has made the problem of vulnerable employment even worse. Statistics show that vulnerable employment has risen across the world and has even exceeded the level of 1997 (Table 2.8).
Table 2.8 Vulnerable employment scenarios (rates) *

<table>
<thead>
<tr>
<th>Region</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Scenario1</td>
<td>Scenario3</td>
</tr>
<tr>
<td>World</td>
<td>50.6</td>
<td>49.5</td>
<td>52.6</td>
</tr>
<tr>
<td>Developed economies, EU</td>
<td>10.1</td>
<td>9.8</td>
<td>10.6</td>
</tr>
<tr>
<td>C &amp; SE Europe (non-EU) &amp; CIS</td>
<td>18.0</td>
<td>16.3</td>
<td>21.5</td>
</tr>
<tr>
<td>East Asia</td>
<td>55.5</td>
<td>53.4</td>
<td>58.4</td>
</tr>
<tr>
<td>SE Asia and the Pacific</td>
<td>61.9</td>
<td>60.9</td>
<td>63.7</td>
</tr>
<tr>
<td>South Asia</td>
<td>77.5</td>
<td>76.4</td>
<td>78.1</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>31.9</td>
<td>31.9</td>
<td>34.5</td>
</tr>
<tr>
<td>Middle East</td>
<td>33.1</td>
<td>32.3</td>
<td>36.9</td>
</tr>
<tr>
<td>North Africa</td>
<td>37.1</td>
<td>35.7</td>
<td>39.0</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>77.4</td>
<td>76.8</td>
<td>80.3</td>
</tr>
</tbody>
</table>


- Agency workers replacing contract workers

Agency workers usually work under inferior labour conditions: lower pay, poor working conditions, less employment security and fewer equal dialogue opportunities with employers. Therefore, the replacement of formal workers with agency workers has become a shortcut that employers tend to use to reduce labour costs and avert employment risks. The financial crisis has reinforced their intention and provided more chances to use agency employment. Some governments even resort to agency employment as a policy tool to deal with the crisis.

Agency worker numbers have grown very fast in recent years. From 1997 to 2007, the number of agency workers doubled in 19 major economies (Table 2.9), evenly balanced

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*Scenario 1. Projection on labour market data to date;*  
IMF November 2008 revised estimates for economic growth.  
Scenario 2. 2009: Projection on the historical relationship between economic growth and vulnerable employment at times of crises in each economy;  
IMF November 2008 revised estimates for economic growth.  
Scenario 3. 2008: Projection on the basis of a simultaneous increase in the vulnerable employment rate in all economies equal to half of the largest increase since 1991;  
IMF November 2008 revised estimates for economic growth.  
2009: Projection on the basis of a simultaneous increase in the vulnerable employment rate in all economies equal to the largest increase since 1991;  
IMF November 2008 revised estimates for economic growth.
between men and women. The trend has become more noticeable with the advent of the financial crisis.

<table>
<thead>
<tr>
<th>Table 2.9 Number of agency workers in 19 selected countries (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td><strong>Number</strong></td>
</tr>
</tbody>
</table>


Box 2.3 Formal employment giving way to agency employment

*Germany:* The financial crisis severely threatens labour rights, and formal jobs in particular. In 2009, Volkswagen Germany converted its 16,500 formal work posts in Europe into temporary ones.

*Japan:* Sony’s 8,000 formal jobs have been replaced with agency workers. Toyota, the world’s largest car maker, has replaced 3,000 formal jobs in its Japanese factories with agency workers.

*China:* It is estimated that there are 27 million dispatched workers in China, accounting for over 15% of the total workforce in the secondary and tertiary industries, and the number is increasing.


*Labour protection weakens*

Even before the crisis, many problems in work health and safety arose across the world due to inadequate labour protection. Individual workers are always at a disadvantage and have to give up some entitlements in labour protection to secure job opportunities in spite of massive work safety risks.

The crisis has further weakened labour protection and posed more work safety risks. The slump in demand and slide in profits have prompted enterprises to slash spending on work safety arrangements and training. When the economy rebounds, contracts pile up and work intensifies, the potential deficiencies in work safety due to the weakening of labour protection will tend to cause more problems.

---

Box 2.4 Crisis weakening global work safety protection

Work health and safety problems have cost the world 4% of total GDP, or 1.25 trillion USD. Even in the developed and industrialized countries, where work safety conditions are better, many workers are still suffering the incidence of occupational diseases and work–related injuries. In the EU, occupational diseases and work–related injuries cost between 2.6% and 3.8% of GDP every year.


2.1.4 Vulnerable groups in more difficulties

Young people, older persons, women, temporary, and rural and cross–border migrant workers are among the groups most vulnerable to discrimination and unequal treatment in employment.

When jobs are scarce or enterprises run losses, workers from the vulnerable groups are more likely to suffer the job and pay cuts. The vulnerable groups are always struggling to survive under the threat of unemployment and poverty, mainly because, first, their marginal productivity is usually lower and they tend to be laid off first in the redundancies caused by the decline of contracts or product prices; second, the layoff of these workers with lower social status and fewer social resources rarely meets any substantial resistance, and so employers are more likely to consider laying off them first. For the same reasons, the working conditions and treatment of vulnerable groups are likely to be inferior to those of other groups.

The vulnerable groups have always been at a disadvantage even in an active economy, and are inevitably trapped in more difficulties in times of crisis as their vulnerability increases.

• More unemployment risks for temporary workers

The nature of their employment means that temporary workers are always among the first to be made redundant. Temporary jobs have been hardest hit by the financial crisis. In Germany, 100,000–150,000 temporary workers lost their jobs in the first four to six months after October 2008; in Japan, 85,000 temporary workers were laid off in

Box 2.5 Temporary workers sacked in the crisis

Japan: The financial crisis has had a drastic impact in Japan. Many companies have been looking to fire “temporary workers” without long–term employment contracts, while permanent
workers are less affected. This has met with protests from the temporary workers. Moreover, Sony announced it was cutting 8,000 jobs, accounting for 4% of the total workforce of the company. Then Sony said that the actual job cuts could be as many as 16,000, including 8,000 temporary and seasonal workers.

**US**: From department and convenience stores to call centres, managers who had been desperate about the shortage of holiday temporary workers a year before found applications for temporary jobs pouring in over the course of 2009. Many of these jobseekers are workers laid off by other industries needing to work to pay their bills. Statistics showed the chances of finding a temporary job in the retail sector during the 2009 Christmas holidays to be as low as 1 in 45 – less than the chances of gaining admission to Harvard.


Sony cutting 16,000 jobs, 8,000 full-timers and 8,000 temps:
http://www.gbtk.com/read–9173.html (last visited 22 November 2009);

US holiday temporary jobs: 45 applicants for 1 post:

the final three quarters of 2008; in the US, 52,000 private sector jobs disappeared in every single month from December 2007 to April 2009.®

• Youth, older and women workers more vulnerable

With less work experience and access to social networks, young people are always vulnerable in job seeking and employment compared with senior workers. Youth unemployment has drawn wide and consistent attention from all sections of society. Addressing the opening ceremony of the International Forum of Youth Employment and Social Harmony held on 20 May 2005 in Beijing, Jane Stewart, Deputy Executive Director of the ILO Employment Sector, pointed out that the total number of unemployed young people had reached 88 million in 2003, accounting for 47% of global unemployment, and the youth employment rate was double the overall employment rate. Over the past few years, youth unemployment has gone on growing, becoming a challenge shared by the entire world.® And it is not immune to the crisis. According to a survey conducted by Sher Verick, labour market policy research specialist in the ILO Employment Analysis and Research Unit, youth unemployment rates in the US, Germany and the UK are high and have continued to rise since the crisis started.®

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® ILO, Private employment agencies, temporary agency workers and their contribution to the labour market, Geneva, 2009, p. 28.

® Liu Juan, Zhang Kaiyun and Li Qian, “Research on vulnerable youth employment problems”, in Social Scientist, No. 8, 2009, p. 49.

The financial crisis has inflicted a double whammy on older workers: on one hand, they have a practical need to postpone their retirement because of the contraction of pension income and decline in living conditions; on the other hand, the harsh labour market situation makes them more vulnerable to losing their jobs. The reality is that, in the crisis, older workers are inevitably seeing their earnings slashed and some are having to retire early.

Research conducted by Courtney Coile from the Economics Faculty of Wellesley College, US, and Phillip Levine from the US NBER shows that the changes in the labour market caused by the financial crisis will lead to the earlier retirement of 126,000 workers. If the crisis lasted five years, the number of early—retired workers would reach 378,000.¹

The gender gap in the world of work has long been a focus for debate. Because the crisis originates in the financial sector where women are less numerous, the full picture of the impact on the employment of women workers has yet to become clear. However, evidence proves that the poor, women and children are usually hardest hit by an economic recession. Systematic and comprehensive ILO research predicts that the female unemployment rate will rise to at least 6.5 per cent in the most optimistic scenario, and 7.4% in the most pessimistic scenario. In most regions, the gender impact of the economic crisis in terms of unemployment rates is expected to be more detrimental for females than for males, and most clearly so in Latin America and the Caribbean.²

*Conditions for migrant workers deteriorate*

Cross-border migration is both a result and a reflection of the economic globalization process. When financial crisis plagues the global economy, the vulnerability of migrant workers is inevitably magnified. As illustrated in Table 2.10, in many European countries, such as the UK, Ireland and Spain, where more migrant workers are found, their unemployment rates are always higher than the overall rate. In Spain, for instance, the unemployment rate of migrant workers has risen to a larger degree than the overall rate because of the crisis. This demonstrates to some extent that migrant workers are more vulnerable to unemployment and the financial crisis has a more negative impact on migrant workers.

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Table 2.10 Migrant workers’ unemployment rate as share of total (%) 

<table>
<thead>
<tr>
<th>Country</th>
<th>Overall unemployment rate</th>
<th>Migrant workers’ unemployment rate</th>
<th>Overall unemployment rate</th>
<th>Migrant workers’ unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
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<td>6.9 (Q3’07)</td>
<td>6.5 (Q3’08)</td>
<td>7.3 (Q3’08)</td>
</tr>
<tr>
<td>Ireland</td>
<td>6.4 (Q3’08)</td>
<td>-</td>
<td>7.4 (Q4’08)</td>
<td>9.5 (Q4’08)</td>
</tr>
<tr>
<td>Spain</td>
<td>8.3 (Q3’08)</td>
<td>11.3 (Q3’07)</td>
<td>13.4 (Q3’08)</td>
<td>17.0 (Q3’08)</td>
</tr>
</tbody>
</table>


2.2 Workers’ deteriorating living conditions

The financial crisis has led to poor living conditions and significant difficulties for workers. In the crisis, many workers have lost their jobs, seen their incremental pay rises stopped or even suffered pay cuts, and their rights to labour protection have been largely ignored. So, no matter whether they have work or not, their living conditions are deteriorating.

2.2.1 Wage decline

The wage decline is not new with the financial crisis. Long before the crisis, the share of wages in GDP was falling in many countries. Even though the wage level in absolute terms does not fall but rises to some extent, wages in real terms have decreased compared with capital returns. The emerging economies, such as China, India, Brazil and South Africa, have been widely regarded as the engine of future world economic growth. In those countries, however, pay rises have still been unable to catch up with total GDP growth, and wages could not fully reflect labour’s contribution to economic growth. As shown in Table 2.11, the share of wages in total GDP in these four countries fell during 1995—2006.

Table 2.11 Share of wages in total GDP in China, India, Brazil and South Africa (1995—2006)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>China</td>
<td>55.15</td>
<td>51.95</td>
<td>-3.20</td>
</tr>
<tr>
<td>India</td>
<td>45.99</td>
<td>45.10</td>
<td>-0.90</td>
</tr>
<tr>
<td>Brazil</td>
<td>38.19</td>
<td>37.03</td>
<td>-1.17</td>
</tr>
<tr>
<td>South Africa</td>
<td>49.57</td>
<td>45.36</td>
<td>-4.21</td>
</tr>
</tbody>
</table>


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The financial crises in Mexico and in Asia in the 1990s witnessed a decline in wages by 35%–48% and steep rises in the number of working poor.
Before the crisis, wage decline could be indicated by the falling share of wages in total GDP, but since the crisis rather by the drop in the wage growth rate (even down to below zero).

Based on an ILO sample of 53 countries, it seems global growth in average wages declined from 4.3% in 2007 to 1.4% in 2008. Overall, while a majority of countries maintained declining but positive wage growth in 2008, more than a quarter of countries experienced flat or falling wages in real terms. These countries include the United States (0%), Austria (0%), Costa Rica (0%), South Africa (–0.3%), Germany (–0.6%), Israel (–0.9%), Japan (–0.9%), Singapore (–1.0%), Mauritius (–1.0%), Kazakhstan (–1.1%), Mexico (–3.5%), Ecuador (–4.1%), Iceland (–4.8%) and Seychelles (–15.5%). For Taiwan, China, a decline of –3.6% was recorded.\(^3\)

The ILO survey paints an even more pessimistic picture for 2009. Compared with the annual average for 2008, the real wages in the first quarter (Q1) of 2009 fell in more than half of the 35 countries for which recent data are available.\(^5\)

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**Box 2.6 Sharp wage decline in Russia**

In Russia, the financial crisis in 2008 caused wages to decline by nearly 50%. For the first time, people’s expenditures have in general exceeded their incomes. Households’ cash incomes grew more slowly and even down to zero compared with 3.8% one year ago.


