LABOUR AND SOCIAL COHESION

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i. Building an Architecture for a Fair Globalization

***By Juan Somavia*[1]**

In the midst of the worst financial and economic crisis since the Second World War, a global framework for managing globalization is urgently warranted.
As forecasts get gloomier the media report daily on massive job losses, rising unemployment, underemployment and foreclosures, the insecurity of individuals, families and communities is increasing at great speed. Too many feel left out and left behind.

The crisis we are facing today is the consequence of the absence of fair rules governing globalization. We must not forget that before this financial crisis there was already a major socioeconomic crisis among large segments of the world's population, in both developing and developed economies, with massive poverty, under-employment, growing inequality and difficult social conditions.

The benefits of globalization have not been widely or fairly shared and the backlash was emerging. For many, this was globalization without a moral compass; a model that was morally unacceptable and politically unsustainable. There was a growing sense that globalization had become unfair and unbalanced. No one seemed to be in charge. This became even more evident when the financial crisis erupted.

The imbalance is reflected, for example, in the decline in the share of wages in Gross Domestic Product almost everywhere. In many countries consumption had been stimulated by increasing personal debt. Now governments are desperately trying to stimulate consumption when in fact if higher productivity had been transferred into higher wages, demand would also be higher today.
Everything we know about past economic crises, from the Great Depression to the Asian financial crisis in 1997, indicates that the social impact will be deep and long lasting: job losses; declining incomes, wages and purchasing power; effects on social spending; houses lost; deferred new investment; a decline in international trade. In sum, progress already made in reducing poverty will now suffer a setback and the middle classes worldwide will be weakened.

The highest price will be paid by the weakest and most vulnerable segments of society. There is fear that the economic recession will turn into a social recession. Social tensions are indeed brewing and people ask why hitherto unimaginable sums of money suddenly appear to bail out banks when so little has been available to confront the problems of poverty, unemployment and the lack of access to social protection. What has happened to commitments ensuring minimum social justice and fairness in the rules of the game?

Global Jobs Crisis

Finance is at the origin of the present crisis, but at its root, this is a crisis of a certain model of globalization. The market was overvalued; regulation and government were undervalued and the dignity of work and protection of the environment were devalued. There were warnings that the injustice of globalization would endanger

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further integration of the world economy. Indeed, the recommendations of the World Commission on the Social Dimension of Globalization (WCDSG) called for a more balanced globalization and better regulation of the global economy, including the financial system. The comprehensive recommendations of the Commission could serve as a useful blueprint for engaging in multilevel policy making that would ensure a better managed globalization aiming at full employment, decent work and social justice around the globe.

For years now the ILO, anchored in the real economy, has been calling for a new model of globalization centred on decent work creation and a balance between government, markets and society. Not financial speculation. The ILO message is realistic, not exaggerated; different policies can change the future course of events.

We are now facing a global jobs crisis. Governments are aware of this and are taking action. However, more decisive and coordinated international efforts are needed, particularly regarding job creation and social protection. In November 2008, the ILO was one of the first international institutions to propose a global approach. The Officers of the ILO's Governing Body (representing governments, employers and workers) highlighted six priority policy actions:

- ensuring the flow of credit and stimulating demand;
- extending social protection, training and retraining opportunities, and other employment policies, with particular focus on the vulnerable—young men and women, workers in insecure employment, and migrant workers;
- supporting productive sustainable enterprises, particularly small enterprises and cooperatives;
- employment-intensive investment and green jobs;
- ensuring that fundamental principles and rights at work are not undermined and that respect for decent labour standards is promoted;
- strong cooperation between the ILO and the multilateral system, and deepening social dialogue and tripartism;
- maintaining and expanding development aid and investment flow to vulnerable countries

With bold leadership, this crisis can and should be used as an opportunity to make the economy more socially and environmentally sustainable. The short-term responses to the crisis should therefore pave the way for a fairer and greener economic growth model, an inclusive globalization based on sustainable development and opportunities for all.

The present crisis sheds a new light on global imbalances. Imbalances between developing countries and the developed world, imbalances in the rapid growth of some of the emerging countries, imbalances in income distribution and poverty, imbalances in trade and payment between countries, imbalances in some accumulating unsustainable amounts of debts and others large amounts of reserves, nurturing also the striking imbalances in the financial sector.

The biggest danger is finding only stopgap solutions to the immediate crises. We forget that this will only take us to where we were before; and where we were before was a globalization that did not deliver for many people, a globalization that might have reduced extreme poverty for some, but was clearly increasing inequality. We need a new model of globalization with coherent policies to make sustainable development a reality in open economies and open societies, a model that advances human dignity, decent work, and respect for the environment as the pillars of a new global approach. This requires a fundamental global rethink. We do not yet have the policy instruments and the institutions in place for a global response to a global crisis. We need to create them and we can.

It is about the management of globalization not globalization per se

As the WCSDG report states, the problems of globalization have not as much to do with globalization, but with "deficiencies in its governance" and this clearly puts the blame for suboptimal outcomes on the management and the managers of globalization.

The easy answer of the neo-liberal period was that the "markets will fix it" and that a hands-off approach of small government would be the best way to unleash the forces that would bring prosperity to all through a trickle-down wealth effect.

The ILO has always attached an important role to government, policies and governance believing that a visible hand was needed to turn globalization into a sort of "public good" bringing prosperity and decent jobs to as many as possible. But to achieve this "public good" all must have the chance to participate in globalization and increasingly access its fruits[2]. The impact of markets and government action should be judged by effectiveness in relation to common goals, not on the basis of ideology.

The ILO has persistently drawn attention to the injustice of the present model of globalization and advocated that it should not be managed in such a way as to yield a maximum profit for a few, but rather in the spirit of economic and human development, jobs, income and social justice for as many as possible. In fact empirical research has proven that countries being excluded from the benefits of globalization are indeed the poorest in the world.[3]

We have claimed that a decreasing labour share is a source of concern, as are rising inequalities with peak incomes making remarkable gains but the lower tiers of the income distribution and the middle classes falling backwards. The high numbers of unemployed, the large share of working poor and vulnerable workers add to the many imbalances of a poorly managed globalization.

The WCSDG also claims that management starts at home, with national policies and a reinforced state being indeed at the core of the governance system, although one must acknowledge different national capacities in steering economies and societies around the world. But in the globalised economy[4], national responses, whilst fundamental, are not sufficient as can clearly be seen in the present crisis. Therefore, any progressive agenda for managing global processes must seek a balance between the levels of governance and allocate proper responsibilities to each of these levels.

It is clear that the multilateral level, as a provider of ideas, money and coordination, is an increasingly important player in the efforts to better manage globalization. Inter-regional levels, such as the European Union and intergovernmental groupings such as the G7/G8 /G20 or G77 also have an important role to play. Ultimately one cannot lose sight of the G192, the process of finding solutions must be inclusive and the UN has a logical role to play.

[2] Public goods are in essence "non rivalled" and non excludable, meaning that consumption of the good by one individual does not reduce availability of the good for consumption by others; and that no one can be effectively excluded from using the good.

[3] Gosh, A. (2003) Jobs and incomes in a globalizing world, ILO, Geneva

[4] Globalization can pragmatically be seen as the cross border exchange of finance, goods and services and people. Of course information technology is important as it operates immediate diffusion of, for example, the crisis materializes through the stock markets but also spreads the uncertainty that comes with a crisis and influences people's behaviour.

The length and depth of the crisis will also crucially be influenced by the extent and structure of the various stimuli packages adopted almost everywhere in the world, whose estimated effects have, for example, been integrated in the recent interim forecast of the European Commission.[5]

Although some countries have the fiscal space to implement stimuli and/or bail out programmes, or are able to access resources otherwise, in many parts of the world stimuli appear to be unaffordable luxuries. In some countries of Central and Eastern Europe or the Commonwealth of Independent States where the IMF acts as lender as a last resort, stimulus programmes cannot be enacted because credit conditionality encourages budget austerity. This is one of the incoherencies in policies that needs to be discussed.

In most of the packages, renewable energy, energy efficient houses and other “green” items are present but the main share is taken by tax cuts and spending on “traditional” infrastructure like road and bridges.

It should be understood that social protection in addition to jobs and income, are key to economic stability and any discussion on the subject must take this into account. Policy coherence among all the players is imperative and evidently there is a coherence deficit concerning issues, actors, institutions and their cooperation with one another.

Renewal through Decent Work

It has been said that a crisis is a terrible thing to waste, and with effective leadership, this crisis provides societies with the chance for a long-awaited reform and renewal. Any progressive agenda must address the global and national imbalances including the big moral hazards that drive social unrest.

It is therefore imperative that the positive consequences of bail-outs and stimuli also reach the broader public and do not just recreate the “status quo ante”, that is the financial instruments actors and behaviour that existed before the crisis. A continuation of unfair globalization would bring us back to the same problems, not to solutions. A reregulation is warranted, especially for, but not exclusively for the financial sector; and a reorientation of production towards “greener” products and towards a more sustainable growth path.

While we do not know at the present juncture how long and deep the recession will be and we continue to see increasingly alarming forecasts, we can also acknowledge some positive, albeit timid developments. The awareness of the need for quick and concerted action has increased as it has been evident that concerted action, for example in the European Union where an overwhelming part of trade is intra-EU, will increase the effects of a stimulus both for growth and jobs.

Inward looking responses, whilst understandable as emotional reactions to the crisis, need to be avoided. There must be effective ways of responding to populist reactions and promoting greater receptivity to the essence of globalization: global interdependence needs to be nurtured. Coherence and cooperation between countries and interregional groupings also serve the purpose of minimizing protectionist reflexes that put the international interdependence of economies in jeopardy.

In a few short years, Decent Work has advanced on a number of practical fronts. There has been overwhelming support through regional and international commitments culminating in the 2005 UN World Summit; Decent Work is now part of

[5] They have been estimated at three quarters of a point in GDP growth for 2009 and between a third of a point and a half of a point in 2010.

the Millennium Development Goals and we are now working to implement Decent Work country programs around the globe.

This is all supplemented by further concrete action. During the last ten years, for example, there has been a 50 percent increase in ratifications of the eight core ILO conventions dealing with child labour, forced labour, discrimination, freedom of association and collective bargaining. We have seen rising donor support for our technical assistance programmes. Decent Work goals are being factored into national planning and budget cycles of some countries.

Social movements have helped carry the Decent Work Agenda forward. Indeed, a global movement for decent work is emerging. This is essential. We would not have a women's movement, an environmental movement, or a human rights movement without civil society. And we will not achieve decent work for all, the fundamental demand of people today, without that same kind of organisation, mobilisation, leadership and action. This was certainly evident when the International Trade Union Confederation organised a World Day for Decent Work with events in over 100 countries on 7th October 2008.

The values of the organization have therefore been largely endorsed by the national and international community, but what remains as an ongoing mission is to transform values into policies and actions on a global scale that matches the scale of the crisis of globalization.

The contribution of the ILO to a progressive agenda for managing global processes:

Decent work sets the overall framework and is a long-term development goal, both on the national and global level.[6] The ILO Declaration on Social Justice for a Fair Globalization (2008) expresses the "contemporary vision of the ILO's mandate in the era of globalization" for establishing fairer globalization through the implementation of the Decent Work objectives; that is full employment, rights at work, social protection and social dialogue between the main stakeholders in the economy, and society as an important governance instrument. These four objectives are "inseparable, interrelated and mutually supportive" (ILO, 2008).

After all, safer jobs are more productive jobs. Child labour undermines long-term economic performance. Effective gender equality policies lead to more dynamic business growth. A more secure population means a workforce more able and willing to adjust to economic change. Decent incomes translate into solid consumption which, in turn, stimulates the demand that keeps investment going. It all works together. Effectively, managing the Decent Work Agenda constitutes an important foundation of the overall efforts for managing globalization.

Rights at work

In times of bust and boom alike, workers rights are at the core of the ILO's efforts for helping countries and the multilateral system to manage globalization fairly. The Declaration on Social Justice for a Fair Globalization reiterates the role of this central plank of decent work and the relevance of the ILO's 1998 Declaration on Fundamental Principles and Rights at Work, which is an obligatory, though not sufficient, part of the social platform for globalization that the ILO proposes.

The richness not only of the fundamental rights of workers, but also of the bulk of the ILO international labour standards and assorted recommendations in helping

[6] It was recognized as a global goal by the UN World Summit of 2005.

countries to install the basic rules for managing their labour markets and basic safety nets in the spirit of fairness, cannot be overstated. Additionally, the inbuilt flexibility that these instruments have should be underlined.