One of the reasons for wage decline is shorter working time. Without changes in the hourly rate, the shortening of working time means a decline in monthly pay. Generally, of the thirteen countries which published statistics on hours worked in 2008 and/or 2009, eleven registered a decline in working time (Figure 2.5). Men and women have both been affected.

**Figure 2.5 Decline in hours worked\(^6\)**

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\(^3\)ILO, *Update of the first Global Wage Report with a focus on minimum wage policy development*, November 2009, p. 5.

\(^5\)Ibid.

\(^6\)Data covers either all employed or just full-time workers.
One of the most serious results of this wage decline might be an increase in global working poverty (with daily earnings of less than 2 USD) and extreme working poverty (with daily earnings of less than 1.25 USD). As shown in Figure 2.6, the numbers and the rate of global working poverty have bounced back after a downward trend over several consecutive years. As shown in Table 2.12, since the financial crisis erupted, the working poverty rate has witnessed an increase almost everywhere in the world.

**Figure 2.6 Global working poverty scenarios (USD 2)**

![Graph showing global working poverty scenarios](image)


**Table 2.12 2008 - 09 working poverty scenarios (USD 2, rates)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>40.6</td>
<td>39.5</td>
<td>41.4</td>
<td>43.1</td>
<td>38.5</td>
<td>42.1</td>
<td>45.4</td>
</tr>
<tr>
<td>Central and SE Europe (non - EU) &amp; CIS</td>
<td>13.9</td>
<td>13.7</td>
<td>15.0</td>
<td>15.6</td>
<td>13.5</td>
<td>15.3</td>
<td>17.5</td>
</tr>
<tr>
<td>East Asia</td>
<td>33.0</td>
<td>30.0</td>
<td>32.7</td>
<td>35.3</td>
<td>27.2</td>
<td>32.3</td>
<td>37.1</td>
</tr>
<tr>
<td>SE Asia and the Pacific</td>
<td>46.6</td>
<td>45.1</td>
<td>48.5</td>
<td>51.7</td>
<td>43.9</td>
<td>50.5</td>
<td>55.7</td>
</tr>
<tr>
<td>South Asia</td>
<td>80.9</td>
<td>79.8</td>
<td>81.9</td>
<td>83.8</td>
<td>78.7</td>
<td>82.8</td>
<td>85.9</td>
</tr>
</tbody>
</table>

Scenario 1: Projection on labour market data to date and IMF November 2008 revised estimates for economic growth.
Scenario 2: 2008: Projection on the basis of a 5% higher poverty line.
2009: Projection on the basis of a 10% higher poverty line.
Scenario 3: 2008: Projection on the basis of a 10% higher poverty line.
2009: Projection on the basis of a 20% higher poverty line.
<table>
<thead>
<tr>
<th>Latin America and the Caribbean</th>
<th>16.4</th>
<th>15.7</th>
<th>16.9</th>
<th>17.3</th>
<th>15.2</th>
<th>16.8</th>
<th>20.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East</td>
<td>24.0</td>
<td>23.5</td>
<td>25.7</td>
<td>27.7</td>
<td>23.0</td>
<td>27.3</td>
<td>31.5</td>
</tr>
<tr>
<td>North Africa</td>
<td>30.2</td>
<td>28.8</td>
<td>32.3</td>
<td>35.6</td>
<td>27.8</td>
<td>34.7</td>
<td>41.5</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>82.2</td>
<td>81.6</td>
<td>83.2</td>
<td>84.6</td>
<td>81.3</td>
<td>84.3</td>
<td>86.6</td>
</tr>
</tbody>
</table>


### Box 2.7 Financial crisis increases working poverty

Global working poverty is on the increase due to the financial crisis. Every minute, 100 people around the world are pushed into poverty. The number of working poor living on less than 2 USD a day is expected to reach 1.377 billion worldwide, accounting for 45% of the total working population.


### 2.2.2 Wage arrears

In the financial crisis, wage arrears have become more prevalent and the reasons are twofold: the power imbalance between workers and employers; and the reduced capacity of government labour authorities. The delayed payment of workers’ earnings, which may already have been compressed, further worsens the living conditions of workers.

Wage arrears are seen as violations of labour law around the world. However, given the changes in labour market supply and demand in the crisis, employers are more likely to outwit government labour authorities. Employers may blame their failure to make salary payments on poor business performance. The interventions of government labour or supervision authorities are always countered by the employer with bankruptcy or massive redundancy threats. Although the ILO has recognized that strengthening labour administration and labour inspection is key, many wage arrears still exist in the emerging and transitional economies. Some economically active enterprises have also delayed the payment of salaries for workers with the excuse of the harsh macroeconomic situation.

For those countries where wage arrears have long been a problem, the financial crisis

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only made things even worse. In Ukraine, for instance, wage arrears had been considerably reduced in the past few years before doubling with the economic crisis, reaching 1.189 billion Ukrainian hryvnia at the beginning of 2009. Wage arrears affected not only bankrupt or inactive enterprises but also economically active enterprises, which represented 64% of total wage arrears in 2009, compared with 36% the previous year. Similarly, in Russia, official statistics show that temporary wage arrears have increased substantially since December 2008 with a peak in May 2009.  

**Box 2.8 More wage arrears since the crisis**

More than 300 Chinese construction workers in the Romanian capital Bucharest and the northeastern city of Jassy told the Chinese Embassy in Romania that local employers exploited their working time and delayed the payment of their salaries.

Source: Romanian employers delaying Chinese workers’ salaries:  

### 2.2.3 Minimum wages

Wages are the compensation to workers for their contribution and the main source of economic support for their livelihoods. Under conditions of labour over—supply and employers’ dominance in the labour market, it should at least be ensured that wages are adequate to meet the basic living needs of workers, which is the minimum wage system. Therefore, the minimum wage constitutes the lowest level at which workers’ subsistence and employers’ moral obligation are met, vital for social stability and significant for the State and government. The minimum wage is a universal policy instrument, implemented by most countries in every region other than the Middle East.

During the pre—crisis period 2001—07, minimum wage policies had been more vigorously used than previously in both developed and developing countries. More than 70% of the countries included in the ILO’s minimum wage database, which covers more than 100 countries, had increased minimum wage levels. The database includes statistics on the level of minimum wages in absolute terms as well as relative to both GDP per capita and average wages, whenever available. It also includes information on the institutional aspects of minimum wage systems, including the type and degree of involvement of social partners. On average, minimum wages increased by 5.7% per year in real terms (i.e. adjusted for inflation). In the average (median) country, the monthly minimum wage expressed in purchasing power parity increased from 178 to 235 USD.

When the economy runs well, minimum wages are expected to keep increasing. The

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1. ILO, Update of first Global Wage Report with a focus on minimum wage policy development, Nov. 2009, p. 6.  
2. The database includes statistics on the level of minimum wages in absolute terms as well as relative to both GDP per capita and average wages, whenever available. It also includes information on the institutional aspects of minimum wage systems, including the type and degree of involvement of social partners.  
3. ILO, Update of the first Global Wage Report with a focus on minimum wage policy development, p. 8.
financial crisis has interrupted the trend to some extent. In many countries, despite the crisis, minimum wages still continue to increase. \(^2\) But in some other countries, the trend is downward (Figure 2.7).

During the financial crisis, it is a government policy priority to stabilize and increase minimum wages. The level of minimum wages appears to be the result of policy decisions, but not correlated with countries’ GDP per capita. \(^3\) However, in the financial crisis, government policy does not necessarily target a hike in the minimum wage.

**Figure 2.7 Changes in the real level of minimum wages, 2008**

![Chart showing changes in the real level of minimum wages, 2008](chart)


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\(^2\)Ibid., p. 10.

\(^3\)Ibid., p. 9.
Box 2.9 Increase in minimum wage postponed in China

Although China’s minimum wage policies have never been challenged before, the financial crisis has pushed governments in some areas of the country to suspend the increase in the minimum wage.

The regular increase in the minimum wage in Beijing is to be temporarily put on hold. The Government in Beijing used to release its minimum wage increase plan every July, but decided to maintain the old level of 800 yuan per person in 2009.

Xiao Zhiheng, Vice –Governor of Guangdong Province, announced in the provincial working conference on labour and social security that the minimum wage in Guangdong would not be adjusted in 2009.

Source: Due to destabilizing factors in employment relationship, minimum wage increase in Beijing paused;
Minimum wage in Guangdong unchanged this year because of crisis;

2.2.4 Income gap

Before the financial crisis, wide income gaps were to be found in many countries. The crisis has further widened such gaps. As shown in Table 2.13, prior to the crisis most countries saw increases in their Gini Coefficient, which reflects the widening of income gaps within a country. The crisis has pushed the vulnerable deeper into difficulties and enlarged the income gaps.

Table 2.13 Widening of income gap within selected countries over ten years

<table>
<thead>
<tr>
<th>Country</th>
<th>1997 Gini Coefficient</th>
<th>2007 Gini Coefficient</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>40.8</td>
<td>45</td>
<td>10.29</td>
</tr>
<tr>
<td>Russia</td>
<td>39.9</td>
<td>41.5</td>
<td>4.01</td>
</tr>
<tr>
<td>Argentina</td>
<td>49</td>
<td>50</td>
<td>2.05</td>
</tr>
</tbody>
</table>


The financial crisis has affected women workers in two respects: first, the power imbalance between workers and employers has made the improvement of women’s working conditions less possible; second, gender inequality at work has always pushed women workers into a disadvantageous position and, in the crisis, employers are even more likely to downgrade their working conditions. The gender pay gap has hampered women’s equal participation in work and their equal share of the results.
Gender inequality at work is quite common in both developed and developing countries. In the EU, the narrowing gender pay gap before the crisis has been enlarged again. Since the crisis, women’s pay on average has been 17% less than men’s and the gap is widening within the EU. In the developing world, women are engaged in unpaid work for 31–42 hours a week – most of it family responsibilities – while men are engaged in unpaid work for only 5–15 hours a week.

The lower income earned by vulnerable groups could be reflected in the decline of remittances from migrant workers. The ILO estimates that the previous growth in remittances to the developing countries has witnessed or will witness a significant fall, even to somewhere below zero (Table 2.14).

<table>
<thead>
<tr>
<th>Table 2.14 Growth rates of remittances to developing countries (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All developing countries</td>
</tr>
<tr>
<td>Low – income countries</td>
</tr>
<tr>
<td>Middle – income countries</td>
</tr>
</tbody>
</table>


2.3 Social protection

The ILO and the UN believe that access to proper social protection is a fundamental right of every worker, important to promote people’s welfare and social harmony. However, in times of crisis, the social security systems in many countries – developing countries in particular – have been weakened and thus unable to protect workers adequately.

2.3.1 Social security funds

The direct impact of the financial crisis on social protection may be the devaluation of social security funds in most countries due to the burst financial bubble. The World Bank has estimated that the real return for mandatory pension funds in a sample of countries decreased between 8% and 48% from late 2007 to late 2008. Chinese researchers find that with a few exceptions, the public pension funds in most countries have been hit by the financial crisis to some extent.


Christina Behrend, Tariq Haq and Noura Kamel, The impact of the financial and economic crisis on Arab States: Considerations on employment and social protection policy responses, Beirut, ILO Regional Office for Arab States, 2009, p. 16.

With the decline in social security fund returns, contributions to the funds have also been diminishing due to unemployment rises and pay cuts during the financial crisis.

Box 2.10 Impact of the crisis on the global pension funds

*Global pension funds:* The financial crisis has caused losses for various pension funds worldwide worth around 5.5 trillion USD, including the hardest hit “voluntary corporate pensions” with losses of around 5.2 trillion USD, and the global SFPs contracted by over 20%.

*Latin America:* According to the statistics of the FIAP, in December 2007 the pension funds of the eleven countries where the privatized investment system had been adopted were together valued at 280.4 billion USD; by September 2008, this had gone down to 263 billion USD, wiping out 17.4 billion USD, or 6.1%.

*Japan:* The Government Pension Investment Fund (GPIF), the world’s second largest social security fund, had total assets of 120 trillion yen (1.1 trillion USD) in December 2007. Affected by the stock market meltdown, within a year its assets had slipped to 111.6 trillion yen by December 2008, with an annual return of −7%, representing a loss of 8.4 trillion yen (78 billion USD).

*Republic of Korea:* At the end of 2007, the National Pension Fund (NPF) was running a surplus of 220 trillion won (220 billion USD) in assets. By the end of 2008, it had lost around 15 billion USD, or 6.8%.

*China:* According to the annual report released in May 2009, the China Social Security Fund totalled 83.7 billion USD (569.2 billion yuan) at the end of 2007 and 82.7 billion USD (562.3 billion yen) by the end of 2008.

*Hong Kong, China:* Beginning operations in 2001, the Mandatory Provident Fund (MPF) was worth 32 billion USD (248.3 billion HKD) at the end of March 2007 and 24 billion USD (211.2 billion HKD) by the end of 2008, a loss of 8 billion USD (60 billion HKD), or 25%.

*Portugal:* The Fund for Stabilization of Social Security (FFESS’s) annual returns in 1989–2007 averaged 5.4%, but in the first nine months of 2008, it lost 270 million USD (200 million euros), or 3.73% annually.

*Russia:* The National Wealth Fund (NWF), founded on 1 February 2008 with initial assets of 32 billion USD (768 billion roubles), has made no losses but profits in the crisis thanks to some conservative investment policies. From 30 January 2008 to 15 January 2009, its total income was 2 billion USD (66 billion roubles) for an annual return of 5.4% in 2008.