While introducing some legal minimum standards and accountability, conventions are not imposed on countries, but can only be adopted by democratic, participatory processes. They are the fruit of careful and conscious arbitrage involving member States at different levels of development with sound technical support covering different domains.

Conventions make sense ethically, socially, economically and they are without doubt, a necessary part, and in the interest of the fair management of globalization.

Employment at the Heart

There cannot be rights at work without work. Placing employment at the heart of social and economic policies is essential. Indeed, while (self or dependent) employment is not the only means of providing income, it is undeniably the most important and if work is decent, productive and freely chosen it gives people a gratifying and dignified way of participating in the economy and society. Working is the main way of belonging to society and unemployment is not only about losing income, but also about losing social networks.

A strategic focus on the links between the macro and the micro economy, employment, a well functioning labour market, and a sound investment climate is key to developing a national employment strategy. Such a national strategy, coordinated with other strategies can be a crucial element of the management of globalization, both during times of growth and in times of recession.

The question of how best to stabilise and balance economic stability with social objectives remains.[7] Stabilisation "at all costs" can prove to be economically inefficient and socially inequitable as shown by the experiences with structural adjustment programmes in many countries, and even recent crisis related IMF financial packages. Fiscal space for critical public expenditures such as education and public health should be preserved, as poverty reduction strategies now clearly concur. But also shorter term business cycle downturns may often warrant anti-cyclical policies.

Financial policies are another important area for economic growth. Money is the oil of the economic motor and growth anywhere requires that the money keeps flowing. It is imperative for finance to flow to productive investment.

The smart regulation of global capital is essential for the management of globalization, the stabilisation of economic cycles, the achievement of the MDGs, and the realisation of decent work. In this field there is a need to look closely into the quality of financial institutions and the oversight mechanisms such as the Financial Stability Forum, the Bretton Woods Institutions and the credit rating agencies. Incentive and sanction schemes must be reformed. While this demands the work of many agencies, the connection of the financial system with the real economy also requires the inclusion of actors in the real economy, to make the system more coherent.

Trade and FDI liberalisation can be an effective way of promoting competition in the national market and access to external markets, creating opportunities for business, increasing exports and imports, and promoting investment and job

[7] See Muqtada, M. (2003), "Macroeconomic stability, growth and employment: Issues and Consideration beyond the Washington Consensus, *Employment Paper 2003/48*, Employment Sector, ILO, Geneva.

creation. However, the current crisis points to some of the problems inherent in the current trade liberalization and investment regimes; such as the volatility of foreign capital and the trend to prefer portfolio investments or mergers and acquisitions, to green field site investments, deemed to be superior in their employment creation capacity.

The current crisis provides a chance for a renewal in industrial policies such as directing FDI in to the right channels, for example towards greener and more sustainable growth. Trade liberalisation requires consequent trade adjustment packages, comprising among other elements, effective active labour market policies for reallocating displaced workers in security.[8]

National employment strategies must be concerned with the employment content of growth, which has been declining globally. Countries placing employment at the centre of their development strategies, and wanting to use the employment route to poverty reduction, have to allow for balancing policies and incentives across relevant sectors (labour-intensive vs. capital-intensive; formal vs. informal) so that the growth is as job-rich as possible in a context of accelerating technological change and productivity.

Sustainable Enterprises and Skills

Sustainable Enterprise Development is a significant source of new employment. The creation of new enterprises and the expansion of existing enterprises, most often small and medium-sized enterprises in the private sector, but also cooperatives and similar for profit or non-profit organizations, is of course fundamental as such enterprises employ a good fraction of the global workforce. Enterprise creation, innovation and business growth are an important part of employment policies that can address one of the endemic problems of developing countries: the lack of formal jobs available.

Higher rates of enterprise creation are associated with higher levels of employment. Policies to promote entrepreneurship begin with the educational system, where young men and women are introduced to business and entrepreneurial culture so that they can consider self-employment as a career option. A central role for governments in promoting enterprise creation is to lower costs and minimize bureaucracy, facilitate access to markets and offer credit and management training so that businesses can provide productive employment. Investment fuels business growth and is fostered by macroeconomic stability, as well as by transparent, corruption-free government structures, and clear property rights. The absence or inadequacy of institutions guaranteeing and enforcing such rights is a brake on the engine that drives employment growth.

Enterprises and their workers will also be helped by a public sector that provides effective service and infrastructure. This can also become an important source for employment as has been demonstrated in many countries. The present crisis hits big and small enterprises alike, but often the rule nowadays is, “too small to be saved”, even though SMEs are not at the source of present troubles. Restoring the credit flows to this productive segment of the economy is crucial.

Education, skills and employability are also a key component of employment strategies. For the individual, education, skills and competencies define one’s capacity to make use of job and income opportunities, and to adapt to the changes in the labour market and organisation at work brought about by technology and

[8] See: Trade and Employment: challenges for policy research, ILO/WTO, Geneva, 2007.

globalization. Investing in knowledge and portable vocational and "foundation" skills, is one of the most effective ways to enhance the employability of the poor so that they too might participate in growth and globalization.

For companies and organisations, the skills of managers, workers and firm-specific knowledge are key determinants of firm-level productivity. Workplace and organisational learning are essential in maintaining workers' employability in knowledge economies and the firm's capacity to absorb and master new technologies so that they can innovate and remain competitive.

For economies, a skilled and knowledgeable workforce improves the investment climate, is a major determinant of sectoral and economy-wide productivity and, therefore, of economic growth and job creation potential. Improving the efficiency of training policies and training institutions, and supporting equal access to education, training and decent work opportunities, create a more employable workforce, which supports growth and competitiveness in open economies.

These policy choices require large investments in human capital. The present stimulus packages recognise this and training has become one of the areas that is increasingly funded, also in connection with reduced working hours, the rationale being that it is better to train those who are redundant than those who are idle. Here the crisis provides at least a chance to marginally build up competencies that can later be used when the upswing occurs.

The crisis shows that good labour market institutions and policies are tremendously important for the management of globalization and ensuring income and employment security to workers.[9] While the crisis will create momentum for new regulations and policies, it is important to note that "flexi-curity", which aims at providing labour market security by combining the employment security of an employment relationship[10] with security "beyond" the firm, provided by the social protection system, remains important in "boom and bust", with the security part being more important in "bust" times.

Firms and the public sector, which are embedded in adequate safety nets, geared towards labour market integration, can also better adjust their workforce under conditions of social responsibility than firms located in countries without safety nets. In any case, an important condition for the success of such solutions to solve labour market problems is that a social safety net, comprising active and passive labour market policies and an effective employment service, exists. Indeed, such a safety net should not be considered as a temporary crisis solution, but as a permanent institution whose function is to provide labour market security in more open and thus more volatile labour markets.

Designing and implementing effective flexibility-cum-security solutions, which combine employment security and social protection, imply that there must be negotiations between industry and the state. Effective tripartism can aid the acceptance of change, improve the design of regulations and policies, ensure financing and make such solutions sustainable even in times of political change.

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[9] The ILO has contributed substantially in the discussion on adjustment, flexibility and workers protection in the framework of globalized economies. See Auer, P. and Cazes, S. (2003), *Employment Stability in an Age of Flexibility*, ILO Geneva; Cazes, S. and Nesporova A. (2003), *Labour Markets in Transition: Balancing Flexibility and Security in Central and Eastern Europe*, ILO, Geneva.

[10] Auer, P., Berg, J. and Coulibaly, I (2005): "Is a stable workforce good for productivity", *International Labour Review*, Volume 144/3.

Social protection
Social protection is another pillar of decent work and a critical factor in the management of change, as it can enhance the dynamism of the economy and the mobility of labour. Social protection encompasses policies that insure a series of risks, such as health, old age, maternity etc., but also those that insure against labour market risks, such as income loss for those who lose jobs or who are unable to enter the labour market. Indeed, people who face loss of income by job loss and have no other protection for themselves and their families, join the ranks of the poor whenever a crisis hits. Social protection not only provides the basic means for social inclusion but also helps to stabilize the economy by providing income even during times of recessions.

In the developed world, transition countries and parts of the developing world, social protection faces the problem of an ageing workforce, which increases the financial strain on welfare systems. In other parts of the world, one has to deal with large cohorts of unemployed and underemployed youth that may need additional help in order to become integrated in to the labour market. A general challenge is that less than 20% of the world's population is properly covered by social protection, which limits, for example, the scope of labour market security along the flexibility and security nexus. This implies that in some policies there is a sequence: workers and their representatives are naturally reluctant to accept more flexibility in the labour markets if little else than the security of a job exists. Therefore the goal of creating a safety net should be a priority.

For both social and economic reasons, many developing countries need to put in place an affordable social protection system. Although this will entail some costs, these costs will be repaid by increased worker's welfare, better worker's health and all the secondary benefits which will be seen in productivity. While there are questions about the initial financing of such a system, recent research of the ILO's social protection sector has shown that these obstacles are not insurmountable.

Social Dialogue
Finally, social dialogue is the vital fourth pillar of decent work and crucial for the management of globalization. The social partners, i.e. representatives of workers and employers and their dialogue, sometimes bipartite, sometimes tripartite together with the government, are the key actors of the real economy. Social dialogue facilitates the development of consensus and implementation of policy at the global, national, regional and local levels. Social partners can exert direct influence on the governance of labour markets by engaging in collective bargaining, through participation in boards of labour market institutions like the public employment service, the unemployment benefit system or training boards, and social and economic councils.

By promoting participation, representation and empowerment of individuals, the social partners, together with governments and parliaments and civil society can create the processes and institutions necessary to mobilise social actors, manage conflict, promote social inclusion, and ensure adhesion to and sustainability of the visions and programmes adopted. Concerted efforts to improve governance and social dialogue are thus an essential part of the growth, competitiveness and employment agendas of countries.

An important part of such governance processes at all levels (local, regional, national and global) is again policy coherence.[11] While coherence does not mean that diverging interests become one, discussions, negotiations and mutual information sharing among stakeholders becomes an essential part of the development process.

Architecture of Global Fairness

The present crisis provides fertile ground for change. But it will not simply just happen. It will take leadership, imagination, and difficult policy choices. There is a small window of opportunity to lay the groundwork for a better management of globalization on many levels. The depth of the crisis and its clear causes in the poorly regulated financial sector was a wake-up call for many.

Unfettered deregulation, unbound markets, global trade and investment interdependence can quickly transform a regional crisis into a worldwide crisis. Global governance has shifted with the new American administration, the IFIs, the European Union and new world powers, such as China and India, all calling for better regulation of the financial system, a stronger role for the state and for more resolute actions. All this has already been suggested by the World Commission on the Social Dimension of Globalization in 2004, but only recently has such advice become mainstream.

Even if the exact contours of the agenda on new management of globalization are not yet clear, some of its substantive elements and procedures are becoming more apparent. While the re-regulation of financial markets is one, multilateralism and policy coherence are two others. Decent work, comprising employment, social protection, rights at work and the social dialogue, as an accepted global goal is a vital foundation.

What is the right international forum for debating and negotiating the new management agenda for a fair globalization in a coherent manner? Is it the G 192, the General Assembly of the UN? Is it ECOSOC, the Economic and Social Council of the UN, the principal UN body for coordination, policy review, policy dialogue and recommendations on economic and social issues that have already endorsed decent work as a global goal?

Or is it the G 20, which seems to take on growing importance as an arena uniting developed, emerging and developing countries on the subject of economic stabilisation? Which of these bodies will be relevant and open enough to include the social dimension? Which body will understand that the social dimension of globalization is also an economic dimension, and the two can longer be clearly separated? Or must there be a new form of global governance that shifts from an international community of governments to a global community of multiple actors including, but also going beyond governments: for a globalized economy, a global forum?

Out of these different alternatives must emerge the design; a body compact enough to be effective, representative enough to be legitimate and transparent enough to be accountable. I have no doubt this is possible.

The Decent Work Agenda is a critical contribution to the common multilateral efforts to design the plan for a global architecture that creates balance in our societies and economies; an architecture of global fairness.