2.3.2 Social security expenditure

In contrast to the dwindling returns, social security expenditure has to be increased in the economic recession.

The soaring unemployment, inadequate employment, informal work and lowered welfare caused by the financial crisis call for the improvements in social assistance and protection for vulnerable workers, as more of them start to need unemployment assistance and more families need social protection to support them through unemployment, poverty, disability, disease, maternity, ageing, or death of their breadwinners.

ILO statistics show that the number of people receiving unemployment benefits increased on average by 53% between May 2008 and February 2009 in a sample of 19 emerging and industrialized economies. In Canada, the unemployment rate went up from 8% to 8.4% between April and May 2009, a record high since June 1998. In May 2009, there were 778,700 unemployment benefit recipients in the country, up 65,600, or 9.2%, from a month earlier, another record high since 1997 when Statistics Canada began to collect such data.

According to ONS data released in April 2009, unemployment in the UK increased in March 2009 by 73,700, with the number of people claiming unemployment assistance climbing to 1.46 million and the unemployment rate at 4.5%, the highest level since September 1997 following increases in each of the previous thirteen consecutive months.

In Brazil, the rate of unemployment benefit claims for the first quarter of 2009 soared to 7.9% with 1.85 million Brazilians applying for assistance, a dramatic increase compared with 534,000 in February 2008.

Another reason for the huge demand for social security expenditure may be the

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2 Unemployment rate of Canada rising to 11-year high: http://newxinhuaneiworld/2009-06/06/content_11497454.html (last visited 22 November 2009).
devaluation of private pension funds, which are in large measure complementary to the social pension schemes. The crisis has not only led to value losses for public pension funds but also devastated private pensions. The OECD report Private Pensions Outlook 2008 identified that from December 2007 to October 2008, stock markets in OECD countries lost nearly 50% of their total value, making for losses of private pension investments worth 5 trillion USD and the devaluation of assets by 20%. Except for the Republic of Korea, Turkey and the Czech Republic, OECD countries have all seen losses of pension investment, with the US suffering the biggest losses of 3.3 trillion USD, accounting for more than half of the total losses made by the OECD countries.\textsuperscript{2}

The financial crisis has thus not only downsized the revenue of social security funds but also increased the demand for social security spending. This rising demand coupled with diminishing fund reserves represents tremendous pressure coming from two directions, casting a shadow over people’s work and life.

2.3.3 Obstacles to improving social security

The financial pressure coming from lower revenues plus higher expenditures is one scenario in social security’s current predicament; on the other side, and possibly more fundamental, is the underdevelopment of social security systems, particularly in the developing world.\textsuperscript{3} The main problems in social security include the following.

First, low coverage of social security. At present, only 20% of the world’s population obtains adequate social protection, and more than half are still out of its reach altogether. In most of the developed countries, the coverage of social security stands at 100%, but in the developing countries, extensive social security systems have yet to be set up due to the economic constraints, and people’s livelihood is much more likely to be affected by economic fluctuations.

\begin{center}
Box 2.11 Social security coverage in Africa and Asia and the Pacific
\end{center}

\textit{Africa:} There are 54 countries and over 800 million people in Africa. The share of social security expenditure in GDP is 4.3% on average, as against 25% in Europe and 16.6% in North America. In the thirteen middle-income African countries, the coverage rates of social security vary between 20% and 70%; in sub-Saharan Africa, people covered by social security schemes, mostly wage earners, account for 5%–10% of the total population. In pensions, the

\textsuperscript{2}Pension market in focus: Pensions impacted by the financial crisis; http://finance.icxo.com/htmlnews/2009/01/21/13540664_0.htm (last visited 22 November 2009).

\textsuperscript{3}The developed world has long established all–encompassing and deep–seated social security systems and other social protection measures.
coverage of contribution–based schemes has exceeded 40% in Algeria, Egypt and Tunisia, and 70% in Libya. In terms of health protection, self-funded cash payment of medical expenses accounts for 40% of total health expenditures.

Asia and the Pacific: The region has a population of 4.1 billion, more than 60% of the world total. Social security coverage rates range from 100% in the higher-income OECD countries to as little as 5% in some countries. Although remarkable progress has been made in the planned extension of coverage, much work has yet to be done in many countries. That is particularly true for the lower-income countries where merely 5%–10% of the population is covered by social security schemes. In health protection, proper coverage has been extended to only 20% of the population while around 10% of the region’s people live in extreme starvation and poverty.


In the developing world, apart from the lower coverage, many informal workers have also suffered exclusion from the social security system. Workers in the public sector usually enjoy higher levels of social protection than those in the private sector, where social security schemes have been only partially or never extended. Egypt, Algeria and Tunisia are examples of countries where some self-employed or workers in informal employment have been partially included in the social security systems.

The coverage of social security is always correlated with the formal labour market. Expanding formal employment would enable more workers to be included in social security schemes. However, in many developing countries, informal employment takes a large share – even more so in some regions, Latin America in particular. Not all informal workers are poor, but the absolute number of working poor (on daily earnings of less than 2 USD) in the world has reached 1.37 billion, 80%–90% of whom are not covered by social protection.

Second, less comprehensive unemployment insurance and assistance systems. Only a small proportion of workers in the world can access unemployment protection and most of them are in the developed world. Advanced economies, too, have significant holes in their safety nets, with far from complete coverage of benefits for unemployed workers. In the financial crisis, most developed countries have implemented unemployment assistance measures. The US initiated Emergency Unemployment Compensation as from

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30 January 2008. Japan has announced a review of unemployment assistance policies to lower the threshold for unemployment benefits and provide housing for unemployed workers in the crisis. Finland has reduced the qualifying period required for claiming unemployment assistance benefits to enable more workers to be covered. France has suggested extending the length of unemployment assistance benefits for young workers who have just come to the end of a fixed-term contract. Even so, the majority of those who lose their jobs do not get unemployment benefits. In half of the OECD countries, 50% or more of the workers in this category are not covered.

In many developing countries, unemployment insurance is relatively immature. Though promoted in some middle-income countries over recent years, it only covers a small number of workers in informal employment. Most people in developing countries are working informally, without the cover of any unemployment protection. UN statistics show that only 20% of the jobless in Asia are covered by unemployment benefits or other social schemes. In the Middle East, Bahrain is the only country with unemployment insurance and assistance schemes.

2.3.4 Social security policies

The social security system providing social transfers is a powerful tool for reducing poverty and eliminating inequality. In many OECD countries, poverty and inequalities have been reduced by almost a half thanks to social protection. All the advanced economies in Asia, Europe, Oceania and North America have their own extensive social protection framework. In Africa, Latin America and Asia, successful examples of social protection for all can also be witnessed. For example, Brazil has implemented social security packages to help poverty reduction, including measures to extend the coverage of social protection. Government policies to tackle the economic recession have also focused on the concerns of the working poor and helped the recovery of economic growth in Brazil faster than most other countries.

Providing a “social safety net” and acting as an “automatic stabilizer” for the economy, social security expenditures should be increased during the recession to strengthen economic stability. However, the financial crisis has pretty well destroyed such logic.
For governments, and in particular those of the developing countries, the financial pressures are mounting and making it ever tougher to support social security, as their expenditure has to be squeezed down for the sake of their economic stimulus plans.

Indonesia has chosen to prioritize spending on economic stimulus activities rather than on social protection, maintaining a level of social protection investment based largely on programming levels planned in 2006. In Africa, some countries have had to cut expenditure in social protection due to the financial pressures. Zambia developed its social protection strategy in 2005. However, the coverage is extremely limited owing to lack of resources, and the Government was in the process of reducing allocations to social protection in 2009 as a result of the crisis. The Federal Government of Nigeria has created a Presidential Steering Committee to develop a strategic response to the impact of the crisis, but the Government intends to reduce public expenditure on the social services sector significantly, with the 2009 budget proposal indicating a 16% cut in education allocations and 29% in those for health.

Apparently, the most important needs and concerns have been pushed aside due to the financial crisis, and government policies in social security tend to be hesitant, leading to a deterioration in workers’ conditions.

Yet many countries have realized the importance of increasing social security expenditure in dealing with the crisis. Investment in social security will benefit the poor more than others. The working poor tend to save less and their purchasing power could be boosted when incomes reach certain levels. This will help stimulate the economy, provide support to tackle the crisis and promote economic and social development in the long run.

The negative effects of the financial crisis on the protection of labour rights are extensive and profound: some of them have been identified and some remain hidden. But it is clear that working people, who are not the perpetrators, have been largely the victims. Even though the economy has begun to climb its way out of the crisis, the recovery of employment will lag behind for four to five years. It means that the losses the crisis has caused to workers can hardly be compensated, yet they will continue for several years afterwards.

Full recovery from the crisis has yet to be attained and the protection of labour rights remains a formidable task. This endeavour calls for action by workers’ organizations.

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[@] Ibid., p. 32.
[@] Ibid.
Box 2.12 Examples of social protection measures in selected countries

Asia: The Chinese Government has plans to invest 120 billion USD on health clinics over the next three years and provide 90% of the 1.3 billion population with access to basic medical insurance. It has also taken measures to improve social security systems, increase government spending, expand the domestic market and bolster consumption. The work report delivered by Premier Wen Jiabao to the 2nd Plenary Session of the 10th NPC pointed out that efforts will be made to extend the coverage of the pilot social pension insurance scheme for rural areas to 10% of counties nationwide, extend the coverage of other social security schemes and improve treatment, and the central Government will spend 293 billion yuan on social security, an increase of 17.6%. Vietnam is carrying out a national unemployment welfare project. India has adopted a retirement insurance scheme, allowing the voluntary participation of workers from small enterprises, and has been developing a national ID database to facilitate the better provision of medical and other welfare services. Bangladesh has integrated its plan for 2008 with the pre-existing plan and increased the share of government social security spending in the fiscal budget to the levels of 3.5%–6.8%. The new measures include (1) an employment assistance programme, giving employment guidance for up to 100 days, which is to cover 7 million households; (2) a food programme for vulnerable groups, which has been extended by 25%, covering 7.15 million households, with an increase in the food allocation quota from 10 to 15 kg; (3) more benefits for poor people, supported by the 2009/10 fiscal budget.

Brazil: The Brazilian Government raised the income level for eligibility in the Bolsa Familia programme (conditional cash transfers) and put a nominal increase in minimum wages of 12% (6% real increase) into effect in February 2009 instead of April 2009 as was originally scheduled.

Ghana: The National Social Protection Strategy (NSPS) designed in 2007 is currently before the Cabinet for submission to Parliament. Pending approval of the strategy, key components of the programme have been initiated, including the Livelihood Empowerment Against Poverty (LEAP) programme, which was launched in March 2008 and reached 8,000 households with social grants by the end of 2008. Efforts have been made to extend social protection provision in the context of the crisis. The Government made a commitment in the 2009 budget to increase social protection expenditures by increasing the capitation grant; extending participation in the National Health Insurance Scheme (NHIS); and continuing the school catering programme, as well as extending LEAP.

South Africa: Over 20% of economic stimulus funds have been used to support social security action, including 12% for welfare donations and 10% for the school catering programme.

Social security system to improve in 2009;
http://www.gov.cn/2009lh/content_1251846.htm (last visited 22 November 2009);
Asia strengthening social security with less savings and more consumption;
http://cn.ws.1.com/GB/20090727/sem114501.asp (last visited 22 November 2009);
ILO, Update of the first Global Wage Report with a focus on minimum wage policy development, November 2009, p. 11;
Chapter III

Trade Union Action to Fight the International Financial Crisis

Workers all over the world are the silent victims of the international financial crisis. Instead of waiting for the end of the crisis, trade unions acted swiftly to minimize the damage to workers. They organized regional and international meetings to voice their demands, urging stronger global action to fight the crisis. Unprecedented as the crisis is, it also brings a unique opportunity for trade unions to take stock, give the demands of workers a louder voice, and increase their visibility in the global efforts to fight the crisis. Trade unions should be commended for their victories in defending workers’ interests, but they still face a bumpy road ahead as the prospect of economic recovery remains uncertain.

3.1 International trade union organizations

The international trade union organizations held international meetings, released statements, and sent direct requests to the leaders of the major economies to express their policy stances and voice the justified demands of workers who have borne the direct and bitter consequences of the international financial crisis. They have also coordinated the action of national affiliates to pool their forces in the face of the global economic downturn.

3.1.1 World Federation of Trade Unions: Fighting against capitalist exploitation, protecting workers’ fundamental rights and interests

The World Federation of Trade Unions (WFTU) has remained a major force in the world trade union movement in its 60 years of existence. The WFTU pointed out that this crisis would be the most devastating economic, political and social crisis since the Great Depression in 1929. It derives from the constraints of capitalism itself and is the outcome of the unregulated neo–liberal economic model that capitalists fervently preached.

Since the international financial crunch came into view, tens of millions of workers
have been laid off by employers for whom they have created colossal wealth, as highlighted by the WFTU. The working class are drowning in deep fear of large-scale retrenchment and surging unemployment. Impoverished workers have no choice but to accept more cruel exploitation and work under harsher conditions. On the other hand, the countries that caused this crisis in the first place are using public means to bail out the guilty parties, big banks and financial institutions, rather than spending on the victims of the crisis, the most exploited people. This can only serve to further indulge and encourage savage financial speculation. The WFTU is of the firm belief that the majority of humankind will remain in poverty and the crisis will further deteriorate into worldwide economic, political and social crises, and eventually the world will plunge into biological, energy and moral crises as long as capitalism still exists and wealth remains in the hands of the few. The working class has no choice but to fight back and take countermeasures if they do not want to see their lives further degraded.

The WFTU urges governments, especially in developed countries, to assume more responsibility for the crisis, and to uproot the deep-lying causes rather than scraping the surface. The WFTU believes the following actions are necessary:

- Stop weapons programmes, slash military spending, put an end to the occupations and wars of the imperialist forces.
- Increase social spending for employment generation and labour rights protection; support workers and improve their purchasing power by increasing real wages and pensions.
- Prohibit dismissals and provide significant aid to all those who are unemployed, with no exceptions.
- Stop the privatization of strategic sectors.
- Give full respect to migrants and to youth and women workers.
- Cancel the debts of the third world countries.

The WFTU calls on national trade union organizations to achieve the above goals through more coordinated and coherent action at the international level.

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**Box 3.1 WFTU action in response to the economic crisis**

- In December 2008 in Lisbon, the WFTU organized an International Seminar on Globalization: Economic Crisis and Workers’ Rights, and published the materials of the Seminar.

- On 12 and 13 February 2009, the ACFTU, together with the WFTU and other trade union organizations, held the International Forum on Economic Globalization and Trade Unions in Beijing. The Forum centred on the issues of scientific development, decent work and workers’ rights.
• In May 2009, the WFTU supported and paid tribute to the May Day demonstrations around the world and set at the heart of its activities the issues surrounding the economic crisis.

• At the International Labour Conference in June 2009, the WFTU raised the issues of the economic crisis from the perspective of workers, insisting that they should not suffer from its consequences.

• From 27 to 29 July 2009, The WFTU and the VGCL jointly held the International Trade Union Seminar on Global Economic Crisis and Trade Union Action to Secure Employment for Workers in Hanoi, on the occasion of the celebration of the 80th Founding Anniversary of Vietnamese Trade Unions. In the seminar the WFTU put forward its policy responses to the crisis.

• From 18 to 20 November 2009, the WFTU held its first international meeting of young trade unionists, in Lima. The aim was to promote integration among workers under 35 years old and to establish united action to defend their social and union rights.

Source: Speech by WFTU General Secretary George Marrikos at the International Seminar on the Economic Crisis and the Role of the International Trade Union Movement (5 – 6 October 2009, Brussels): http://www.wftucentral.org/?p=2841&language=en (last visited 20 November 2009);

3.1.2 International Trade Union Confederation: Participation at global level

The International Trade Union Confederation (ITUC) was founded on 1 November 2006 out of the merger of the International Confederation of Free Trade Unions (ICFTU) and the World Confederation of Labour (WCL). The ITUC has organized a series of events together with regional and national trade union organizations since the financial crisis started. To strengthen the engagement of trade unions at the world level in responding to the financial crisis, the ITUC met with the heads of the G20 group, the IMF and the World Bank and put forward its policy proposals.

The ITUC believes that the current financial crisis is the result of the interaction of a housing crisis, a credit market crisis and an aggravating employment crisis. It has a complex and dangerous impact on the real economy, directly affecting the employment and lives of workers. Since employment recovery usually lags behind economic recovery, the unemployment rate will stay high in 2011.

The ITUC warns that workers, innocent victims who did not share in the gains of development over the past 30 years of high economic growth, should not bear the bitter consequences of the crisis.
The ITUC advocates protection of fundamental labour rights, full employment and social protection, decent work and a new world economic order that is fair, just and sustainable. It also emphasizes that trade unions should be engaged in the process of crisis response and policy formulation at national, regional, and international levels and be a full part of advisory structures to international organizations.

### Box 3.2 ITUC actions in response to the economic crisis

In November 2008, the ITUC issued a statement to the Washington G20 Summit. It analysed the causes of the crisis and its economic and social impacts and put forward policy proposals in four areas.

In April 2009, the ITUC issued a statement to the London G20 Summit, calling for the establishment of a fair and sustainable new economic order and proposing a five-point strategy.

In its statement to the Pittsburgh G20 Summit in September 2009, the ITUC called on G20 leaders to focus on jobs and reform of the financial system, attend to the needs of developing countries, and combat climate change.

From 14 to 16 September 2009 in Lomé, ITUC–Africa held the Forum on the Global Financial and Economic Crises and the Global Jobs Pact to discuss the impact of the international financial crisis on employment.

In November 2009, ITUC/APLN (Asia Pacific Labour Network) jointly issued a statement to the 2009 APEC Economic Leaders’ Meeting, calling on APEC member States to establish an APEC Labour Forum in order to hold, in line with the ILO Global Jobs Pact, an effective dialogue with the representatives of the workers in the region and take concerted action to respond to the employment crisis.


Global Unions London Declaration: http://www.ituc-csi.org/IMG/pdf/No_16__G20_London_Declaration_FINAL.pdf (last visited 20 November 2009);


### 3.2 Regional organizations

With an accelerating regional integration process in every continent, regional trade union organizations are in a better position to respond to the international financial crisis. They have played an important role in coordinating and promoting consensus and concerted action among culturally and historically similar national affiliates.

#### 3.2.1 Organization of African Trade Union Unity: Safeguarding African workers’ interests

The Organization of African Trade Union Unity (OATUU) was founded in 1973. With
more than 70 affiliates in 53 countries, it is the only regional organization that covers all African countries.

The OATUU was vigilant when it observed the first signs of the crisis – the collapse of the US sub-prime mortgage market, which very soon spread like cancer to Europe and Asia, transforming the credit crunch into a global economic and social crisis. At the beginning, the African countries were optimistic in believing that they would be shielded from the impact of the crisis, since Africa has only a 3% share of world trade and, unlike their US counterparts, African banks are not overexposed to the housing market. Nevertheless, the financial crisis turned out to be a heavy blow for African economies. The output of oil and minerals in Africa dropped sharply due to the developed countries’ dwindling demand for raw materials, which then led to soaring unemployment. The financial crisis also made employment prospects bleak for those Africans who work overseas. Many have returned home, aggravating local unemployment. The financial crisis is the ultimate evidence of the failure of the neo-liberal economic policy in both developed and developing countries.

The OATUU believes that the international financial crisis is both a challenge and an opportunity for African trade unions. It calls on Africans to rise to the challenge, set the economic engine of the continent at full speed, and transform Africa into a dynamic, prosperous, united, democratic and developed continent.

The OATUU describes the crisis as an important lesson for Africa to accept the grim fact that capital-led globalization does not allow every country to have equal opportunities and an equal share of benefits. Many developing countries, the least developed ones in particular, do not have access to the capital and technology which are urgently needed for their development. These countries have been further excluded and marginalized in the globalized economy.

The OATUU holds the view that the relentless reality leaves trade unions no other choice but to take action and demand that governments adopt relevant policies to address the basic needs of working people. The trade unions should shore up workers’ situation through a range of employment assistance such as granting micro-loans, establishing cooperatives and organizing vocational training for those who are unemployed. The OATUU has suggested the following policies and positions on social development in Africa.

**Box 3.3 OATUU initiatives in response to the financial crisis**

• Africa should find its own solutions to its problems, giving priority to its own peoples’ welfare.
• African governments should facilitate the emergence of strong indigenous businesses for which governments should leave economic space, at the same time closely monitoring all businesses to ensure their probity and accountability, thereby protecting the public interest and public good.

• African countries should fast-track Africa’s economic integration. Without it, their peoples will not reap any benefit from globalization.

• Africa should integrate the Ouagadougou Plan of Action on Employment and Poverty Reduction with the “basic needs development programme”, guarantee the basic needs of people for food, housing, health, education, water, electricity, transport, and communication, promote employment and decent work, and ensure peace, unity, prosperity and social stability in the continent.


3.2.2 International Confederation of Arab Trade Unions: Strengthening social dialogue, promoting employment through development

The International Confederation of Arab Trade Unions (ICATU) was founded in March 1956 and has 19 affiliates. It is the only regional trade union organization of Arab countries.

The ICATU believes that the economic crisis has victimized workers and exacerbated the existing challenges the world faces – poverty, social disintegration, job losses, and precarious employment.

The ICATU calls for international unity in meeting these challenges and promoting balanced development both for people and for the economy. It has presented policy proposals in the following areas:

• Take strong measures to guarantee the consistency of the credit system; adopt effective macro–policy and regulatory measures to facilitate business development.

• Make employment an explicit target of economic policies; promote and maintain employment, especially for disadvantaged groups, through active labour market policies, stimulus measures and increased public spending; provide credit support for SMEs, which can create more jobs; provide direct and pragmatic assistance to workers and vulnerable groups who are most affected by the crisis; adopt policies that respect the employment rights of both nationals and migrant workers; and maximize the benefits and minimize the risks of work–based migration.¹

• Promote and strengthen social dialogue and collective bargaining as an important tool for the whole of society in handling the consequences of the crisis.

In the three-day Arab Employment Forum held in October 2009, the ICATU and the representatives of governments and employers from 22 Arab countries had tripartite discussions on the impact of the financial crisis on employment in the Arab region and the implementation of the Global Jobs Pact. In this forum the ICATU highlighted the importance of independent and free social dialogue between social partners as the cornerstone of social and political stability.

3.2.3 ETUC: Re-establishing a fair financial market through joint action

The European Trade Union Confederation (ETUC) was founded in 1973. It represents 60 million members from 82 national trade union centres of 36 European countries and 12 European industrial federations.

The ETUC had warned of the risks inherent in financial capitalism. As the financial crisis unfolded, it urged political leaders to take strong measures and rebuild the rules of the financial market to avoid the global recession turning into a new round of depression. It warned EU countries to stay alert to risks of high unemployment and stagnating wage growth, particularly for the export-dependent countries such as Germany and those of eastern Europe.

The ETUC has adopted a series of declarations and resolutions in the following areas through its communications with the EU Commission to make clear its positions on the financial crisis:

• Request European leadership to organize a European answer to the economic crisis and its social impact instead of leaving member States to face this on their own.

• Strengthen social partnership and add a social progress protocol to the European treaties.

• Implement a new programme of European investment projects by the EU Commission to stimulate the European economy and reverse the trend of surging unemployment.

• Fight protectionism and establish a fair European market.

Box 3.4 ETUC action in response to the economic crisis

• In June 2008, the ETUC adopted a resolution, “Time to act together”, which calls for concerted action among EU member countries to stabilize the economy, stimulate growth, and avoid a prolonged economic slump.

• The ETUC resolution adopted in December 2008 calls for a strong European recovery
programme, focusing on saving jobs, defending wages, collective bargaining and pensions. It also emphasizes the necessity of a visible public hand to steer the economy out of recession and organize solidarity across European societies.

• Since 2008, the ETUC has, together with member organizations, organized a series of demonstrations and strikes, demanding governments take more effective measures to fight the crisis.

• The ETUC Executive Committee adopted a declaration entitled “Urgently wanted: European leadership to fight the new depression”, urging the EU Commission and Council to take actions in six areas to combat the crisis.

• From 14 to 16 May 2009, the ETUC campaigned over four European days of action which featured large-scale demonstrations in Brussels, Berlin, Prague and Madrid. In this campaign the ETUC demanded that people be put first in fighting the crisis and advocated a “new social deal” in Europe.

• Following the EU–Russia summit in Stockholm on 18 October 2009, the ETUC adopted a Resolution on EU Policy towards Financial Market Regulation at its Executive Committee meeting, calling for sound financial market regulation.

Source: *Economic and social crisis: ETUC positions and actions:*
http://www.etuc.org/a/5838 (last visited 20 November 2009);
*ETUC Declaration to European Spring Summit of March 2009:*
http://www.etuc.org/a/5985 (last visited 20 November 2009);
*Fight the crisis: Put people first:*
http://www.etuc.org/a/5972 (last visited 20 November 2009);
*EU policy towards financial market regulation:*

3.3 Union response at national level

No country or union can survive this crisis alone. Trade unions may differ in size, strength and background, but the role they must play now is the same: sheltering workers from the economic storm. Trade unions have endeavoured to lessen the damage done to workers by the crisis and won the respect of workers and the whole society.

3.3.1 India: Strengthening social dialogue, securing workers’ interests

The Indian trade unions, led by AITUC, BMS, CITU, HMS and INTUC, lined up together to fight the crisis.

The Indian trade unions believe that the international financial crisis is a savage extension of the sub–prime mortgage crisis and a product of the capitalist system. For decades, the unrestrained capitalist financial market was saturated with speculation and fraud, dragging itself far away from the real economy. When the capitalist superpowers saw the crisis on their doorstep, they made the third world pay for the cost of the crisis.
The consequence of the financial crisis is disastrous for India, where over 94% of the labour force work in the informal economy.

The Indian trade unions pointed out that this international economic crisis has served to confirm the inherent greed and corruption of capitalism and exposed the fundamental contradiction between social production and privatization under the capitalist system. To respond to the crisis, the trade unions should, more than ever, seek common ground, establish coordinated stances and take concerted action.  

The Indian trade unions endeavour to stay in the vanguard of primary labour rights: collective bargaining, occupational safety and health, social security, training, etc. To achieve decent work for all, they have adopted various measures, both conventional and unconventional, to secure workers’ jobs and improve their working and living conditions.

They have also extended protection to vulnerable groups and people who in the past were traditionally unorganized: informal workers, rural workers, women, etc.