[11] WCSDG op.cit.

ii. Jobs: the missing link

By Guy Ryder[12]

Introduction

The spectacular worsening of the financial crisis in late 2008 is now having a dramatic impact on the real economy. GDP is forecast to fall, growth will most likely be negative and unemployment has already surged in the major industrialised countries. The crisis, as global leaders now recognise all too well, is spreading to emerging and developing economies. Already, several governments have had to request emergency loans from the International Monetary Fund (IMF) as their financial sectors have become paralysed, capital flowed out of the country, currencies collapsed and economic growth came to a standstill. The global economy is facing a very serious recession. How protracted and deep this proves to be depends on how timely and well-focused government action is. This systemic crisis comes on top of the unprecedented rise in food and commodity prices in 2007-2008 and the resulting food crisis in developing countries. It also occurs against the background of accelerating climate change which, without rapid action, will affect the poorest across the globe most severely, especially vulnerable groups including women.

At the time of publication of this book in April 2009, G20 leaders are meeting in London to discuss a new financial and global architecture and to set forth a plan on how to cope with the 'global recession'. The trade union movement is presenting clear and long-term solutions to the global crisis to influence the discussions among heads of state and government in London, with a view to shaping a new era of globalisation that is environmentally sustainable, socially just and economically balanced. This article sets out three goals: first, to explore the global economic crisis; second, to evaluate the regulatory deficit of the financial world and third, to suggest a progressive agenda that links job creation both to economic recovery and to meeting the challenges of climate change.

1. The Deficit of the Financial Markets

History has shown that crises of the present scale frequently lead to social and political instability with unpredictable and often tragic results. Working families have an enormous stake in the response to this crisis. Already, for more than two decades social cohesion has been under stress as a result of growing inequalities in many, if not most countries. Today, those who are losing homes, jobs and pensions as a result of the financial crisis, for which they bear no responsibility, are being called on as taxpayers to bail-out those who are responsible.

The current economic crisis began in the US as a conjunction of a housing crisis, a credit market crisis and, increasingly, an employment crisis. Each of these crises was serious enough in itself, but their interaction makes for a particularly complex and dangerous dynamic in the real economy. Housing prices have collapsed, foreclosures have surged and trillions of dollars have been drained from

[12] Guy Ryder is the General Secretary of the International Trade Union Confederation (ITUC)

household net worth. Consumers are pulling back sharply as their wealth declines, slowing the economy and forcing employers to shed jobs and cut wages and benefits. The continuing decline of housing prices also aggravates the credit crisis as the value of mortgage-backed assets continues to undermine the balance sheets of under-capitalised financial institutions. Unless the decline in asset prices and employment is halted, the banking system will continue to haemorrhage. This vicious circle is now repeating itself in other industrialised countries and in emerging economies originally thought to be immune.

For two decades most governments, together with the International Financial Institutions (IFIs) have promoted the lightly regulated 'new financial architecture' that has characterised the global financial markets responsible for this crisis. Governments have now been forced to intervene to save the banking system; the quid pro quo must be the reintroduction of proper regulation to the financial system. An agenda for re-regulation must cover: the public accountability of central banks; counter-cyclical asset requirements and public supervision for banks; the regulation of hedge funds and private equity; the reform and control of executive compensation and corporate profit distributions; the reform of the credit rating industry; the ending of offshore tax havens; taxation of international financial transactions; proper consumer protection against predatory lending and aggressive banking sales policy; and active housing and community-based financial service public policies. The new system needs to reflect the requirements of all regulators: bank regulators, tax and competition authorities, and governance and consumer bodies in each country. There must be no more piecemeal approaches to reform.

While the entry of governments into the financial markets to nationalise banks, guarantee deposits, buy up bad debts and recapitalise the banking systems across the US and Europe is necessary, it would be unacceptable for governments to simply nationalise the losses of financial capital and let financial institutions privatise the profits. This most serious economic crisis since the Great Depression of the 1930s must mark an end to an ideology of unfettered financial markets, where self-regulation has been exposed as a fraud and greed has overridden rational judgement to the detriment of the real economy. A national and global regulatory architecture needs to be built so that financial markets return to their primary function: to ensure stable and cost-effective financing of productive investment in the real economy. Beyond this, governments and international institutions must establish a new economic order that is economically efficient and socially just – a task as ambitious as that confronted by the meeting in Bretton Woods in 1944.

To enable a new global process that is managed responsibly, a major recovery plan must be the first step towards global governance and secondly, we must ensure that a financial crisis on such a scale never happens again. A recovery plan to stabilise global capital markets, move economies rapidly out of recession, stave off the risks of a global depression and get back on the track of creating decent work is being proposed by the trade union movement. The challenges in the coming time are numerous and if we do not embrace bold decisions that enable coordinated interest rate cuts or bring forward carbon-neutral infrastructure investment programmes that can stimulate demand growth in the short term and raise productivity growth in the medium term, we are sure to fail. Now is the time to move forward with a "Green New Deal" to enable economic recovery and create decent, sustainable jobs through alternative energy development, energy saving and conservation.

The establishment of a new structure of economic governance for the global economy must go beyond financial markets or currency systems to tackle all the imbalances of growth and capital flows that contributed to the crisis. Just as the post-World War II economic settlements included the strengthening of the International Labour Organisation (ILO), in parallel with the creation of the United Nations, the new post-crisis settlement must address international economic governance and its imbalances. Governments must start work on the necessary structures. But, this debate should not be held between bankers and finance ministry officials behind closed doors. Trade unions must have a seat at the table to ensure that a new governance system tackles the crisis of distributive justice that has blighted the global economy. It must ensure more balanced growth in the global economy between regions, as well as within countries, between capital and labour, between high and low income earners, between rich and poor and between men and women.

2. Reregulating Global Financial Markets

A new process of regulation has to begin; the irresponsibility of promoting the causal factors that are responsible for this crisis - deregulation that favours excessive leverage of financial institutions including investment banks, hedge funds and private equity, and the 'financial innovation' of securitised credit risk transfers that exported bad debt under the guise of structured products – is now manifest for all to see. The business of structured finance created the illusion of low risk, low-cost capital. As the crisis revealed, risks were not spread but hidden. Coupled with 'pro-cyclical' banking accounting rules and rigid capital requirements, the credit crunch that followed the collapse of the structure finance industry created a self-perpetuating, asset depressing process in the banking sector.

The interventions made by central banks and governments in an attempt to restore confidence, stabilise credit markets and inject new capital are necessary to save the banking system. The banking solvency crisis follows a decade of excessive 'shareholder value' model of corporate governance and corporate short-termism. The money that was wasted in generous dividends, share buybacks and grotesquely large executive compensation packages in the past 2003-2006 'growth cycle' is now badly needed as banks search for fresh money to recapitalise their balance sheets. While ordinary people across the planet risk losing their jobs and yet more small businesses face grim times, corporate bonuses in the US actually increased by 14 percent overall in 2008, as top executives in finance and industry, many from companies heading for bankruptcy, rewarded themselves for abject failure and pushed the global economy further to the brink of recession. As large parts of the financial system are being supported by the public taxpayer, trade unions insist that governments take equity stakes and act as activist investors in order to protect the public interest and ensure that taxpayers are eventually reimbursed. Wall Street's US$ 18 billion bonuses last year could have provided two years' education for the 75 million children around the world who have no school to go to. It would certainly save millions of jobs if put in the pockets of the working people who really create wealth.

International cooperation must go far beyond what is currently under consideration; it is not enough merely to review prudential rules for banks and 'encourage' more transparency. Foreign investments and capital flows should be submitted to proper domestic regulation, including observance of internationally recognised governance and transparency standards. The national and global regulatory architecture needs to be restored so that financial markets return to their primary function: to ensure stable and cost-effective financing of the real economy.

On the road to recovery: Effective and Coherent Global Economic and Financial Governance

World leaders must authorise work to begin on a blueprint for reregulated financial markets to ensure that central banks are publicly accountable for their actions and have the necessary mandate to deter and detect speculative financial bubbles. We need active supervision, proper counter-cyclical asset requirements and accounting rules for banks and large financial conglomerates. The financial system has been permeated by different forms of off-balance sheet transaction and this must come to a halt.

Government leaders and central bankers must not repeat the calamities of the 1930s, with efforts to balance budgets, cut wages and 'beggar thy neighbour' exchange rate and currency policies. Instead the G20 leaders must put in place a coordinated recovery plan targeted at stimulating the real economy nationally and globally.

The recovery packages should also be designed to redress the underlying fundamental economic imbalances that have produced the current crises. These are notably the imbalance between the US and other parts of the global economy, the imbalance between finance and the real economy and the imbalance of bargaining power between workers and their employers. Those economies that have surpluses should redirect them to supporting domestic consumption and productive investment. Trade union rights should be fully respected and promoted so that workers can improve their living standards.

A new approach to fiscal responsibility must accompany a global New Deal. The worst error in the current circumstances would be to cut public sector budgets further. There must be a renewed commitment to the provision of publicly financed, quality public services. Rethinking the responsibilities of both the private and public sectors must include responsible resourcing of the public sector through fair taxation and a new commitment to efficiency and the ethical value of quality public services, in which the organisations representing public employees must be invited to play a key role.

Financial Regulation for Stability and Growth

Those who have been paying the highest price during the last twelve months, namely consumers and workers, must be protected against predatory lending and aggressive sales policies by banks. Ordinary people are losing their homes and their jobs due to the oligopolistic structure of the credit rating agency industry. It is essential that credit risk transfers, derivatives and futures are regulated and that non-financial sustainability rating is developed. By enhancing the social purpose of pension schemes to provide decent retirement in both pension funding and investment regulations, we can strengthen the social dimension of globalisation. Indeed, an international regime for taxing financial transactions should be established and the proceeds from which could help support financial institutions that bear social objectives, such as pension funds.

On the currently elusive financial market, a new set of clear ground rules is needed. It must become a priority to regulate private investment firms such as hedge funds and private equity, for example by setting up a "task force" that can combat regulatory arbitrage within large financial groups and between jurisdictions. By adopting controls to limit speculative behaviour in commercial exchanges including commodities and energy markets, we can regulate the extent to which speculative trading is causing such massive price fluctuations as we witnessed on the agricultural commodities market in 2007-2008. Action must be taken to address the tax and regulatory measures that have allowed market makers to take excessive risks.

Further coordinated reductions in interest rates by central banks are needed in Europe and the US. Fiscal stabilisers such as unemployment benefit schemes must be strengthened and supplemented by direct job creation schemes, where necessary. Fiscal stimuli should target increases in aggregate demand of sufficient magnitude to revitalise the real economy: employment, wage and household disposable income growth. Tax and expenditure measures must be targeted at low and middle income families who are suffering most in the current situation and who, having higher consumption rates, will feed this back into consumption, production and hence employment most rapidly.

Corporate grand theft and short-termism should be curbed by strengthening governance and tax rules on executive compensation, board of directors' responsibilities, risk management and distribution of corporate profits. Strong action is also required to stem the loss of revenues to tax havens. Tax payers cannot be expected to bail out failing financial institutions when the same institutions have used tax havens to avoid paying their fair share of tax. All governments need to take the necessary steps to protect their revenue base and to offset expected substantial reductions in corporate tax receipts. This will require strengthening the political support for the OECD's work in this area.

Sustainable Development Pathways for the World

Governments in industrialised as well as developing countries must now begin to encourage and rebuild the institutions that help distribute income and wealth more fairly, as opposed to continuing to call for deregulation of labour markets and dismantling of workers' protection. The crisis of distributive justice is more strongly apparent in non-OECD countries. Even before the food price crisis of 2007-2008 and the current financial crisis, the World Bank noted that in 46 developing countries out of 59 examined, inequality had increased over the previous decade. The worsening economic situation, on top of the explosion in food prices over the past year, will further accentuate income inequality and add to the deficit of decent work across the developing world.

While capital is leaving many developing countries that can ill afford the loss of investment, the problems are being compounded by the reduction of remittances by migrant workers, many of whom are also losing their jobs. In developing and emerging countries, governments should counter economic slowdown through monetary policy, by supporting job creation programmes and extending or creating social safety nets. The IFIs must not repeat the errors of the Asian financial crisis a decade ago by pressuring countries to increase interest rates, cutting back government spending and allowing widespread bank failures – the opposite of what industrialised countries are doing today. Instead developing countries should be encouraged to maintain levels of employment and offer government assistance to the most vulnerable sectors of the population.

If we are to find a way out of this 'great recession', investment in labour market programmes is necessary. To restore faith in the global governance system, recovery packages must encompass employment-intensive initiatives in addition to new financial regulatory measures. Without an extension of social safety nets to the majority of developing-country workers, currently without protection and a coordinated effort to boost world economy by building up public services and infrastructure for sustainable growth, we will have no chance of achieving decent work and a fairer globalisation.