**Box 3.5 AITUC positions and actions**

The AITUC is primarily concerned with measures to prevent job cuts, wage decreases, and withdrawal of benefits. It has adopted the following positions to combat the adverse impact of the economic crisis:

- Fight for an alternative economic policy for the creation of more jobs, improved living conditions for unorganized labour, fight for massive investment in agriculture and building up of social infrastructure for the eradication of poverty, illiteracy, deprivation and hunger instead of the concentration of wealth and pauperization of the people, in favour of equitable inclusive growth with social justice.

- Adopt comprehensive laws and social welfare schemes for the protection of unorganized labour and agricultural workers;

- Organize demonstrations and rallies to protest against the harmful impact of the crisis on the employment and life of working people and to fight for the equal rights of women in wages, employment and working conditions.


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② An introduction to the Indian trade unions:

The Indian trade unions have organized various training activities to enhance workers’ skills and law awareness.

**Box 3.6 INTUC training initiatives**

- To eliminate child labour on all levels.
- To raise workers’ awareness of health and HIV/AIDS transmission channels in the workplace.
- To organize agricultural workers across the country.
- To organize unorganized workers.
- To provide training on the minimum wage and relevant laws for trade union leaders.

Source: *Global economy and sustainable development*, paper presented by the INTUC representative to the China–South Asia Trade Union Leaders’ Seminar, November 2008.

### 3.3.2 Singapore: Improving workers’ employability to prepare for the future

The National Trade Union Congress (NTUC) is the only national trade union confederation in Singapore. Since its foundation in 1961, the NTUC has maintained a symbiotic relationship with the People’s Action Party.

The longstanding tripartite tradition in Singapore played an important role in the coordination and cooperation between the Government, the NTUC and the Singapore National Employers Federation (SNEF) to minimize the impact of the global financial crisis on companies and workers. Through tripartite efforts, the Skills Programme for Upgrading and Resilience (SPUR) and the Jobs Credit Scheme (JCS) have been successfully implemented and viewed as a major contribution in promoting recovery.

SPUR is designed to provide both employed and unemployed workers with skills training and upgrading. The Government funds most of the training and also compensates companies for the absence of staff attending training courses during work time as a way of encouraging them to send employees on the programmes. SPUR helps both companies and workers manage the downturn and invest in skills for the upturn.

The Jobs Credit Scheme was adopted by the Singapore Government to avoid mass layoffs by companies desperate to cut costs. Under the scheme, the wages of workers have been partly covered by the Government for companies that have retained jobs during the economic downturn. More than 100,000 companies have benefited.

In November 2008, the Ministry of Manpower, NTUC and SNEF jointly adopted Tripartite Guidelines on Managing Excess Manpower to encourage companies to take
other cost-cutting measures and consider retrenchment only as a last resort. The NTUC encouraged workers to apply for SPUR training courses and supported members with its employment and vocational training centre. When retrenchment is inevitable, the company must consult the union first and then inform the Ministry of Manpower to prepare for the job placement or training of the affected employees.

**Box 3.7  NTUC response to the financial crisis**

- The goals: avoiding new record highs of retrenchment and unemployment, achieving the fastest recovery.

- The development directions: establish the most business-friendly economy, the most labour-friendly country, the most united labour relations partnership, and the most caring trade union movement.

- When companies are struggling financially or face the prospect of insolvency, they should work together with the union to take all measures necessary to protect workers’ employment rights.

- The other solutions proposed by the NTUC include sending workers for skills training, shortening working hours, giving workers time off, establishing flexible working arrangements, transferring workers to other jobs/departments, reducing bonuses, freezing wage increases, and adjusting or reducing wages.

Source: *Trade union unity and operation – experience from Singapore:*

The NTUC adjusted its positions and actions as the international economic crisis further unfolded its impact on the job market. It promoted the employment of older workers and encouraged companies to re-employ their retired former employees. In November 2009, the tripartite partners jointly released the Tripartite Advisory on Managing Manpower Challenge for Enhanced Competitiveness and Sustainability, requesting companies that have performed well to consider “moderate wage adjustment” or one-off bonus payments to acknowledge their employees’ sacrifices and contribution during the economic downturn.  

3.3.3  South Africa: Promoting decent work, increasing workers’ income

The ripples of the economic crisis reached far into South Africa, triggering significant devaluation of the nation’s currency, retrenchment in one third of South African

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3  Promoting re-employment:  

4  “Unions’ call in tripartite advisory: Companies performing well should de-freeze wage increase”, in Zaobao, 6 November 2009.
companies, and sky–rocketing prices of daily commodities. Workers struggled to make ends meet and went on strike to protest against unfairness and injustice in their living conditions.

The trade unions pointed out that the international economic crisis is the turning point for both the South African and the world economy, leading to acute unemployment and more social problems in the country. It is unjustifiable to make the third world pay the price for an economic catastrophe caused by the irresponsible financial policies of the US and other developed countries. Trade unions must step up efforts to align at the global level and take more relevant action to fight the crisis.

To fight the consequences of the economic downturn and protect workers’ interests, the South African trade unions set out proposals in the following areas:

- Priority must be given to job creation in industrial policy–making. The trade unions demanded a larger contribution by the strategic sectors, e.g. the public services, in employment generation.
- Trade unions should assist the government in policy adjustment to boost agricultural development and improve living standards for millions of poor people in rural areas.
- The country should pay more attention to the sustainable development of the economy, society and natural resources. Development cannot be achieved at the price of degradation of the environment and deterioration in people’s health.
- Trade unions must further focus on capacity–building and provide workers with all the services they need.

In September 2009, the South African trade unions further clarified their policies and positions and called for the establishment of short–, medium– and long–term goals in response to the global economic crisis to safeguard the long–term welfare of the working class. They also pledged to assist the Government in improving the efficiency of the public departments.

**Box 3.8 South African trade unions’ response to the crisis**

The South African trade unions support the following initiatives to promote local production, decent employment and incomes:

- A supportive macroeconomic policy. Fiscal and monetary policy should support economic recovery through, inter alia, public investment in infrastructure projects; mass public works programmes to support employment creation; and an interest– and exchange–rate regime that supports growth, employment and exports rather than a narrow focus on inflation targeting.
- Strategic use of government procurement to support local production, empowerment and employment. A review of the procurement framework consistent with South African development objectives.

- Investment in skills and human development. This entails measures to improve the school and higher education system and workplace learning; measures to increase the social wage for workers through investment in efficient and affordable public transport; provision of basic services; and a functioning public health system.

- The mandate of development finance institutions should be reformulated to support the agenda for development and employment creation.

Source: COSATU 10th National Congress – Declaration:
(last visited 20 November 2009).

The South African trade unions have played an important role in matching workers’ wage demands to the capability of employers to pay their workers, and organized several rounds of strikes to secure those demands. In July 2009, the construction workers achieved a 12% wage increase after a sector-wide strike. This victory fully demonstrated the strength of South African trade unions in organizing and coordinating in times of crisis. In September 2009, the Southern African Clothing and Textile Workers Union declared a strike in the textile and garment sectors to protest about unsatisfied wage demands.⁵

South African trade unions advocate the nationalization of mines and oppose the ownership of South African mines by private or foreign investors, which, they believe, is not in the interests of South African economic development. In a press statement the unions suggested that the financial crisis and widespread layoffs in the mining sector at present make it more imperative than ever to nationalize mineral resources as a way to help all South Africans share the wealth generated in the mining sector. ⁶ The unions assisted the efforts of the Government in fighting the crisis and addressed both the short-term interests of South African workers and the long-term development needs of the country.

3.3.4 Australia: Regulating the financial order, safeguarding workers’ interests

The Australian Council of Trade Unions (ACTU) is the largest trade union organization in Australia. It has 20 industrial affiliates.

⁵ South African workers end strike and return to World Cup construction site:

⁶ National debate on the nationalization of mines in South Africa: A choice of development path:
The ACTU believes that the crisis is a human-made catastrophe and a product of the neo-liberal economic paradigm – deregulation, privatization, speculation, greed and unsustainable debt. The uncritical worship of the “free market” and the failure of business leaders and governments to rein in its excesses enhanced the ability of already powerful economic nations, corporations and investors to shape the economy to their advantage. This has led to extreme inequality and profound economic instability.\(^7\)

The ACTU pointed out that the global financial crisis has made 50 million people worldwide jobless, including 6%–10% of the Australian workforce, leaving workers and their families losing their rights and living on the street. Now workers everywhere have to live with the consequences of the crisis: unemployment, poverty, deindustrialization and environmental degradation.\(^8\)

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**Box 3.9 ACTU initiatives on the future economic framework**

The economy, including the financial and trading systems, should be organized and managed with the aim not of accumulating vast wealth for a tiny minority, but of securing jobs, incomes and public services, and safeguarding the environment for the vast majority.

The State should actively regulate or replace those markets that act as barriers to attaining a more equal, stable and sustainable society and deliver an economy that substantially meets the needs and interests of all working people.

Central to the development and implementation of economic policy should be routine consultation and collaboration with all those organizations, including unions, that represent the interests of working people and the broader community.

The Government should review executive salaries and adopt a “charter of responsible lending” to ensure that lending practices by banks and other financial institutions do not lead to an increased burden of debt for workers and their families and to protect the economy from the instability of high levels of personal debt.

Source: ACTU Congress 2009: Resolution:

At its Congress in June 2009, the ACTU made the following requests to the Government:
• To create and guarantee more jobs.
• To protect workers’ jobs, wages, and asset security.
• To promote a future-oriented low-carbon economy and create more jobs in renewable

\(^7\) ACTU Congress 2009: Resolution:

\(^8\) Australian unions requesting government to buy domestically:
energy and low–carbon technology sectors.

• A more active role on the part of the Government in building a stable, diverse and sustainable economy.

• Joint efforts by Government and unions to prepare for the rebuilding of an economy which serves the long–term needs of the Australian people.

• To pay more attention to the role of trade unions in economic recovery.

The Australian unions requested that executive bonuses and salaries be reviewed and linked to companies’ real performance and productivity. They also asked the Government to support domestic goods and services in public procurement, arguing that local procurement, though at a higher cost, will ensure the interests of Australian companies and workers.

3.3.5 Brazil: Uniting to promote employment

The six most representative trade union centres in Brazil are CUT, FS, UGT, CTB, Nova Central, and CGTB.

To respond to the crisis, the national trade union centres strengthened coordination and pledged to put in place concerted action and policies. In January 2009 the major trade union centres adopted a Union Action Pact in a meeting in Rio de Janeiro. In the Pact, the unions requested the Government to protect jobs during the economic downturn through more coherent policies and action and vowed to defend the interests of millions of workers in Brazil.

The Brazilian trade unions have pinpointed the failure of financial supervision and regulation as the origin of the crisis, and neo–liberal globalization as the cause of deteriorating labour conditions. Workers are the first to be affected by the crisis, losing their jobs and taking home less pay. When workers must tighten their belts, the whole economy and people have to suffer from the devastating effects of shrinking investment and surging unemployment.

The Brazilian trade unions pointed out that the stimulus policies enacted by President Lula da Silva’s Government have boosted the confidence of the Brazilian people in economic recovery and benefited the workers. The Brazilian trade unions were also acting to help workers weather the economic storm. Through building a social partnership and participating in policy–making and supervision, the trade unions have contributed to the economic recovery of Brazil.
In July 2008 the Brazilian trade unions adopted a plan on crisis prevention, calling for a reduction in working days while keeping the same level of payment and workers’ participation in productivity enhancement. They requested an increase in basic wages in line with the 30% rise in the minimum wage, which was adjusted according to the cost-of-living index. They also believed that the Government should take measures to stabilize food prices and reduce or exempt taxes on food and other basic commodities. They called on the Government and social partners to pool their wisdom in tripartite consultations to improve industrial competitiveness, and identify and break the bottlenecks in the industrial chain of Brazil.

One important clause of the Union Action Pact is that government loans to companies be linked to company commitments to maintain jobs. The other aspects of the Pact are mostly related to the national economy. The trade unions asked the central bank to lower the national interest rate and provide businesses and individuals with easier access to credit. They demanded that private banks correct imbalances in interest rates between loans and savings. The unions also urged the Government to bolster unemployment insurance and inject more money into the national worker training fund.

The Brazilian trade unions have played an important role in the economic recovery and social stabilization of Brazil. According to the OECD projection for 34 major economies, Brazil was one of the few countries that could avoid economic recession in 2009. The success of Brazil in fighting the international economic crisis has to be partly attributed to the role played by the Brazilian trade unions.

### Box 3.10 Brazilian unions securing jobs through wage adjustment

Since early 2009, workers in some states of Brazil have requested employers in the collective bargaining process to guarantee no retrenchment in the short term and agreed to reduce working time and wages in exchange.

In January 2009, the five main trade union centres in Brazil signed a petition paper to the Government, demanding protection of labour rights and expansion of unemployment coverage. The unions also requested the employers to avoid retrenchment. The employers’ confederation in São Paulo expressed the wish that the Government and unions accept working time and wage reduction arrangements in return for its promise of no job cuts.

After several rounds of negotiations, an agreement was reached on working time and wage

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reduction and a promise by employers about keeping jobs. Later, the industrial union of the steel sector in the state of São Paul signed similar agreements with 24 companies, agreeing to cut working hours by an average of 20% and wages by 10%–17%. Two automobile components manufacturers reduced the working time of their employees by five months for the duration of one year, registering the highest working time reduction. These agreements on working time and wage adjustment have saved 16,300 jobs.