Working towards universal social protection must become a primary challenge for world leaders in 2009. The food price crisis of 2007-2008 illustrated the urgent need for sustainable and just investments, both in agriculture and in the labour market - investments that can serve citizens, workers, unemployed and vulnerable women and men. Investments in social security remain an effective tool in alleviating poverty, hunger and inequalities but those investments have not reached 80 percent of the world's population, which is the percentage of people working and living without social security nets. It can become a reality, even in the least developed countries, and especially in countries highly vulnerable to climate change, to finance minimal social transfers to combat poverty. A social security package consisting of a modest pension, access to safe drinking water and child and health services can make the difference between succeeding or failing in eradicating extreme poverty by 2015.

Beyond infrastructure, this is also the time to invest in people – in their education and health, and in care for the very young and the aged. 18 million new teachers must be trained just to meet the goal of quality education for all primary age children by the year 2015. Millions more teachers and instructors are needed for vocational education and training for skills that underpin the real economy and for retraining of working people as economies restructure. Such long term and productivity enhancing investment in public infrastructure – schools, hospitals, clean water and sanitation as well as public transport and energy – will not only help national economies to avert or climb out of recession, but will lay the basis for millions to overcome poverty.

3. A New Agenda of Economic and Environmental Reform

As stated earlier in this article, now is the time to reshape the global financial and economic architecture through a new set of 'Bretton Woods' negotiations that go beyond the exchange rate regime created at Bretton Woods in 1944. None of the existing institutions has the scope or the credibility to put in place such a structure. Governments must start the work, but the debate must not be held between bankers and finance ministry officials, behind closed doors. Trade unions represent the working families across the globe, those who are the victims of the current crisis, and must be present at the table as well.

The institutional reforms must go beyond financial regulation and introduce economic management aimed at reducing the imbalances in the global economy. Emerging and developing country governments must be a central part of the new governance structure. At the IFIs, a more fair and democratic governance structure should be put at the forefront of reforms. In the case of the World Bank, whose mandate is focused on developing countries, there is a need for a deep and systematic reform which must result, at the very least, in parity of voting power between developing and industrialised countries. Both IFIs must also put an end to the economic policy conditionality that has characterised their interventions in developing countries over the past three decades. This has minimised rather than strengthened the application of fiduciary controls and respect for internationally agreed standards, including core labour standards. The deregulation, liberalisation and privatisation conditionalities of the IFIs, in addition to interfering with countries' own policy choices, have frequently led to serious and damaging impacts. This approach must be changed. The normative standards of the ILO, and notably core labour standards and environmental standards, must underpin the new international governance system. Governments must start work on the necessary structures and, in line with the ILO Declaration on Social Justice for a Fair Globalisation adopted by the International Labour Conference in 2008, the ILO must be at the heart of the new architecture.

Trade has the potential to boost economic growth, recovery and development, but only under the right conditions. Restoring the public legitimacy of the world trading system and concluding the Doha Round requires simultaneous progress on the enforcement of the protection of fundamental workers' rights through all international institutions, including the WTO, and on ensuring that developing countries are able to achieve economic recovery, employment and future industrial development.

The changes that are necessary must benefit the people and our planet. Wage stagnation and the lack of purchasing power for working families are both a result of damaging policies and themselves a major factor behind the fall in household savings and the emergence of unsustainable debt that led to the mortgage crisis in many countries. Financial deregulation allowed creditors to promote borrowing against home equity as a substitute for income. Financial bubbles in asset prices, stimulated by excessive leverage and lax rules, substituted for sustainable growth based on shared earnings. There is a need for a new growth regime that – as was the case during the post-war period until the early 1980s – ensures balanced real wage growth in line with productivity increases. Fair responsible and progressive taxation should neither facilitate the accrual of fortunes, nor provide incentives for the pursuit of speculation, but rather contribute to growth.

The dual challenges of recession and climate change require leadership and ambition. The trade union movement sees jobs as the missing link between economic recovery and green solutions but in order to overcome the crisis of globalisation, we will have to restructure a new global governance system based on social justice, market regulation and green growth. The crisis requires responses that are fully coordinated with initiatives to minimise climate change. Only through a globally coordinated effort can climate change be mitigated and emission reduction targets achieved. The world urgently needs to mobilise resources and technology to enable developing countries, in particular major emitters, to achieve green house gas emission reduction. Clear targets on renewable energy, energy efficiency, clean coal technology and avoided deforestation must be agreed upon to provide access to decent livelihoods for the citizens of the world.

It is paramount that the efforts to fight climate change build on synergies between poverty reduction strategies, job creation and new technologies. A 'just transition framework' should be promoted to ensure fairness in the transition towards a low carbon economy. By addressing worker displacement, migrations, unemployment in climate-sensitive sectors, along with the effects of adaptation and mitigation, a step closer towards the social dimension of climate change can be taken. The just transition should be based on decent jobs and the greening of workplaces; it should be based on sustainable industrial development and an equitable share of the burden of responsibilities and gains. We have to save jobs, not create more unemployment, by upgrading labour skills and retooling industry to create millions of new "green jobs" that can not only contribute to a reduction of the environmental impact of enterprises and economic sectors but also lay the groundwork for stimulating the world economy.

The opportunity should be taken to launch a “Green New Deal”, as called for by the United Nations Environment Programme (UNEP), the ILO, the ITUC and the International Organisation of Employers in the 2008 Green Jobs report. This is the time to aid economic recovery through environmentally responsible investment designed to create jobs in the short-term, including for youth and women, and to reduce greenhouse gas emissions in the medium term. Measures to promote energy saving through retrofitting buildings will be particularly employment intensive, thus supporting the hard-hit construction industry. Public investment in infrastructure, mass transportation, and alternative energy sources will stimulate green job creation.

Conclusion

The international trade union movement has repeatedly denounced the growing divergence between unregulated and unmanageable financial markets on the one hand, and the financing needs of the real economy to provide decent work on the other. According to the OECD, the international financial architecture should be judged upon its capacity to “maintain financial stability by ensuring solvency of market participants”, to “protect investors” against failures and fraud, and “to ensure efficient and effective financial markets”. In past months it has become clear that the system has failed to deliver on all three objectives.

The current economic crisis provides an opportunity to alter the failed policies that have brought about the current situation. We need to seize this chance and adapt and change an international system devised in the 20th century to meet the needs of the 21st century. By reforming the global system of governance, the rules of the game can be reversed to correct the imbalances in environment and finance that have brought us to our present situation.

As I said at the beginning of this article, the decisions and the choices we make in the year of 2009 will be pivotal. Without wide-ranging international cooperation among all parties involved, our prospects to restart the world economy at the same time as tackle climate change will have a greatly reduced chance of success. We need to successfully address the challenge of combining institutional reform at the same time as sustainable job creation that will lead to higher productivity and thus stimulate carbon-neutral economic growth. We all have a stake and a common responsibility in achieving this transformation successfully and in thus ensuring that the downward spiral is turned around as quickly as possible, and on a truly sustainable basis.

iii. Collective bargaining in the global economy

By Larry Cohen[13] and John Logan[14]

Introduction: collective bargaining is essential

In February 1938, the British economist John Maynard Keynes wrote to US President Franklin Roosevelt about the recession gripping the US economy. After discussing government employment as part of a stimulus package and financial reforms, Keynes stated: "I regard the growth of collective bargaining as essential"[15] In fact, collective bargaining was already growing following the passage of America's first statutory reform promoting collective bargaining, the 1935 National Labour Relations Act (NLRA), as nearly one million workers a year were gaining bargaining rights, and building unions that increased incomes and buying power.

Seventy years later, bargaining coverage has expanded globally, but in the US it has declined to about 8 percent in the private sector, back to its pre-NLRA level, after peaking at 35 percent in the 1950s. Yet Keynes' argument concerning the need for bargaining is as true today as it was in the 1930s. Bargaining coverage is directly correlated to critical living standards (health care, income equality, pensions and paid time off) while the growth of union membership has been directly related to the election of progressive governments in Latin America, Europe and North America.

Despite the social and economic benefits accruing from it, almost without exception, global corporations oppose collective bargaining to the full extent permitted by national laws. Even when national laws provide for workplace participation and codetermination, as in most of Continental Europe, this does not affect the behaviour of multinational corporations (MNCs) based in those countries when they operate in the US and much of the global South. Firms like Deutsche Telekom and BMW cooperate with unions in Germany, while engaging in aggressive anti-union campaigns in the US and elsewhere. These same firms oppose government regulation and public spending, and contend that they need unlimited flexibility to maximise profits, irrespective of the harmful social and economic impact of their actions on the majority of the world's workforce.

The consequences of management hostility to collective bargaining have been different in different countries. The level of collective bargaining coverage in a nation largely reflects organised labour's political clout, which itself is the main factor in predicting union recognition rights and collective bargaining coverage. In nations with high bargaining coverage and greater union influence on national labour policy, opposition to collective bargaining and its social and economic outcomes (social security, greater income inequality, and higher living standards) is more muted.

In the midst of the biggest global recession since the 1930s, governments in wealthy nations have rushed to bail out the financial sector and its CEOs – the very actors who created much of the current crisis, while they have concurrently produced the greatest wealth gap in generations. But the same governments have ignored millions of workers around the world who lack bargaining coverage because they

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[15] John Maynard Keynes, Private Letter to President Franklin D. Roosevelt, February 1, 1938.

work in the informal economy, because they face hostile employers, because they are classified as independent contractors lacking bargaining rights, or because their former employers have relocated to countries where they can avoid bargaining altogether.

This paper examines the global assault on collective bargaining and how to reverse it. The first section analyzes the systematic destruction of collective bargaining in the US and its consequences. Section two examines why, with the exception of Colombia, bargaining coverage is higher in every other democracy in the world than it is in the US. The final section explains why global unions and progressive lawmakers in other nations should support the Employee Free Choice Act – a landmark attempt to restore the freedom to choose a union and bargain collectively in the US.

Section 1: The second worst democracy in the world for collective bargaining

As a result of a sustained assault by hostile employers and right-wing governments, the US has experienced a precipitous decline in collective bargaining coverage, which now stands at about 13 percent of the non-agricultural workforce. Among countries recognised as democracies, only Colombia (not a nation with which the US normally invites comparisons) has a lower rate of bargaining coverage. The consequences of the erosion of collective bargaining are clear: among developed democracies, the US has the greatest levels of income inequality, economic insecurity, and annual working hours, while basic entitlements at work trail far behind those of other nations. The stagnation and fall in real wages for most US workers, itself partly a consequence of the decline in bargaining coverage, has contributed to the current economic crisis. The lessons the US experience holds for global unions and progressives are clear: if they seek to encourage collective bargaining, and avoid the consequences of its erosion borne by most US workers, they must push for the enactment of laws that ensure that workers who want bargaining can get it.

"Representation gap" higher in US than in any other developed democracy

Aggressive employer opposition and government hostility in the US has led to an enormous unfulfilled demand for recognition and bargaining. The "representation gap" (the gap between those who have bargaining and those who say they want it) is the highest among advanced Anglophone countries and probably the highest in the developed world. Approximately 50 percent of non-union workers say they want bargaining but cannot get it. Thus, if all of the workers who want bargaining rights were able to get them, collective bargaining coverage in 2005 would have been about 58 percent, instead of the actual figure of 13 percent. The principal obstacle to eliminating this enormous representation gap is employer aggression. Over 50 percent of US workers view employer opposition as a "major reason" for their inability to obtain recognition and bargaining at work (Freeman 2007).

What happens when bargaining is destroyed?

The destruction of collective bargaining has had a profound economic and social impact on the lives of US workers: income inequality, economic insecurity, and annual working hours have increased, while basic entitlements at work trail far behind those found in other developed nations. The US has among the highest overall, child, and elderly poverty rates of all OECD nations. In 2000, 21.9 percent of US children were living in poverty, compared with 2.8 percent in Finland and 2.4

percent in Denmark. Americans work longer hours than their European and Japanese counterparts. In 2006, the average American worked 1,804 hours, compared with 1,436 hours in Germany, 1,564 hours in France, and 1,669 hours in the UK. Even Japan, which for years topped OECD tables for annual working hours, has an average of only 1,784 hours (Economic Policy Institute, 2006-2007).