Among the 47,000 workers in the steel sector in Caxias do Sul, 30% have signed a similar agreement on working time and wage adjustment with 18 companies. In the State of São Paul, 604 companies also contacted the unions to sign similar agreement on flexible arrangements which will involve 170,000 workers.

Source: Brazil reduces wages to keep jobs:

3.3.6 Germany: Pursuing win–win results through cooperation

The Confederation of German Trade Unions (DGB) is the national trade union centre. IG Metall is one of the most influential unions among the affiliates of the DGB.

The DGB pointed out that the global financial crisis is the product of the privatization policy promoted by the IMF for the past 30 years, which featured deregulation, over-liberalization, low wages, and privatization of the social security system. Therefore, the IMF should take responsibility for the consequences of this crisis. Workers should not pay the price for a crisis originating in speculation and the pursuit of maximum profit. Employers have the obligation to avoid retrenchment and keep jobs by every possible means. IG Metall highlighted the need for Government, banks and employers to take swift action to protect jobs and prevent 2009 from becoming the year of unemployment.

The DGB believes it is important to fortify the supervision of the financial market and products and build a new international financial and economic order to avoid another crisis. In December 2008, the DGB published its stimulus package report aimed at promoting consumption and saving jobs. In this package the DGB requested the German Government to inject 60 billion euros into the market in 2009, mainly in the areas of education, health, green energy, and transportation, launch a second stimulus package, and curtail nationalist sentiments beginning to emerge in the crisis.

The DGB requested companies to save jobs and reduce costs by improving productivity, quality and innovation rather than cutting wages. Companies and trade unions made joint efforts to safeguard employment and cut costs by reducing working time instead of laying off workers. The German trade unions opted for the following measures to fight the crisis:
• Building up tripartite consensus on refraining from large-scale retrenchment to avoid prevalent unemployment.
• Saving jobs through short–time work arrangements and providing training and learning programmes to short–time workers.

The short–time work and training incentives have benefited both workers and companies. These measures proved effective in saving jobs and at the same time help employers to keep the skilled workers who will be greatly needed once the economy recovers. These pragmatic arrangements have been supported by German workers. Since the effects of the crisis are still lingering, the DGB made successful efforts to extend the legally allowed duration of short–time work from half a year to two years.

**Box 3.11 IG Metall initiatives in response to the crisis**

• In October 2008, IG Metall demanded a wage increase of 8% for workers in the engineering and electrical industries, the highest wage demand for 16 years. The gap between workers’ income and company profits had been widening before the crisis began. IG Metall requested a fair share of the accumulated wealth for workers. After difficult negotiations, the union secured a 4.2% wage increase.

• IG Metall issued an action plan Active Response to Crisis: Together for a Better Life in March 2009 and proposed a Stimulus Package III in April 2009 to safeguard and create 2 million jobs.

• In April 2009, IG Metall signed a new collective agreement with its employer counterpart on short–time work, training and employment protection, which for the first time reduced the agreed top–up payment with the aim of making short–time work more attractive to employers.

• In September 2009, IG Metall agreed on a 4.2% wage increase with Volkswagen AG to take effect on 1 January 2010, and bonuses for workers of 510 euros in October and 200 euros in February 2010.

• IG Metall traded wages for equity in several negotiations with big companies. In February 2009, it agreed to support the government bailout funding for the Schaeffler group and wage adjustment plans in exchange for employee shares. Similarly, the works council of Daimler agreed to convert employee bonus payments totalling 280 million euros into Daimler shares.

Source: The largest union in Germany on strike for 8% wage increase;
http://www.chinalabour.co.uk/59/nw-2059.html (last visit 22 November 2009);
VW opt for performance pay on a 4.2% wage increase demand:
http://auto.gasgoo.com/News/2009/09/30112649264950003598478.shtml (last visit 22 November 2009);
German workers get company equity for wage adjustment:
Tackling the recession: Germany;
3.3.7 China: Putting workers first, and sharing weal and woe to promote development

The All-China Federation of Trade Unions is the largest national trade union organization in the world with a membership of 212 million workers.

Like other countries, China could not escape the international financial crisis. Its impact has confronted China with slowing growth, contracted consumption and enterprise closures. Wage cuts are inevitable in the companies that are struggling to survive. Some workers have to take lengthy leave and wait for the end of the crisis so they can return to their jobs. With workers’ interests affected, the stability of labour relations and society is under threat. At this juncture, the trade unions are more needed than ever to assume their social responsibilities and fulfil the sacred task entrusted to them by workers.

The ACFTU has been closely following the consequences of the international financial crisis on workers’ jobs and lives. Sticking to the principle of Putting Workers First, it used its organizational advantages to mobilize and organize workers to stay confident about and contribute to the economic recovery. It launched a series of campaigns and programmes to defend workers’ interests in the economic storm. Through its Joint Commitment Pact, Action Plan to Support 10 Million Migrant Workers, Golden Autumn Education Aid, Sunshine Project, and Skills Contest programmes, the ACFTU has won the respect of workers and contributed to the steady economic and social development of the country.

· “Sharing weal and woe to maintain growth, contributing strength to promote development”

The Chinese trade unions believe that the fundamental rights and interests of workers can be best guaranteed when both enterprises and the economy as a whole develop on a steady path. In December 2008, the ACFTU adopted a resolution to mobilize workers to “share the country’s weal and woe” to tide over the financial crisis and contribute their strength to an early recovery. Workers are encouraged to play the role of “Pioneers” and participate in skills contests organized by trade unions at various levels to upgrade workers’ skills.

At company level, trade unions organized various events to encourage workers to improve their skills and contribute their wisdom on energy efficiency and cost-cutting measures. These activities have significantly boosted the enthusiasm and creativity of workers and improved companies’ resilience in the economic storm. By the end of 2008, most provincial trade union federations had issued policy papers for the Skills Contest programme on the theme of “Sharing weal and woe to maintain growth, contributing strength to promote development”. Nearly 80% of companies and
employees have participated in the programme.

This programme is an extension of the traditional skills development activities that trade unions organized at company level in the past. Its social impact has been widely recognized in the context of the financial crisis. It helped companies to enhance productivity and grow more resilient against future risks. It also bolstered the foundation of a more harmonious labour relationship thanks to the full participation of employees in the programme.

- **Promoting a Joint Commitment Pact to share benefits and achieve win–win results**

  The ACFTU first introduced the initiative of the Joint Commitment Pact in December 2008, issuing a policy paper “Opinions on the In–depth Implementation of the Joint Commitment Pact” and releasing jointly with the All–China Federation of Industry and Commerce the “Notice on Promoting Joint Commitment in Non–public Companies” in February 2009. The Joint Commitment Pact is initiated by trade unions and implemented in all types of companies in China. The primary goal is to request all companies to sign a Joint Commitment Pact with trade unions to commit themselves to social responsibilities, keeping jobs, avoiding wage cuts or, when a wage cut is inevitable, moderating the scope of the reduction. On the other hand, the pact also requests workers to play their part in the early recovery of the companies.

  With positive responses from trade unions at various levels, the pact has been implemented successfully and achieved palpable results. By the end of 2009, the pact had been signed in more than 60% of unionized companies nationwide and in over 90% of unionized companies in some provinces. As their obligation under the pact, companies had to go through democratic procedures before they could make any decision on wage cuts. The pact contributed to wider recognition of the importance of collective bargaining at company level and the concept of companies and employees sharing common interests. Many companies have organized employee training activities where production is not running at full capacity, preparing skills and technologies for the future when the economy is back on track. The importance of the pact lies in the fact that it not only helps companies to rise above short-term difficulties but also addresses future needs.

- **Action Plan to Support 10 Million Migrant Workers**

  Rural migrant workers are the most fragile and affected group in the financial crisis. In early 2009 there were 20 million jobless rural migrant workers nationwide. Their employment prospects turned gloomy as companies’ need for labour shrank in the economic winter. When so many jobless rural migrant workers are trapped in financial difficulty, the stability of society could be at risk. The ACFTU launched the Action Plan to Support 10 Million Migrant Workers in February 2009 to alleviate the practical difficulties facing these workers in employment and other areas. The ACFTU’s goal with this Action Plan is to integrate all its social resources to support the employment of rural
migrant workers through vocational training, job introductions, entrepreneurship guidance and legal services, as well as financial and material assistance etc. More than 10 million rural migrant workers have benefited from the Action Plan so far. The ACFTU plans to help 5 million migrant workers find jobs, provide 5 million with legal service and financial assistance, and recruit more than 5 million migrant workers into the unions.

The Action Plan has been successfully implemented with all targets met. It has been fully embraced by rural migrant workers and contributed both to their wellbeing and to economic recovery.

**Box 3.12 ACFTU actions to support rural migrant workers**

Support action has centred on vocational training:

*Training content:* Vocational skills, entrepreneurship, basic knowledge/skills.

*Forms of training:* Using the training institutions and facilities of the trade unions as the main venue, and company training resources and facilities and public training institutions as a supplement; establishing training bases in the major migrant–sending and –receiving provinces; distributing free training vouchers/cards that can be used in designated training institutions.

*Specific initiatives:* Establishing 100 ACFTU Employment Training Bases, building up employment information demonstration teams in more than 3,000 trade union aid centres to collect and publish job information for migrant workers; establishing trade union micro–credit schemes in most cities.

*Financial support:* The ACFTU earmarked a proportion of the 500 million yuan Central Fund for Supporting Poor Workers to be used for employment and financial support to rural migrant workers. It also requested local unions to allocate funds to support rural migrant workers.

Source: Wang Jiaoping, *ACFTU acts to ensure concrete support for migrants:*


### 3.4 Challenges ahead

Although national trade unions have made indisputable and commendable efforts to safeguard workers’ interests during the downward spiral of the economy, this financial crisis is one the likes of which we have not seen for decades, causing unprecedented damage to the real economy worldwide. The impact and effects of trade union action to fight the financial crisis vary in countries with different development levels due to various practical factors. In fact, the crisis has posed new challenges in the areas of membership development, union empowerment, and maintaining union strength in the traditional sectors, which are all serious issues confronting trade unions everywhere.
3.4.1 Membership loss

- Membership loss as a result of factory closures and retrenchment

Many businesses have withered in this economic winter, creating waves of unemployment as factories are closed worldwide. Union membership has fallen sharply because many unionized companies have gone bankrupt. Some employers even used the financial crisis as an opportunity to throw out trade unions. To cut costs or apply for government bailout, companies in some countries used the financial crisis as a pretext to declare insolvency and terminate employment contracts with all their employees. They then immediately register another company and recruit workers on one strict condition: that they are not union members. Under the circumstances, workers are afraid to join unions, fearing it will jeopardize their employment chances.

Even the companies that have survived the financial crisis have also resorted to retrenchment as a cost-cutting measure. Relevant studies show that three quarters of employers cut back on recruitment plans in 2008 and 2009. The Recession Report of the TUC in the UK indicates that 60,000 jobs have disappeared in unionized companies since December 2008. Many large employers, including Nissan, Barclays, Jaguar–Land Rover and Corus, have laid off employees. The finance, manufacturing, engineering, and transport sectors were hardest hit in the recession. In Estonia, retrenchment was most serious in the manufacturing, transport, storage and communication sectors. As a result, the country’s unionization rate, which is currently around 7.6%, is expected to decline further.

The prospects in the post-crisis era still do not look good. According to the projections of the UK Employment and Skills Commission, sectors with high union density including primary and utilities, electricity, gas and water supply, and public administration may all experience declines in employment, while employment growth may be robust where union density is low, such as the business and retail sectors.

- Membership loss as a result of the expanding informal economy

One of the legacies of the financial crisis is the expansion of informal employment. Many employers used the financial crisis as an opportunity to informalize the employment relationship by replacing open-term contracts with fixed-term ones and using more temporary, dispatched or casual workers. Desperate to curb roaring...
unemployment, some countries even encouraged the development of the informal economy and tolerated the disproportionate expansion of informal employment. In Ghana, workers in the informal economy make up over 88% of the labour force.

The fast-growing informal economy presents a major challenge to union membership. Workers in informal employment are less willing to join trade unions than workers in formal employment. Due to the precarious nature of part-time, temporary, seasonal and outsourced jobs, informal workers display less unity and typically lack knowledge about trade unions. How to recruit informal workers remains a tough challenge for trade unions.

Being traditionally active in formal sectors, trade unions have found it difficult to organize in the informal economy. Since there is no commonly accepted definition of “employee”, informal workers’ identity as an employee or wage worker cannot be legally recognized in some countries, which could constitute an obstacle to union membership. The impediments also derive from within the trade union organizations. Some older generation or conservative trade union leaders tend to believe it is almost an insurmountable task to organize informal workers. To recruit workers in the informal economy, trade unions have to convince them that joining will help improve their labour conditions, a task still unaccomplished by trade unions.

• Difficulty in recruiting special groups
Even when the economy was good, it was difficult to organize migrant workers, Export Processing Zone (EPZ) workers, and young and women workers. According to the ILO survey, workers in the EPZs in Kenya are not allowed to join trade unions. In fact, in most countries migrant workers have difficulties in having access to trade unions due to language barriers and lack of legal ID. The financial crisis has exacerbated the employment difficulties facing migrant workers and EPZ workers, and set off massive unemployment among these groups. As for organizing them, even those who joined unions in the past have left when their companies closed down.

Young workers are the worst affected and most fragile group in the financial crisis due to lack of training and education. In fact, labour laws in many countries provide more protection to senior employees. In contrast to the determination of trade unions to organize youth, job entrants are unaware of their rights; nor do they have a strong will to join the union. The challenge to organize women lies in the fact that they are concentrated in the informal economy. The ILO statistics show that more than 60% of women work in informal areas.

Membership is undoubtedly the key to the long–term prospects for union strength. How to stop membership loss, recruit new members and enhance union capacity is the global challenge facing trade unions in most countries.

3.4.2 Traditional means of protection weakened

In a market economy, collective bargaining is the most effective means of protecting workers’ interests, while a strike is often the last resort when trade unions need to put pressure on employers if negotiation turns into deadlock. Collective bargaining is more difficult in a recession because companies often try to save costs through wage and job cuts. With the shadows of economic hardship and unemployment looming large, the effect of a strike threat is less powerful than in normal circumstances. With the various changes in the workplace and the weakening of collective bargaining, trade unions are constrained in an increasingly complex environment which makes it even more challenging to effectively protect the employment security of workers. As a result, workers will be less enthusiastic about unions while unions will find it more difficult to maintain their strength.

- Collective bargaining: From progressivetoconcessive

As a basic trade union right, collective bargaining is a channel for trade unions to exercise collective power in confronting employers in negotiating for better labour conditions – wages, welfare and rest – trade unions are traditionally progressive or even aggressive in their approach. However, the financial crisis has changed the peripheral conditions, making employment relations more flexible, informal and fragile. In both sector-level and company-level collective bargaining, trade unions have turned concessive.

The shift of power towards employers is detectable in this concessive collective bargaining. Instead of trade unions making demands for employers to accept, now it is more often the employers raising the issues for union to consider. Trade unions more often adopt defensive strategies, trying hard to gain an extra edge on the basis of the employers’ offer rather than compelling employers to accept their demands. In some cases wage adjustment has been traded for job security and compromises made on welfare standards. During the recession, some collective agreements signed before the crisis could not be properly implemented. Sometimes “workers have to concede hard–won wage levels and benefits in order to retain any credible prospects of future employment and income”.

Box 3.13 Swedish trade unions under pressure in collective bargaining

In the collective bargaining for 2010, the largest employer organizations in Sweden requested zero salary increases, citing the global economic crisis as the argument. The employers’

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organizations also suggested determining wages at company level instead of through central agreements.

The Swedish trade unions contended that the employer organizations are using the economic situation as an excuse to cut salaries. They believe the recession is the outcome of inadequate demand. Wage increases will contribute to boosting demand and stimulating the economy. They acknowledge, however, that the scope for wage increases is more limited in an economic downturn than during a boom.

Source: *Pressure on wage negotiations due to economic crisis:*  

**The power of the strike weakened**

A strike is the ultimate card trade unions will put on the table when collective bargaining reaches a deadlock. Apprehending the consequences of a strike on their production, employers will very often reconsider their position and make compromises. Although a strike is the last resort for trade unions, it can cause income losses for union members. In a recession, employers are not so ready to make concessions any more. Trade unions will face financial constraints if their strike funds have been depleted in the financial crisis. With the power of a strike less threatening, trade unions have to contemplate whether to moderate their demands.

The financial crisis has shifted power further towards employers. Before organizing a strike, trade unions have to consider first the employers’ likely counteractions, including work stoppage or lockout. Under the enormous peripheral unemployment pressure, trade unions have to be very cautious in organizing strikes. In face of brutal attacks by employers, strikes in recession periods can end in vain and bitter results. In September 2009, the trade union in the Zambian Chibuluma copper mine organized hundreds of workers to strike after its request for a 30% wage increase had been turned down. The wage demand was based on the fast-rising price of copper in the international market. Nevertheless, the employer only agreed to a 5% wage increase. In November, the employer sacked all the union leaders for organizing the strike.  

Some governments have also set restrictions on strikes in the recession. Eager to save their economy, governments adopted various policies to bail out companies but neglected workers who are in fact in burning need of social protection. In 2009, the US Government decided to save General Motors, Ford and Chrysler, the three badly bruised automobile giants, from the brink of bankruptcy. But the Government’s bailout

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(2) Five union reps sacked in Zambian Chibuluma copper mine:  
comes with one condition: the United Auto Workers (UAW) have to agree to wage and job cuts. Given the circumstances, the UAW had to accept a wage freeze for the remaining employees and promise no strikes before 2015. In France, a country with a high rate of strikes, the Government has suppressed strikes organized by the CGT union confederation. A total of 240 lawsuits have been filed against union members who have participated in strikes. The revenues of the GDF Suez and EDF utility companies in 2009 reached record highs of 6.8 billion euros and 4.4 billion euros respectively. Still the two companies declined unions’ demand of 10% wage increases, agreeing to only 0.3%. When union members went on strike and organized demonstrations to voice their anger, the local government greeted them with armed police, dispersing and arresting workers like criminals.

It is easy to foresee how the traditional means of protection could be further eroded in future financial crises. How to maintain the strength of traditional means and explore unconventional ones is the question requiring an answer from trade unions everywhere.

3.4.3 The influence of trade unions on the wane

Trade unions are an important force for fighting the financial crisis and accelerating recovery. In July 2009, the 98th Session of the International Labour Conference adopted the Global Jobs Pact. This emphasizes the importance of social dialogue at times of heightened social tension as “a strong basis for building the commitment of employers and workers to the joint action with governments needed to overcome the crisis and for a sustainable recovery”. In times of crisis it is more necessary than ever to respect the positions and demands of trade unions, since they are the ones representing the collective voice of workers. Even so, there are reasons to question whether the influence of trade unions is on the wane.

- Weakening influence at company level
The financial crisis has become a frequently used pretext for employers to infringe workers’ rights. Across Asia, Africa and Latin America, it is not uncommon to witness employers paying less than legally allowed, delaying payment, and firing workers at will. Trade unions should have reacted strongly against such provocative and barbaric behaviour rather than behaving hesitantly and weakly as some did in the recession. Union members become disheartened and alienated when employers trample at will on their legitimate rights. As a result, trade unions are losing members, the very source of their strength and influence. Further exacerbating the situation, many MNCs are

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21 Triple crises for auto industry and backlash from labour: 
advocating the importance of corporate social responsibility and codes of conduct as a replacement for unions’ role, which is both misleading and dangerous for workers.

**Unions’ role not recognized at the country level**

Some governments and media used the financial crisis to demonize trade unions, claiming militant trade unionism would lead companies into bankruptcy and hence jeopardize workers’ interests. For example, many pointed the finger at the United Auto Workers as being responsible for the bankruptcy of General Motors.

Even in countries where the tripartite structure functions well, union influence can still be limited at times of crisis. Governments should have been more willing to consult and integrate workers’ organizations into the labour, economic and social policy—making process given their joint concerns on unemployment, poverty and social tensions. Nevertheless, not every government has fully comprehended the necessity of listening to workers’ voices, even in the recession.

In November 2008, the representatives of the Confederation of Independent Trade Unions (CITU) in Bulgaria withdrew from the national tripartite body, the National Council for Tripartite Cooperation, after very few of the solutions it proposed on the crisis were taken into account by the Government. The CITU requested action for the “stabilization of national finances”, “the monitoring of economic development by the Government together with the social partners” and “the restriction of the informal economy through the extension of sectoral collective agreements’ scope”. 3 In Poland, the trade unions and employers participated in the Tripartite Commission for Social and Economic Affairs in March 2009. In June 2009, the Government presented a draft of its anti-crisis legislation. The trade unions opposed the draft, alleging that it breached the compromise they had previously reached with the employers, “resulting in unilateral gains to the benefit of the employer side”. The draft soured workers’ relationship with the Government. The union representatives warned that they might suspend their participation in the regional social dialogue commissions. 3

**Union voice not loud enough at the international level**

Trade unions are active at the international level in responding to the crisis. Both national and international trade union organizations are discussing global solutions to the financial crisis, but not in a voice loud enough to catch everyone’s attention.

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3 Ekaterina Ríbarova, *Impact of economic crisis on social partners and social dialogue:*

3 Rafał Towsalski, *Trade unions threaten to abandon tripartite dialogue:*
The OECD held its Labour and Employment Ministerial Meeting on 28–29 September 2009 to discuss how to tackle the employment crisis. In a statement to the meeting, the Trade Union Advisory Committee (TUAC) of the OECD emphasized that the root cause of the crisis is income inequity and the structural changes in income distribution. It also called for greater workers’ participation in the future economic restructuring process and enhancement of the consultation process. Although the final communiqué adopted at the meeting – “Tackling the jobs crisis: The labour market and social policy response” – acknowledged the importance of social dialogue in “promoting major labour market reforms and securing good labour market outcomes”, the role of the social partners was barely mentioned in the solutions it proposed.

Above we have listed some challenges facing trade unions. These challenges may not exist in every country, but they have been witnessed in many parts of the world. Before the world economy truly moves out of the shadow of the financial crisis and returns to its usual track, it is necessary for the trade unions of different countries to face these challenges together, share lessons and experiences, look for hope in times of difficulties, and seek opportunities out of the crisis. This is the mission we shall embark on in defending a stronger labour movement and a more decent life for everyone.

\footnote{TUAC: OECD Labour and Employment Ministerial Meeting, Paris, September 2009.}
Chapter IV

Post–Crisis Era: Employment, Sustainable Development and Trade Unions

The outbreak of the financial crisis and the enormous damage it has caused urge us to comprehend the relation between sustainable development based on harmony, equity and equilibrium and the protection of the rights and interests of workers. That relation requires all parties to it to coexist, prosper together and be mutually supportive. A fair share for the workers in the fruits of social economic development is the prerequisite for sustainable development; and only when development is sustainable can the rights and interests of the workers be truly safeguarded and constantly enriched. As the representative and guardian of workers’ rights, trade unions should more effectively help them to gain more rights and interests while actively propagating and promoting sustainable development.

The worst impact of this round of financial crisis on the interests of the workers is undoubtedly large–scale unemployment, unstable jobs and more vulnerable employment. Moreover, such conditions will continue for a long time even after the crisis. Therefore, in the post–crisis era, for trade unions, paying attention to the interests of the workers means an emphasis on employment, and protecting the rights and interests of the workers means improving the quantity as well as quality of jobs.

4.1 Putting quality jobs at the heart of the recovery

The right to employment is the most fundamental right of workers. The labour market is in the eye of the international financial storm. The most painful effect of the economic crisis is long–term, large–scale unemployment. In the Pittsburgh Statement, the G20 leaders called on the world to “put quality jobs at the heart of the recovery”. ① This should be the target of the efforts of the governments and trade unions of the world both now and during the post–crisis era. To achieve this target, we must continue to promote

decent work, provide social security, and support education and training for the unemployed and most vulnerable workers.

- **Active promotion of decent work**

The challenge of the international financial crisis must not become an excuse for deviating from or weakening international labour standards. To ensure global growth and let more workers benefit, countries should adopt policies that conform to the basic principles and rights set out by the ILO, including the following:

*Economic development.* “In today’s society, jobs and employment have become the main channel for achieving a better life. Rapid economic growth promises to raise the expectation of people for progress through decent work”.

*Encouraging the growth of investment in employment-intensive sectors and raising the employment elasticity coefficient in economic growth.* When crisis strikes, enterprises mostly focus on capital-intensive production and give up labour-intensive production to lower costs. This leads directly to a reduction in the number of jobs and an inability on the part of workers to adapt themselves to the requirements of new jobs. This again will create large-scale frictional unemployment. Therefore, over-reduction of investment in labour-intensive production will make employment growth slower than economic growth or allow economic growth to hamper the ability of employment.

*Decent work must be a combination of job quantity and quality.* The international financial crisis has caused a serious insufficiency of jobs, a surge in informal employment, a deterioration in working conditions together with lowered salaries. Under such circumstances, we cannot allow job quality to be sacrificed for the sake of job quantity. Decent work involves respect for work; for workers themselves, it reflects the zeitgeist that values work and the social principle of fairness and justice: “all sharing with all contributing” whereby “all contribute so that all can share”.

Additionally, only decent work, increases in workers’ income, reduction of poverty and more equality in the distribution of social wealth can raise effective demand and enable the economy to return to sustained and healthy development, thus avoiding a second economic crisis on the same scale.

The answer to the employment crisis lies not in increasing dangerous jobs and an unmanaged labour market: the major reason for today’s recession is the sense of insecurity of workers over the past decades. We refuse to destroy standard employment

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relations, infringe upon workers’ fundamental rights or slash the welfare of workers to achieve flexibility in the labour market.³

*Pay attention to the rights and interests of key groups.* Special protection must be given to major groups forced to engage in what we might call indecent work, including those employed in the informal sector, women, migrant workers and low-skilled workers.

- **Creating green jobs**

Creating green jobs and realizing green development are essential to the healthy development of humanity and an integral part of high-quality employment. Promoting the green economy and the circular economy is the fundamental way to achieve green employment.

Therefore, we must achieve a fundamental change in the concept of human development, traditionally equated with growth in material wealth. We need to massively promote green work that puts people first, coexists harmoniously with nature and embodies harmonious social relations. The United Nations Environment Programme (UNEP) propagates a “green new deal” which will serve as the direction in the post-crisis era.

*Promotion of a low-carbon economy.* The low-carbon economy is an economic model that is based on low energy consumption, low pollution and low emission, and it is part of the green economy. To guide the world economy onto the road of low-carbon development, the developed countries should be more open about technology and make concrete efforts to move towards the green economy.