The US is one of only a handful of nations that has no national provision for paid family leave. 170 countries offer some form of paid maternity leave; 98 of these countries provide at least 14 weeks paid maternity leave. Americans are entitled to up to 12 weeks unpaid leave under the 1993 Family and Medical Leave Act, but up to 40 percent of workers are excluded from its provisions because of the size of their workplace, and even among those workers who do qualify, approximately 78 percent cannot afford to take unpaid leave. The only other developed democracy without paid maternity leave, Australia, is currently considering the introduction of this benefit. Countries such as Sweden, Denmark, Finland, France and Belgium, which all have high levels of bargaining coverage, provide generous entitlements for paid family leave. The US is also an exception among OECD countries in having no statutory minimum vacation for workers. Most European countries, in contrast, have four or five weeks statutory paid vacation. Stronger union movements in Europe have adopted the causes of shorter hours, paid family and vacation leave, universal health care and state pension provision, while high levels of collective bargaining coverage have kept down income inequality (Economic Policy Institute 2008-2009). Unless the current decline in collective bargaining coverage is reversed, this lack of workplace entitlements and growing income inequality in the US will only get worse.

"Recapturing the middle-class society we've lost"

The dramatic decline in US collective bargaining coverage since the 1970s, and resulting decline in real wages for most workers, has contributed to the current economic crisis. As a result of employer and government assaults on bargaining, the link between rising productivity and rising wages that existed for most of the post-war decades has been broken and real earnings have stagnated in recent years. Substantial gains in productivity have not been matched by gains in wages and productivity: median household income actually declined during the economic expansion of 2002-2007. While the end of the housing and stock market bubbles have contributed to the current economic crisis, those bubbles mostly masked the underlying crisis (declining real wages) by allowing working families to borrow against unsustainable rises in the value of their homes.

But some Americans have done well in recent years. CEO pay has risen from approximately 25 times the rate of the average worker in 1973 to 250 times the rate in 2007 – many times higher than the CEO/average worker pay differential in Western Europe or Japan. The income of the top 1 percent grew an average of $1.3 million per household between 1979 and 2006. The wealthiest Americans have not enjoyed such a large share of the total national income since the 1920s. Thus, those who actions have been most responsible for precipitating the current financial crisis have benefited most from the lopsided economy. Restoring the freedom to bargain collectively through the Employee Free Choice Act would ensure that the economy works for the vast majority of working Americans, not just for those at the top of the labour market. Collective bargaining boosts the wages of US workers -- especially those of women and minority workers – and those with bargaining coverage do significantly better than those without in employer-provided health and pension benefits. Restoring worker freedoms will help create a recovery based on rising real wages (not on consumer debt, which makes working families vulnerable to foreclosure and bankruptcy) halt the erosion of employer-provided health and pension benefits, and promote growth in which the median income grows. In the words of Nobel Prize winning economist Paul Krugman, enacting the Employee Free Choice Act would be “a huge step toward recapturing the middle-class society we’ve lost” (Krugman 2009).

Section 2: How does the US compare to the rest of the world?

First: the usual suspects. Collective bargaining coverage in every nation in continental Europe is several times higher than it is in the US. While union density has fallen in several European countries, collective bargaining coverage has remained high and relatively stable. Union density in Western Europe ranges from below 10 percent in France to almost 80 percent in Sweden, but collective bargaining coverage is over 80 percent in all but Germany, where it is over 60 percent. Several factors have contributed to a more supportive environment for collective bargaining: centralised labour market regulation, union involvement in unemployment insurance in certain countries, and union-friendly legal frameworks.

In most of continental Europe, employer opposition to collective bargaining is not a major problem; thus, many countries do not have specific legislation addressing the issue. US-style systems of majority recognition do not exist in continental Europe. Statutory or constitutional provisions on freedom of association are interpreted in some countries as entailing bargaining rights, and national laws in certain countries contain a legal obligation to bargain. In Austria and Slovenia, for example, compulsory membership of employers' organisations results in almost 100 percent collective bargaining coverage. Even in those continental European countries in which multi-employer bargaining is voluntary, there is often strong state sponsorship for bargaining without statutory backing. Under mandatory extension laws, which extend collective agreements to cover non-union workers in Germany, France and Holland, bargaining coverage has remained high, even as union density has declined (Traxler 2002). But it is not simply the “usual suspects” that have bargaining coverage greater than the US. Even in post-communist Central and Eastern Europe (where unions are weaker and often operate under unfavourable macroeconomic conditions, especially skyrocketing unemployment) coverage is, on average, significantly higher than in the US (European Foundation for the Improvement of Living and Working Conditions, 2006, 2007).

Collective bargaining coverage in Central and Eastern Europe

Year 2006	**Collective bargaining coverage (in %)**
Czech Republic	35
Hungary	42
Poland	35
Slovakia	50
Estonia	22
Latvia	20
Lithuania	15
Slovenia	100
EU-25 average	66

Europe is, of course, no paradise for workers. European unions are facing many of the same challenges as their US counterparts: heightened international competition and relocations to countries with cheaper labour costs and fewer legal protections, increasing employer demands for decentralisation in bargaining and company-specific flexibility, the challenge of maintaining stable organisations among low-paid, dispersed and transient service sector workers, and more hostile national governments. But aggressive US-style anti-union campaigns are still extremely rare. Few European employers campaign against bargaining coverage and threaten workers' careers or predict job losses through relocation or closure if workers choose to bargain collectively. Organising in Europe typically means internal recruitment, as workers are already covered by a collective agreement. In the US, organising involves both an adversarial campaign for bargaining rights at a specific employer and a union membership campaign. This difference contributes greatly to the higher bargaining coverage in Europe, and explains why BWW and Mercedes-Benz workers, among others, have bargaining in Germany but not in South Carolina or Alabama.

Collective bargaining in new democracies

Recent developments in certain new democracies provide greater grounds for optimism. Despite inhospitable environments (unfavourable macroeconomic conditions, widespread privatisations, and enormous informal sectors) collective bargaining coverage has risen in several new democracies over the past few decades. In South Africa, for example, bargaining coverage has risen from around 10 percent to over 40 percent since the 1980s. In Brazil, Argentina, Peru and Uruguay, left-of-centre governments have strengthened recognition and bargaining rights and coverage has risen. Bargaining coverage has also increased in Taiwan and Korea. Workers in these nations can gain bargaining coverage without having to endure employer-dominated representation elections and bargaining campaigns, as they must do in the US. While one should not minimise the obstacles faced by workers in these countries, their experience demonstrates that, even under adverse circumstances, bargaining decline is not inevitable, pressures associated with globalisation are not irresistible, and governmental policies do matter. Having trailed other OECD nations for years, US bargaining coverage has now also fallen below that found in several new democracies (Cook 2007, Holdt and Webster 2008, Kuruvilla 2002, Phelan, 2007).

The worst democracy in the world for collective bargaining

The US is not quite the worst democracy in the world when it comes to collective bargaining coverage. That dubious honour belongs to Colombia, the only nation in the world recognised as a democracy that has lower collective bargaining coverage than the US. The explanation for this is clear. Since the 1980s, right-wing paramilitaries and their allies have assassinated 2,600 Colombian unionists. This murder of trade unionists has been well documented, but less well-recognised, Colombian unions have been destroyed in the process (Gill 2005). Collective bargaining coverage has fallen to less than 1 percent of the country's 18 million adult workers. Adding to routine acts of terror committed against trade unionists, Colombia has among the most reactionary labour laws of any so-called democratic nation. Only 2 million of the nation's workers are classified as employees. The rest are "contractors" or work for "collectives" and are denied employee status and collective bargaining rights. The law classifies, for example, almost all Colombian journalists as contractors who must sell advertising along with their stories and are often prime targets for right-wing death squads. The Global Union Federation, International

Federation of Journalists, assists an organisation of Colombian journalists but none have employee status or collective bargaining rights.

Nor are journalists an exception. Colombian telecom workers are routinely fired for anti-union purposes. Management recently fired nearly 10,000 workers at the nation's main telecom company, which is now operated by Telefonica, the world's fourth largest telecom corporation. The Global Union Federation, UNI Telecom, has a global agreement with Telefonica, but this agreement, which has led to widespread bargaining elsewhere in South America, has achieved nothing in Colombia. Telefonica management used the firings to destroy the union and cut costs after taking over from a government-owned entity. As a result of these anti-union actions, no Colombian telecom workers currently have collective bargaining agreements.

In common with other unions, Colombia's once powerful public sector unions have been targeted by right-wing paramilitaries and have had many leaders assassinated. Like telecom unions, they have experienced mass privatisations and discrimination against union supporters. In one case that provoked a global union campaign, management fired 51 municipal union leaders in the city of Cali. The workers are still waiting reinstatement, several years after the International Labour Organisation found that they had been illegally victimised for union activity

These extreme anti-union actions have not occurred in a vacuum. US corporations, including many that are household names, have benefited from the destruction of collective bargaining and have frequently been accused of complicity in the violence against Colombian trade unionists (AFL-CIO 2008). Thus, when ranking the worst democracy in the world for collective bargaining coverage, Colombia beats the US. But the US is much closer to Colombia than it is to Europe.

Global unions and the assault on collective bargaining

Global unions have started to resist these attacks on collective bargaining (Bronfenbrenner 2007). Most global bargaining campaigns have focused on the behaviour of MNCs within a specific sector or industry because resources are concentrated in the sector-based Global Union Federations (GUF). The 11 largest GUFs comprise the Council of Global Unions, which held its inaugural meeting in Brussels in January 2007. National affiliates of global unions in several sectors (food, steel, mining, textiles, services, finance, and telecoms) have coordinated efforts to advance bargaining rights at specific MNCs. The International Union of Food Workers has coordinated action between its affiliates to reach a global agreement with Nestlé and other large food processors, while the International Metalworkers Federation has coordinated action between its affiliates at Ford and other auto companies for several decades (Croucher and Cotton 2009).

Telecommunications unions have cooperated globally for more than half a century, mostly recently through UNI Telecom, even as the nature of the industry has transformed from traditional telephone services to high speed Internet with converged data, voice and video. Telecom workers have been among the best-organised workers in developed democracies for decades. Even in the face of intense international competition and the introduction of new technologies, telecom bargaining coverage remains well over 75 percent in OECD nations and in much of Latin America (Traxler 2006). But telecom workers are facing serious threats. New actors have entered mobile communications, and have promoted deregulation or, in many cases, no regulation. Several traditional telecom companies have eschewed cooperation, believing that union avoidance will result in higher profits, particularly in their new ventures and global operations. Vodafone, the world's largest exclusively mobile company, resisted collective bargaining in its UK operations until early 2008, when engineers gained recognition over sustained management opposition. The largest telecom company in the US, AT&T, has practiced neutrality and recognised unions on the basis of majority membership for more than a decade. In contrast, Verizon, the nation's second largest firm, has opposed recognition and bargaining in new ventures and acquisitions. Likewise, Comcast, the largest cable TV and Internet provider, has fought recognition and bargaining, and has engaged in illegal anti-union activity. Thus, the telecom sector provides examples of both international union cooperation and transnational opposition to bargaining rights (Cohen and Early 2000).

Section 3: Why global unions and progressives should support the Employee Free Choice Act

If US unions are unable to win labour law reform under the current Democratic Administration, they may not be in a position to do so again. When Congress last considered reform of the NLRA to strengthen recognition and bargaining rights in 1977-1978, collective bargaining coverage in the US was around 23 percent, almost double its current level. Large regions of the country and large sectors of the economy already have virtually union-free private sectors. Without reform it will become progressively more difficult for even the most vigorous unions to organise the unorganised. And simply because bargaining coverage has declined at around 0.5 percent per year for the past few decades, there is little reason to assume that it will continue to decline at this slow, steady pace. We may soon reach the point where US unions are so weak that decline becomes rapid and irreversible. This would be a disaster not only for American workers, but also for workers around the world, who would be increasingly likely to encounter the same anti-union practices and the same anti-union firms as their US counterparts. No longer concerned about the "threat" of unionisation at home, US MNCs would be emboldened to export their union avoidance practices to their overseas operations. And non-US MNCs who could be guaranteed union-free operations in America may well be emboldened to resist unions in Europe, Latin America and Asia. But if US unions gain the enactment of the Employee Free Choice Act and reverse the employer offensive, this would benefit not only American workers, but also those in other democratic nations. If unions are to organise and bargain with MNCs and private equity firms on a global level, they must first reverse the trend towards a union-free environment in the US.

Exporting the US model of union avoidance

- Union avoidance consultants arrive in the UK

  Among developed democracies, the US is alone in having a sophisticated industry worth hundreds of millions of dollars per year devoted entirely to helping management undermine collective bargaining. But several US union avoidance firms have recently sought overseas markets for their expertise (Logan 2006). When Britain introduced its new recognition law in 1999, one union avoidance firm wrote: "65 years' US experience with union organisational experience provides valuable parallels from which UK employers can learn how to stay union-free. It is clear from US experience that worthy UK employers… will be able to defeat union organising efforts."16 Former Trades Union Congress General Secretary and current European Trade Union Confederation General Secretary

[16] Eversheds, "Trade Union Roadshow," May 16 2000, Ironmongers' Hall.

John Monks criticised the firm for promoting a “dubious approach” to bargaining that was “far more suited to the aggressive nature of US industrial relations.” But other consultant firms soon followed in its path. One large US union avoidance firm, The Burke Group (TBG), has established an international division that operates in Canada, Mexico, South America, UK, Belgium, France and Germany, telling clients that it enjoys an international reputation for “eliminating union incursions.” In recent years, TBG has conducted several high-profile UK campaigns with devastating effect. When confronted by US union avoidance tactics, UK unions typically spend more time and resources on campaigns and are much less likely to win recognition. If this behaviour were to become the norm in the UK, as it has in the US, it would likely have disastrous consequences for British workers (Logan 2007).

- US MNCs and union avoidance in Ireland
  The US model of union avoidance has also transformed collective bargaining in Ireland. Prior to the 1980s, most foreign MNCs followed the country’s dominant industrial relations model, accepting unions and collective bargaining. This situation started to change when US MNCs opened non-union plants in Ireland in the 1980s. Today, most US MNCs operating in Ireland pursue an aggressive union avoidance strategy. US-based firms are much less likely to recognise unions in new plants than are their Irish, UK or European counterparts, and have been at the vanguard of an aggressive union avoidance strategy among Ireland’s MNCs. One study of several hundred US MNCs concluded: “It would appear that the pattern of union avoidance which began in a small number of US subsidiaries in the 1980s has now become widely embedded in the MNC sector, to the extent that it greatly threatens union presence in this very significant area of the Irish private sector” (Gunnigle, Cummings, Morley 2007). Union density in Ireland has fallen from 62 percent in 1980 to 35 percent in 2004, and the growing importance of US MNCs has ensured that its collective bargaining system is “closer to Boston than to Berlin.”

- US employer associations oppose labour rights in China
  American employer associations have sought to block or weaken legislation designed at strengthening workers’ rights in other nations. China, now the world’s third largest economy, has no genuine collective bargaining between corporations and independent unions, and US employer associations want to keep it that way. The American Chamber of Commerce in Shanghai and the US-China Business Council (USCBC) tried to block the adoption of China’s 2007 labour contract law, which provides minimal protections for some of the nation’s most vulnerable workers. Part of their campaign included thinly-veiled threats that US corporations would leave China if the law were to be enacted (US-China Business Council 2006). US employers want to maintain a cheap labour force in China with few legal protections, but have other concerns, too. China is increasingly important to the establishment of global labour standards and the suppression of labour rights there encourages a “race to the bottom” in wages and standards in the rest of the world. But the USCBC has expressed a willingness to accommodate unions in

China, as its state-controlled unions are unlike their US counterparts, “where, when they come in, they’re automatically antagonistic.[17]"

Conclusion:the assault on bargaining and the end of US exceptionalism?

The US currently has a labour law that is, fundamentally, a lie. To this day, the stated purpose of the National Labour Relations Act is to “encourage collective bargaining,” but the law has been interpreted and enforced in a way that makes it virtually impossible for workers to exercise their right to bargain collectively. As a result of aggressive employer opposition and weak protection for recognition and bargaining rights, the US has the highest unfulfilled demand for collective bargaining in the developed world. With the exception of Colombia, in no other democracy do employers routinely fight workers’ efforts to bargain collectively using every weapon at their disposal. The assault on bargaining, and the resulting decline in real wages for most workers, has contributed to the current economic crisis in the US.

But strengthening bargaining rights will not come easy. US employer associations have promised “Armageddon” in the fight against the Employee Free Choice Act and have set aside a war chest of $200-300 million for the purpose of defeating this progressive attempt to restore the freedom to choose a union and bargain collectively. In response to international support for reform, the far-right National Right to Work Foundation wrote: “AFL-CIO is touting the fact that Big Labour unions in 45 countries are pushing the US Congress…. Is this something they really want to brag about?”[18]

While union density has declined significantly in some European countries and remained relatively stable in others, levels of collective bargaining coverage have remained high. But there is little reason for complacency. Fewer European employers are participating in industry-wide bargaining, and it is unlikely that this trend will be reversed anytime soon. Even in Scandinavia, which has long had the world’s highest rates of coverage, some employers are pushing for greater decentralisation of bargaining. Unions throughout Western Europe have also experienced a decline in their ability to influence national labour policy. Adding to the problem of labour movements in several nations, US-based employer groups, MNCs, and consultants are attempting to export the US model of union avoidance. The trend towards a union-free environment in the US makes it more likely that aggressive anti-union behaviour will spread in Europe and elsewhere. This fact alone provides good reason why global unions and progressives should support the Employee Free Choice Act.

Recent developments in collective bargaining coverage in certain new democracies give more grounds for optimism. However, in South Africa, Brazil, Argentina, Taiwan and elsewhere, collective bargaining coverage has increased significantly over the past couple of decades. Although still low by European standards, the trend in collective bargaining coverage in these countries have been upwards, not downwards, as is the case in several developed democracies. Governments in these countries have strengthened workers’ bargaining rights, while unions have linked their struggles to democratic movements for political reform and social justice. Much can be learned from their experience.

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[17] Quoted in Andrew Schneider, “Doing Business in China Will Cost More,” *The Kiplinger Letter*, October 1, 2008.

[18] National Right to Work Committee, “Bringing European Unionism to America,” January 14, 2009. Available at http://www.nrtwc.org/blog/archives/851

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iv. The Global Impact of Employment and Work on Health Inequalities: the need for a new policy agenda[19]

By J. Benach[20], C. Muntaner[21], O. Solar[22], M. Quinlan[23], H. Chung[24], V. Santana[25], M. Vergara M[26].

1. Employment and work under neoliberalism

Work is the means through which most people provide for their daily sustenance. People work in or out of their homes, with or without labour contracts, and in either safe or hazardous working conditions. Although factors related to working conditions have received a great deal of attention, being recognised as a key social determinant of health and health inequalities, this has not often been the case for employment conditions. Labour markets and social policies determine employment conditions such as precarious or informal jobs, child labour or slavery, problems such as having highly insecure or low paying jobs, or working in hazardous conditions, which heavily influence individual and population health status and thus inequalities. These types of employment and working conditions have different implications for the health of populations and social inequalities in health across social classes, genders and racial/ethnic groups.

Key influences affecting changes to employment dimensions over the past thirty years include the growing influence of corporations and the abandonment of Keynesian economic policies and social compacts. In their place has emerged a dominant neo-liberal model whose fundamental mission has been to facilitate conditions for profitable accumulation, with the consequence of transferring assets, wealth and income towards the upper classes and from poor to rich countries. These policies, often built on the dismantling of the post WW II cross-class agreement of corporatist order, have not only increased social inequalities across countries and social groups, but have also favoured the ideology of microeconomic rationality as the validating criterion for all aspects of social life and thereby resulted in universalised market dependence in a society (Rupert, 1990; Navarro, 2007).

Neo-liberal policies and practices stem from the belief that competitive private markets deliver the best social outcomes including the following: (1) the reduction of state interventions in economic activities[27]; (2) corporatisation, commoditisation and

[19] This paper presents a summary of the issues included in the book: Benach J, Muntaner C, with Solar O, Santana V, Quinlan M and Emconet network. Employment, Work, and Health Inequalities: A Global Perspective (forthcoming 2009).
[20] Mr. Joan Benach, Professor of Public Health, EMCONET Coordinator
[21] Mr. Carles Mutaner, Research Chairman of the Social Policy and Prevention Research department at the CAMH in Toronto
[22] Ms Orielle Solar is: Ministry of Health, Santiago de Chile, Chile
[23] Mr. Michael Quinlan, University of South Wales
[24] Mr. Haejoo Chung, Research Analysist EMCONET
[25] Ms. Vilma Santana, Professor at the Federal University of Bahia, director of the Program of Environmental and Occupational Health
[26] Ms. Montse Vergara Duarte, Universitat Pompeu Fabra in Barcelona
[27] This theory has not been followed in practice since many states have actually become more interventionists (e.g. in the US with large subsidies to the agricultural, military, aerospace, and biomedical sectors)

privatisation of hitherto public assets; (3) reduction of public social expenditures; (4) deregulation of financial transactions and interest rates, and the removal of credit controls; (5) liberalization of trade with removal of barriers to commerce; (6) the commoditisation and privatisation of land and the expulsion of peasant populations; (7) colonial, neo-colonial, and imperial processes of appropriation of assets, including natural resources ultimately backed by political violence; (8) conversion of various forms of collective property rights into exclusive private property rights; (9) more control over organised labour and limiting the right to organize; and (10) deregulation of labour with more "flexibility" in the labour markets, downsizing and outsourcing/off-shoring (Harvey, 2003; 2006; Navarro, 2007).

Under neoliberalism, the ideology of individualised self-interest and choice are seen as pre-eminent, while the significance of economic power imbalances amongst individuals and the counter-balancing role of collective interests are minimised. In this way, neo-liberalism has promoted individual assumptions of risk (e.g., individual pension plans rather than state pensions) and is much less sympathetic to redistributive mechanisms and social protection laws circumscribing business and commercial law and policies (on competition and the like) and more sympathetic to business practices such as downsizing, off-shoring, franchising, labour leasing, and greater flexibility in work arrangements, including "freer" international flows of labour (such as business and specialist migration, short-term entrants). The increased use of supply chains/subcontracting networks (at the national and international level), often driven by powerful corporations, has also accelerated changes to labour market conditions in both wealthy and poor countries.

In wealthy countries, the outcomes of these changes include a reduced social safety net for the unemployed and poor, job losses in the public sector, growth in job insecurity and precarious employment, a weakening (in practice) of regulatory protections, and the historical re-emergence of an informal economy, including home-based work and child labour. Comparison between wealthy countries in 1880 and poor countries in 2008 reveals some striking parallels in terms of labour market conditions, the power of labour, health infrastructure, and social protection (Steinmo et al., 1992; Quinlan et al., 2001) (see Table 1). This impact is further complicated by increased female workforce participation and an ageing population in these countries. In poor countries, the reliance on neo-liberal economic policy has resulted in a model of economic development oriented toward productivity and supplying products to global markets in three ways. First, irrespective of their effects on local communities, the strategies employed include "race to the bottom" working conditions to attract overseas capital and the use of corporate-friendly, low regulatory special export zones. Some of the harmful by-products of these practices include decreased domestic food production, rural dislocation, and social instability (Labonté et al., 2005). In addition, cuts to the public sector have had significant implications on education and health expenditures. It has been argued that weakening the capacity of the state to redistribute income has undermined the low income/high health outcomes which a number of middle-low income countries managed to achieve in previous decades (Labonté, 2001). The formal sector has experienced downsizing, job insecurity, and outsourcing analogous to those in wealthy countries while the already substantial informal sector—exempt from most forms of social protection—has grown in many instances. These are the three major setbacks to poor countries pursuing a neo-liberal economic framework.

Table 1. Work and the protection of workers' health in wealthy and poor countries 1880-2008.

	Wealthy countries			Poor countries
	1880	1970	2008	2008
Employment security and contingent work	No regulated job security and substantial contingent work	Secure jobs norm (except women)/small contingent workforce	Decline in job security and growing contingent workforce	No regulated job security and large/growing informal sector
Minimum labour standard laws (wages and hours)	No minimum wage or hours laws (except children)	Universal minimum wage and hours laws	Minimum wage and hours laws – some erosion	None or ineffective minimum wage or hours laws
Extent of union membership and collective bargaining	Union density low (<10%) and limited collective bargaining	Union density 25->50% and extensive collective bargaining	Substantial decline in union density and collective bargaining	Union density low, declining and limited collective regulation of work
Extent of vulnerable groups of workers	Extensive exploited vulnerable groups (women, immigrants, home-workers, young and homeless, old)	Still vulnerable groups (women, immigrants and home-workers) but more circumscribed	Expansion of vulnerable groups (women, home-workers, immigrants, homeless, old and young –child labour re-emerge)	Highly exploited vulnerable groups (children, women, immigrants, homeless, indentured/forced labour)
Extent of occupational health and safety law	Limited OHS law (factories, mines) and poorly enforced	Expansionary revision of OHS laws initiated	Expanded OHS law but under indirect threat	Little OHS law and hardly enforced (and only then in formal sector)
Extent of workers' compensation system	No workers' compensation system	Mandated workers' comp/injury insurance system	Workers' compensation /injury insurance – some erosion	Limited workers' compensation and only in formal sector)
Extent of public health infrastructure (water, hospitals, sewer etc)	Little public health infrastructure sewer, (hospitals, water)	Extended public health infrastructure/ health insurance	Public health infrastructure – some erosion	Little public health infrastructure (hospitals, water/sewage) except in ex socialist countries where its being cutback
Social security safety net (sickness, age and unemployment benefits	No age pension, social security, unemployment benefits	Age pension/social security, unemployment benefits	Age, disability and unemployment benefits – cutback	No age pension, social security, unemployment benefits
State activity in utilities, education and transport	Limited state involvement in education and transport	Wide government involvement in education, transport, utilities	Privatisation, competitive tendering and social capital erosion	Limited state activity except ex socialist countries and all subject to privatisation, competitive tendering and social capital erosion

These impediments are further exacerbated by a series of exogenous factors, multiplying the scale of the problem. Elaborate supply chains obfuscate the ultimate producer of goods and services in ways that help perpetuate work arrangements that often bear a close parallel to the exploitation of vulnerable workers (i.e., women, children, and foreign-born workers) in wealthy countries over 100 years ago (Quinlan et al., 2001).