Major developed countries should provide resources and technological assistance to the developing countries. Climate change is one of the most severe challenges confronting the survival and development of humanity. Its root cause is closely linked to the huge emissions of greenhouse gases in the process of industrialization of the developed countries, and developing countries are overwhelmingly the biggest victim. International cooperation is the key to tackling climate change. We must abide by the principle of “common but differentiated responsibilities” in cooperating with each other: (1) the developed countries should attach numbers to a sizeable reduction in emissions; (2) the developed countries must genuinely honour their commitments in terms of resources, technology transfer and assistance in capability-building; (3) the developing countries must also take appropriate measures in accordance with their respective national conditions, within the framework of sustainable development.

• Establishing and improving a social security system that puts people first

A sound social security system is indispensable for fighting poverty and helping workers face economic risks. We must strengthen the social protection system, providing income assistance and maintaining the livelihoods of people and their families who have been affected by the crisis, especially disadvantaged groups and those who work in the informal economy. “Sustainable social protection systems to assist the vulnerable can prevent increased poverty, address social hardship, while also helping to stabilize the economy and maintain and promote employability. In developing countries, social protection systems can also alleviate poverty and contribute to national economic and social development. In a crisis situation, short-term measures to assist the most vulnerable may be appropriate”.  

We can act in the following areas: improve and enrich the content of social protection; enlarge the coverage of social protection to provide security to all in need; raise the level of insurance, extend the period of protection and devise temporary and emergent systems to cope with contingent situations like an economic crisis.

• Creating and implementing schemes for quality education and training

Readjustment and upgrading of industry is necessarily concurrent with the whole process of economic development, and the pace will only accelerate. The international financial crisis has a direct bearing on the new round of industrial restructuring. On one side jobs are shed or lost for good, while on the other side new jobs are created. To reduce the negative impact of restructuring on workers and help more of them to qualify for new jobs and find opportunities brought about by new technology, it is imperative that we draw up and implement education and training programmes that match industrial upgrading.

Governments and trade unions must work together to increase spending on education, devise education and training schemes that are pragmatic, and enhance the skills of workers through meaningful human resource development. It is of particular importance to provide training to those who are unemployed and to workers in unstable jobs so that they are better prepared for employment and new positions.

4.2 Promoting sustainable development

• Achieving a globalization of fairness and justice

The international financial crisis makes us more determined to establish a globalization that is fair and just. This crisis stems from the growing economic imbalance caused by the manner in which globalization has taken place. While this may have brought some

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benefits to countries, it has caused lasting unfairness in incomes. Therefore, we must “let a globalization of social justice and fairness become the main driving force of our future”. ⑤

To build a globalization of fairness and justice, we must set a basic direction of equilibrium, universality and shared benefit. Equilibrium means considering the needs of both the developed and the developing countries; universality means bringing a range of tangible benefits to all countries and their peoples; shared benefit means combining the interests of one country with those of others, and the development of one with the progress of all.

*Common participation of all countries, and cooperation through consultation as the basic roadmap.* Countries, large or small, strong or weak, rich or poor, should be equal parts of the governance process and are equally entitled to representation, to having their say, and to decision-making. Participation should be equal in terms of form as much as actual content and the process of decision-making. We must respect difference, consider different national conditions and allow the developing countries to take different measures from the developed ones. We must call for cooperation and encourage countries to strengthen communication and coordination, and to use their own comparative advantage to confront shared difficulties.

*Focus on the interests of the developing countries.* To build a globalization of fairness and justice, we must take a more comprehensive view of development: we must pay attention to the interests of the entire developing world and work hard to create international conditions favourable to the development of these countries. If we allow a handful of developed countries to control the world economy and cut the developing countries adrift, we will incur world economic imbalance and the outbreak of another crisis. Only when the developing countries are granted the equal participation in the world economy to which they are entitled will we be letting them take a share commensurate with the efforts they have made in globalization and achieve universal development around the world.

*Institution–building as the basis.* To build a globalization of fairness and justice, we must construct a rational governance mechanism based on consensus reached by all stakeholders through equal consultation, create relevant international standards and norms, promote relevant experience and best practice, further international exchanges and collaboration and so build a fair and effective global structure of economic governance.

To do so, we must emphasize giving full play to the role of the emerging economies; using the consultation mechanism of the G20; and strengthening a system of mutual assistance to ensure due aid goes to developing countries.

- **Promoting reform of the global financial system**

It is both in the mood of the times and in the interests of all parties that a new international financial order be established which is equitable, fair, inclusive and rational and which provides institutional insurance to the sustainable development of the world economy.

*Equitable* means adequate dialogue between all parties to achieve maximum consensus.

*Fair* means active coordination between all parties to accommodate each other’s interests.

*Inclusive and rational* mean recognition of the right of the developing countries to knowledge, participation and rule-making so that the change in the economic pattern is objectively reflected; as well as more efficient institutions to stabilize and exercise supervision over international and regional finance. We need to make the following efforts:

*Elevate the status and role of the developing countries in the international financial system.* On one side, the developing nations should have greater representation and the right to have a say in the reform of the international financial system, and effectively participate in relevant supervision; on the other, the international financial institutions must use additional resources to help the developing countries first in the fight against poverty and honour the commitment of Official Development Assistance (ODA) and debt reduction, especially to boost assistance to the least developed countries.

*Tighten supervision over the financial sector.* Forceful measures must be taken to deal with reckless speculation.

*Reform the international monetary system.* The international reserve currency must be improved to give it a stable value, an orderly supply and a regulable volume. In the long run, the ideal is that such a reform creates an international reserve currency decoupled from any sovereign country, with a long-term stable value. We should avoid the intrinsic defect of having a sovereign credit currency as the reserve currency.

*Respect for the exchange rate reforms chosen by each individual country.* The spread of the financial crisis around the world, and especially to the emerging markets, shows the
weakness of the system of floating exchange rates. It is commonly believed that by infinitely enlarging the world’s supply of money, the floating system will lead to serious inflation. How to choose the exchange rate arrangement and what capital management strategies to follow are important issues for the world – and the developing countries in particular – to carefully decide.

Recently the trend is for the international monetary and exchange rate system to move from a fixed arrangement to a floating one, but this process will be a very long one. The appropriate direction in the mid–to–long term is to transfer to an arrangement that is fixed internally and floating externally, to coordinate exchange rate policy between countries at the same time as stabilizing the international monetary and exchange rate system under a diversified reserve mechanism.

· Establish a new world trade order

An open, universal, free, transparent and convenient world trade environment is the outcome of and basic condition for economic globalization as well as the necessary requirement for economic development in all countries of the world. Meanwhile, world trade is the insurance that we can move swiftly away from the financial crisis, and it will also serve as the engine for growth after the crisis. Therefore...

We must fully understand the importance of international trade and FDI to a global economic recovery. The history of economic and financial crises after World War II has proved repeatedly that world economy and trade suffer from the readjustment caused by crisis, but economic globalization will start anew after the crisis. World trade will not cease to be the engine of growth and it will enter into a new prosperous stage of the business cycle once it has adjusted itself.

We must be wary of and resist the trade protectionism that has accompanied the financial crisis. To combat its resurgence, countries and economic zones must be urged to honour WTO principles and rules, stick to an open market, and bring down trade barriers. The WTO has said that governments must “refrain from any further protectionist measure which will render global recovery efforts less effective”.⑥

We must improve the international trade and investment environment, and accelerate the process of the Doha Round negotiations of the WTO. As re–emphasized in the Global Jobs Pact, we need to promote “efficient and well–regulated trade and markets working for all, without protectionism but with due regard to the varying development levels of countries in lifting barriers to domestic and foreign markets”.

⑥ No concrete initiatives yet in G20 summit to fight trade protectionism:
http://www.ce.cn/cy/sj/list/s/200904/02/t20090402_18698768.shtml (last visited 4 December 2009).
We must strengthen trade and investment cooperation among the developing countries, in order to open their markets to each other and raise the level of South–South cooperation.

- **Strengthen social dialogue**
Trade unions should work closely with governments and businesses. Through social dialogue, collective bargaining, minimum wage standards and the like, the trade unions can help to gradually improve labour standards, narrow the gender gap in remuneration and reduce poverty and inequality so that more workers can share extensively in the fruits of economic and social development.

Sustainable enterprise is the precondition for sustainable employment. Sound business development will serve as a basis for workers to get employment opportunities and have a solid material basis for concrete interests. Only when enterprises protect the legitimate rights and interests of workers, and cooperate better with their employees and the trade unions, can they overcome the difficulties and find new opportunities for development.

Trade unions must work to establish mechanisms like tripartite negotiation, collective bargaining and employees’ participation in democratic management, and initiate dialogues with relevant organizations in different forms and on various levels: in particular, consultation and negotiation with enterprises so as to protect the rights of the workers on the one hand and facilitate more harmonious labour relations on the other. The reason is that “effective social dialogue and sound industrial relations represent important measures of labour market governance and promoting decent work for all”.\(^7\) “Especially in times of heightened social tension, strengthened respect for, and use of, mechanisms of social dialogue, including collective bargaining, where appropriate at all levels, is vital”.\(^8\)

The following efforts can be made in realizing social dialogue. The enterprise and its employees must share the same destiny. The enterprise can adjust its plan for production and management, and increase management efficiency to adapt to changes in the market instead of downsizing or cutting wages. Wages should be decided through negotiation between labour and management, and there must be timely payment of salaries and protection of work income. We must step up human resource training and tangibly increase workers’ skills and abilities so as to provide a reserve of talents for the long-term progress of the enterprise. Because employees must coexist with the

enterprise, they should be encouraged to be more active and creative in initiating new ideas for its development to enable both to sail through hard times.

To ensure effective social dialogue, it is necessary to adopt policies and establish institutional set-ups to facilitate truly independent and equal consultation between social partners.

4.3 Trade unions must act

· Better safeguard the rights and interests of the workers

The new situation, especially the conditions of the post-crisis era, determines that in order to enhance their ability to safeguard workers’ rights and interests, trade unions must make a more accurate judgement of the new situation and adapt themselves to it. They must also work out new measures in relevant areas according to the shift in the situation.

With economic globalization and the coming of the information era, there have been fundamental changes to production methods, industrial structures and labour relations. Their impact on the work of trade unions is two-sided: generally speaking, on the positive side, the era of the machine is gradually being replaced by the age of IT, and the seller’s market by the buyer’s market, and thus instead of ignoring the well-being and consumer power of workers as in the past, attention will be paid to workers’ rights and encouraging social demand. As a result, governments around the world will attend increasingly to the employment, income and social security of workers. But on the flipside, the primary and secondary industries will become smaller after industrial readjustment, and the tertiary industry will grow with the Internet becoming more prevalent. This adds to the trend towards informal employment. Flexible types of employment are now so extensive that trade unions will have to change their traditional style of work.

Meanwhile, the stratification of workers makes it more complicated for trade unions to safeguard workers’ rights. As the economic environment changes, there are ongoing changes in the categories of worker, and different kinds of workers have different interests to pursue. The difference is marked: manual workers expect to enjoy minimum wage protection; skilled workers wish to have salary linked to performance; while intellectual workers require a whole package of wages and bonuses.

There is a bigger challenge: in the face of economic globalization, employers’ and governments’ domestic policies are not the only ones that affect workers’ welfare – the international environment also exerts an influence.
On the basis of the traditional measures, trade unions should also blaze new trails, create new methods and find new ways. There are plausible measures that can be tried out: in terms of the working philosophy, unions can help to improve the level of public service, lower their daily expenditures and try other means of increasing workers’ income indirectly through social dialogue, in addition to direct ways of providing them with a better life such as more jobs and higher income.

To target the problem of informal employment which will add to the shedding of union members, trade unions can raise the unionization rate by setting up temporary unions for individual projects, small unions in individual markets and federations of small-sector unions.

In modern cities where high-rise buildings abound but enterprises are small in scale, new forms of organization include establishing unions for the employees of different small firms that work in the same building, or for those working on the same street or in the same community.

The Internet and other electronic means of communication can also be used as channels for union members to share information and be connected to each other, and for unions themselves to grow stronger, more cohesive and more appealing.

- Strengthen dialogue and exchanges between trade unions of different countries

Pay attention to the common interests of workers around the world. Against the background of globalization, the trend is towards the internationalization of labour relations, and workers around the world share many similarities in terms of their survival environment and pursuit of common interests. Because of the high fluidity of capital and the relatively fixed location of workers, capital can seek the maximization of profit around the world and exploit workers irrespective of their nationality: at the end of the day, wealth is concentrated in a small number of capital owners. The arrival of this financial crisis allowed each and every worker to feel that their problems are not those of one individual but of all workers worldwide.

Trade unions must do their utmost to work for the common interests of workers around the world. No matter which country they are from, they must transcend ideological differences and values, respect the diversity and individuality of different countries in economic development, social progress and cultural traditions, try to enlarge inclusiveness and democracy and deepen exchanges and communication.

Trade unions must coordinate their positions, review experiences, form consensus, promote their mutual progress, listen attentively to each other and reflect the pursuit of
their common interests so as to create trade union relations which are based on mutual respect and which are friendly, cooperative, democratic and harmonious. Let us work together for a harmonious world of lasting peace and shared prosperity!

It is all the more important for trade unions in developing countries to share opinions and ideas and strengthen South–South cooperation. The developing nations are at similar stages of economic and social development, and most of them are disadvantaged in today’s global configuration. Their workers likewise have similar interests and face similar problems. Exchanges between trade unions in the way they conduct work and learn from each other will be conducive to workers in developing countries seeking to safeguard their rights and enhance their interests.