In an increasingly globalised, market-based economic system, the political, economic, financial and trade decisions of a handful of institutions and corporations affect the daily lives of millions of people worldwide. These decisions create labour standards, occupational health and safety regulations, and union protections, among many others. Large corporations are particularly relevant to this process thanks not only to their growing power and resources, but also to their pervasive influence on key economic decisions that have serious consequences in the production of health, disease, and death (Wiist, 2006). Of the world's 150 largest economic entities including countries, 95 are corporations. The revenues of Wal-Mart, BP, Exxon Mobil, and Royal Dutch/Shell Group all rank above the GDP of countries such as Indonesia, Saudi Arabia, Norway or South Africa (World Bank, 2005). Multinational corporations manufacture many of the goods and services we consume and they contract or subcontract millions of jobs, many of which have a negative impact on their employees' health. Furthermore, corporate interests—predominantly neo-liberal policy instruments such as the World Bank, the World Trade Organisation, and the International Monetary Fund—and the governments of some wealthy countries (providing aid) in general have not been sympathetic to the expansion or upgrading of social protection frameworks within poor countries. It cannot be presumed that most poor countries will follow the path of wealthy countries over the past century in terms of labour market intervention and social protection. While a scaled-back welfare state persists in wealthy countries (Taylor-Gooby, 2008), these policy interventions are diminishing with the waning influence of labour unions.

The organized labour movement that played a critical role in encouraging and establishing this social protection in the first place (in conjunction with the political crises and depressions of the 1890s and 1930s) has been in decline and/or been suppressed completely in some poor countries (Betcherman et al., 2001), further facilitating the changes of the neo-liberal regime. The international wave of resistance to neo-liberalism has led, however, to significant mass strikes and protests in many countries. An analysis of workers' movements and struggle on a world scale, over the past century and within the totality of global capitalism, shows that workers in different places are linked by the global division of labour and the international state system. When capital organises a profitable strategy, it produces resistance, generating new strategies of accumulation, and hence new forms of resistance (Silver, 2003). Both corporations and governments often hinder the development of trade unions in an attempt to shape working conditions that widen profit margins, and in turn fund lobbying activities. They may also limit involvement in work organization and occupational health and safety matters (Hogstedt et al., 2007). The result is a workplace environment where individual concerns and actions are very often emphasized, rather than collective ones.

2. Labour market, employment conditions, and health inequalities

"Free market" globalisation and increased global competition promote a continuous race to the bottom in labour costs. Therefore, corporations and the governments they control push labour standards down to levels of increased economic exploitation and even slavery-like practices. This is particularly true in middle and low income countries. In other words, global economic pressures toward efficiency encourage the development of employment relations that are extremely unhealthy. The globalisation of production processes and the generation of health inequalities are rather apparent in the last decades, even in the most technologically advanced industries. Over the past decades capitalist globalisation has expanded economic migration, transforming the lives of hundreds of millions of people around the globe. In many countries, economic migrants meet the demand for flexible labour. Often labour markets are unable to provide workers who are flexible, mobile and willing to accept precarious employment conditions with long working hours for low pay. Fleeing poverty, war, or unemployment, workers migrate away from their families and neighbourhoods to serve as part of the labour force in rich countries and send capital in the form of remittances back to impoverished communities around the world. Neoliberal economic policies are also trying to create a new international guest worker system, guiding the flow of migrants on a global basis to fulfil corporate labour needs. In wealthy countries, employment relations are often subject to the provisions of law or a contract of hire. In these societies, the government is often the largest single employer although most of the work force is employed in small and medium businesses in the private sector. In middle income and poor countries however, most employment agreements are not explicitly subject to any formal contract, and a high proportion of total employment is within the informal economy.

The ways in which any society approaches inequalities in health is a political issue. On the one hand inequalities may be accepted as the inevitable result of individual differences in genetic determinants, individual behaviours, or the market. On the other hand, they can be seen as a social product that needs to be remedied. Underpinning these different approaches to health inequalities are not only divergent views of what is scientifically or economically possible, but also differing political and ideological beliefs about what is desirable (Bambra et al., 2005).

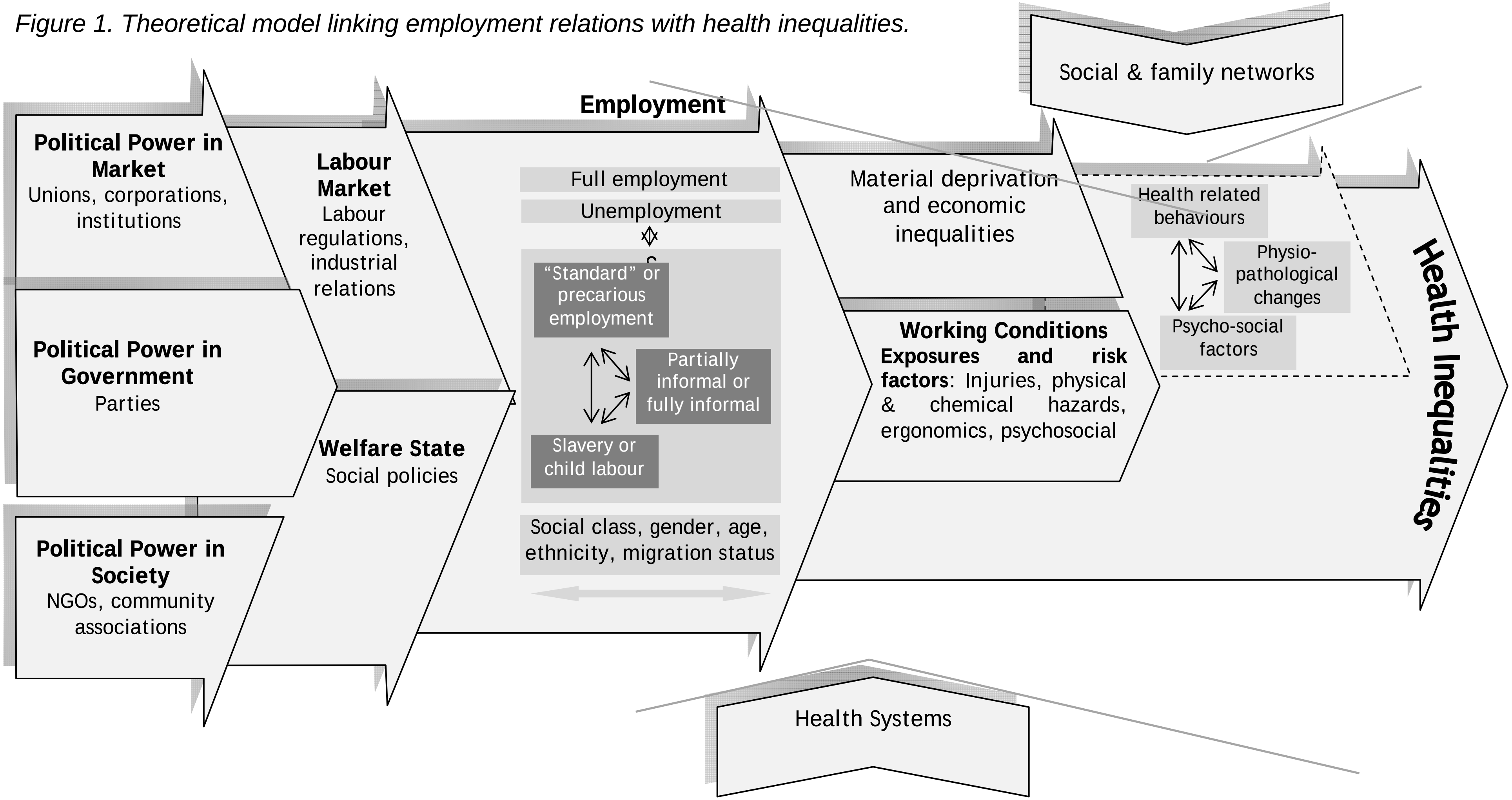
Thus, the reduction of health inequalities, especially attempts carried out at the level of social policy, will largely depend on the distribution of power among key political actors and the role of the state. While political and social scientists debate the structure, function and power of the state, this discussion has yet to penetrate the public health arena despite the state's crucial influence on all health activities. We follow here a theory of power resources that identifies labour organizations and political parties as the key determinants of differences in the impact of the welfare state across countries and over time (Korpi & Palme, 2003).

In spite of growing scientific evidence regarding the effects of employment conditions on health, almost no conceptual models has been proposed to explain these effects. In general, there is a great lack of research concerning the impact, pathways and mechanisms that connect employment conditions with health inequalities. There is however abundant literature about the effect of employment conditions on health, but it rarely focuses directly on the important role they play as a social determinant in shaping health inequalities.

3. Macro-sociological employment relations and health

To demonstrate the origins and consequences of different employment relations, and to trace the connection between employment relations and economic and political factors, working conditions, and health inequalities we have developed a theoretical model. Put simply, they are a way of visualising the many factors that contribute to inequalities in health. Our explanatory model (Figure 1) begins with power relations as macro-social determinants of employment conditions (i.e., full-time "permanent' jobs, unemployment, precarious employment, informal employment, child labour, slave and bonded labour), employment inequalities by social class, gender, ethnicity, race, migration, as well as other social outcomes such as social and health policies. Employment relations in turn determine proximal working conditions which are shaped by the need to maximize labour effort and profits on behalf of employers. Such an explicit link between employment and working conditions (reducing labour costs and maximizing labour effort) sets our model apart from conventional social epidemiology (e.g., Marmot, 2004) and occupational health (e.g., Karasek & Theorell, 1990). Our model also includes social networks as a moderating force on the effects of employment and working conditions on individual health.

Figure 1. Theoretical model linking employment relations with health inequalities.



Power relations (mostly in government and labour markets) can be characterized by indicators such as gender labour market inequality, proportion of precarious workers, or informal workers. Thus, country level macro-sociological indicators of inequalities in employment relations offer a starting social level of analysis in population health. Causal pathways originating at the national level cannot be uncovered with intra-country individual level data as macro-social factors are held constant within countries (Rose, 1992). Labour market indicators at the national level have been incorporated in just a small number of recent population health studies (Muntaner et al., 2002, Navarro et al., 2003, Navarro et al., 2006, Chung & Muntaner, 2006). Yet employment relations are defining features of welfare states (Esping-Andersen, 1990). In Europe, union strength indicators (e.g., union density and collective bargaining coverage) overlap with welfare state regime types and predict health at the national level (Navarro et al., 2006). Employment relations are also associated with welfare state redistribution policies (e.g., universal health care). Thus, a country's employment relations determine proximal exposures that affect workers' health via two social causal pathways: compensation and working conditions.

4. Employment, working conditions and workers' health

The full account of how employment conditions negatively affect the health of workers needs to include a detailed exposition of generic as well as specific social, psychological and biological pathways. Although most pathways and mechanisms seem fairly general (e.g., unemployment can be a risk factor for depression, alcoholism and cardiovascular disease), there is also room for specific disorders tied to the negative effects of particular employment relations in specific populations (e.g., developmental disorders linked to child labour; post-traumatic stress disorders linked to soldiering, slavery or bonded labour).

In this section we seek to compile evidence from various sources which is compatible with our model. This also means that we may not have enough information to confirm every pathway included in our model. However, we should be able to find available evidence broadly compatible with pathways hypothesised by the model. We concentrate here on the relation between the employment conditions and health. These dimensions may share some common pathways (e.g. lack of autonomy at work leading to mental illness) but may also be characterized by specific pathways (e.g., child labour leading to low growth). At the proximal level the pathways between social stress and disease (in large part a direct or indirect consequence of employment relations) are well understood and common to a host of social determinants. Social epidemiology and its associated disciplines have provided only a partial picture of the pathways and mechanisms linking employment dimensions to health inequalities. Moreover, the large majority of studies have been conducted in wealthy countries, thus precluding the examination of pathways and mechanisms that might be more important to low and middle income countries (e.g., informal labour, employment relations in extreme poverty and war, bonded labour and slavery).

In our theoretical framework, the exposure to different working conditions is one of the causal pathways by which employment relations generate health inequalities: most of hazardous conditions and exposures are concentrated in middle and low-income countries, especially those with higher labour market inequality; in workers with non-standard work arrangements; and unequally distributed according to social class, gender, race/ethnicity, migrant status and age. We briefly review evidence on the ways by which working conditions emerge as a pathway to health inequalities focusing on the links between employment and working conditions, and then showing the relations between working conditions with psychosocial factors, behaviours and psychopathological changes. Because the psycho physiological pathways and mechanisms common to many social stressors have been studied extensively in the last decade (Sapolsky, 1993; Brunner, 1997; McEwen, 1998), we concentrate our efforts on social and psychosocial pathways, with a particular effort in highlighting their integration.

The relative political strength of forces in the market (corporations, institutions and unions), government (parties) and society (community and its forms of organisation) in a country are key determinants of the development of laws, regulations, and social protection, which influence working conditions. In the context of globalization, lack of barriers to move production from one country to another increases the power of companies and corporations, which can easily search for less regulated markets, with a global “domino effect” of labour markets deregulation. In order to open their markets, and in an attempt to shape working conditions that widen profit margins for corporations, governments collaborate with corporations in hindering the development of trade unions, and limiting their own involvement in public protection of work organization and occupational health and safety matters (Hogstedt et al., 2007). Stricter regulation of preventive measures in rich regions parallels an outsourcing of dangerous industries to poor countries, which derives in an “outsourcing” of occupational hazards, injuries and diseases.

Workers’ control and participation in decision-making processes within firms is a key “protective” factor not only for the promotion of democratic work environment but also of workers’ health. Through the participation, workers can analyse and implement effective policies to address their own occupational health concerns. Labour unions are the most effective institutional tool to ensure good health and safety at work in advanced capitalist countries (Johansson & Partanen, 2002). A growing body of research attests to the influence that representative participation has on occupational health. Evidence shows that when trade unions are stronger, information and standards on workplace hazards are improved, health and safety systems work better and workers’ actions are more effective. Available experiences, knowledge and evidence support the conclusion that safety reps are a powerful force for improving workers’ occupational health in the EU (Walters & Nichols, 2007; Menéndez et al., 2008). The power of labour plays a vital role in the implementation of social policies, labour market regulations and collective bargaining. The specific effect of collective bargaining on workplace health and safety means adapting general legal preventive provisions into specific terms for the concrete realities of individual sectors, companies, production units, work places and working conditions.

The so-called non-standard forms of employment (precarious, informal, bonded, and child labour) do all share a pathway to health inequalities: the engagement in worse working conditions compared to the general situation of the full-time permanently employed. The relation between precarious employment and working conditions has been studied using the concept of temporary employment. Compared to workers with permanent contracts, temporary workers are exposed to higher level of physical hazards, such as painful and tiring positions, intense noise, repetitive movements; psychosocial stressors, such as less job autonomy and control over time on the job; organizational issues such as less freedom to choose when to take personal leave (Letourneux, 1998; Parent-Thirion et al. 2007). Temporary workers also suffer from a higher risk of occupational injuries (Virtanen et al., 2005, Fabiano et al., 2008), higher psychological morbidity and other health outcomes (Artazcoz et al., 2005; Virtanen et al., 2005). Other less studied dimensions of precariousness at work, such as powerlessness or capacity to exercise legal rights are likely to imply the difficulty to negotiate and avoid hazardous working conditions (Amable, 2006; Benach & Muntaner, 2007; Menéndez et al., 2007).

Workers in the informal economy, or informally employed workers at formal firms, whose condition is typically not monitored by the state, are engaged in the most dangerous activities, with high risk for occupational injuries or diseases, and are in a situation vulnerable to firing and economic difficulties due to low wages (ILO, 2006a). Awkward postures and exposure to toxic chemicals, excessive noise, poor sanitation, high workload, pesticides, violence, and sexual assault (Iriart et al., 2006) are commonly observed in informal economy settings, along with scarce training and supervision and limited access to protective equipment. In addition to evidence on the impact of what are now pervasive work arrangements on health inequalities there is also now extensive research that imbalances in demand/control and effort/reward within workplaces have serious adverse effects on health (Marmot et al., 2006). This evidence is consistent with the broad thrust of this paper and indeed, strengthens our argument about the need to pursue quality in work. The relationship between self-employment and working conditions may depend on type of job and context, with differences, for instance, between independent contractors and small business owners (Prottas & Thompson, 2006); higher autonomy may be counterbalanced by higher pressure and longer work hours. A study on self-employed workers in North Carolina disclosed elevated occupational fatality death rates, especially in retail and transportation industries, poor work organization, poor hygiene, ergonomic hazards, hazardous hand tools, and chemical exposures, particularly to pesticides and solvents (Mirabelli et al., 2003).

Although by definition, forced labour is differentiated from poor working conditions or hazardous working environments, very often slaves are exposed to the worst hazards, pushed in these situations by the over-exploitative nature of the employer-worker relation (Fassa, 2003; WHO, 2002). Though the invisibility of forced labour makes it a difficult area to investigate, a greater effort should be made to document working conditions in these settings. Unaffordable working conditions are one of the worst faces of child labour. Exposure to hazards in the workplace may be especially harmful for children due to increased vulnerability to biological or toxic agents due to the immature immune system, lesser bone elasticity, strength, and capacity to support heavy workloads, inadequate dimensions of tools and equipments. Children working in agriculture may be exposed to chemical agents such as pesticides, heat and harsh weather, repetitive work, hazardous equipments (hoes, tractor, etc), excessive work hours, demanding physical work, noise, and biological agents such as dust (ILO, 2006b).

5. The recent global economic crisis

Although neoliberalism and the deregulation of the financial sector has been hardly criticised in public health (Muntaner et al., 2001; Benach & Muntaner, 2005) the speed and magnitude of class inequalities has been fuelled by 30 years of neoliberal policies. In 2008 the meltdown in the financial sector arising from speculative investment practices (itself symptomatic of much deeper structural problems) rapidly impacted on the economies of both rich and poor countries. While the exact extent and likely length of the economic recession is still to unfold, it is now being acknowledged as the greatest upheaval since the Great Depression of the 1930s and in our own view parallels with the Great Depression – such as significant levels of unemployment and large scale human misery - will only grow stronger as events unfold. The economic crisis is relevant to the issues presented in this paper on a number of grounds.

First, and most obviously, the crisis is already contributing to a growth of employment arrangements that we identified as health-damaging in 2007 and 2008. Apart from the growth of unemployment the economic downturn will almost certainly lead to downsizing/restructuring as employers 'respond' to falling demand or seek to re-align cost pressures (Quinlan & Bohle, 2009). It is also likely that the flexible and insecure work arrangements – the growth of which marked the so-called prosperity phase prior to 2007 – will continue to grow along. Like in the Great Depression, intermittent employment (serial bouts of short term employment and unemployment) will become more common. Presenteeism/longer hours and other forms of work intensification as workers try to retain their jobs as well as more irregular hours will also continue to grow, perhaps at an accelerated rate (Quinlan & Bohle, 2009). The myriad of small subcontractors in elaborate supply chains throughout rich and poor countries are also likely to suffer (Quinlan & Bohle, 2008). It is also possible, indeed likely in our view, that work will shift even further to the informal sector and that practices like child and forced labour will become even more difficult to control. Thus the impact on unemployment and precarious employment of the so-called emergent economies is already severe (e.g., China and India).

Second, all these employment conditions are associated with serious adverse health outcomes – both for workers, their families, and their communities. Therefore any global growth in these conditions will entail an exacerbation of these problems.

Third, even leaving aside these health effects, these changes in employment conditions will lead to increased social inequality including lower wages. As it is noted in this book, these changes too will have important effects on population health. Governments in rich countries responded to the economic crisis by, amongst other things, providing massive bail-out packages to large banks and financial institutions who became enmeshed in, and indebted by, speculative investment in highly 'engineered' but essentially valueless investment products like CDOs (Collateralized Debt Obligations). It is not clear how the massive bail-out packages will be funded but most likely 'ordinary' taxpayers will "foot the bill", especially as large corporations have become so adept at minimizing their tax exposure through the use of tax havens, transfer pricing and the like – leaving the tax burden largely with workers. Indeed, at the end of 2008 and beginning of 2009 we are witnessing the expenditure of massive public funds to bail out banks and other institutions in the USA, UK and elsewhere. The very organs and advocates of big business who extolled the free market and shunned government intervention (apart from large but hidden industry subsidies and wealth transfers from the public sector such as those achieved through privatisation) now call for public support of private interests. In essence, the poor who suffered from the excesses of the past decade are now asked to 'save' those who engineered and benefited from these excesses.

Fourth, it is also likely that, as is already the case with the environmental crisis and climate change, there will be arguments made by the very same businesses and associated interest groups/lobbyists who led to this debacle that the health inequalities related to employment conditions and other social determinants of health cannot be addressed until the global economic crisis is resolved. In a similar vein, the same neoliberal interest groups (and neoliberal agencies like the World Trade Organisation) are now arguing that maintaining, indeed extending, 'labour market flexibility' – the euphemism for precarious employment – is essential to re-initiate economic growth. Thus, contrary to any careful assessment of evidence a critical part of the problem is redefined as the solution.

Fifth, the contention that we cannot afford to deal with health inequalities in the present climate –while it will undoubtedly exert significant pressure on governments– represents not only a morally bankrupt position (why should those whose health has been compromised by flexible work arrangements so advocated by these same interests be now asked to carry the burden for that same interest groups' own failings?) but also a misreading of the causes of the problem. As a recent ILO report (2008) highlights the growth associated with the latest phase of 'globalisation', including the use of flexible work arrangements and the like, has not contributed to a general narrower socioeconomic inequality – quite the reverse. Therefore waiting for better times to resolve these issues would be a bootless exercise in futility (even ignoring that the situation will actually deteriorate in the meantime).

Sixth, it fails to acknowledge the role that the pursuit of policies that increased socioeconomic inequality within both rich and poor countries contributed to this very economic crisis. In other words the preferred solution is actually the cause of the problem. From the mid 1970s the Keynesian accord in socioeconomic policy that had been applied in rich countries following the Second World War was progressively abandoned in favour of neo-liberal policies that argued that deregulated markets were the best mechanism for achieving prosperity and public welfare. Keynesianism, it was argued, had failed to address stagflation (simultaneous inflation and unemployment), though note that the "free market" economists remain remarkably silent now when their preferred solution has also delivered stagflation. The elements of neo-liberal policy are sufficiently well known not be repeated in detail here but included privatisation, outsourcing/ competitive tendering for government services, de-collectivised/ decentralized industrial relations, an attack on and neutering/ refashioning of government regulation, and the advocacy of flexible work arrangements, balanced budgets (with profound effects on government service provision) and tax cuts for the rich and risk shifting from government to individuals (now required to invest for their own retirement and the like). As has been well documented this ideological philosophy had dominated decision making with governments and key agencies such as the WTO, IMF and WB. A point lost in the current debate around the economic crisis is that Keynesianism did not simply entail fiscal management – something that has now been re-embraced – but critical redistributive mechanisms (full employment, government services to protect the poor, progressive tax regimes and the like). In sum, however, imperfectly Keynesianism sought to manipulate social inequality to some degree in order to address the profound economic instabilities that arose from an unregulated market system and from capitalism in general. The new regime, on the other hand concentrated wealth in the hands of a few while income levels for workers often stagnated, and in wealthy countries at least, high levels of personal debt were increasingly used to sustain consumption (a marked difference with the Great Depression that is likely to exacerbate the effects of the present crisis). Further, current efforts at fiscal stimulus largely ignore the need for redistributive mechanisms. Pumping money into banks who still won't lend because they cannot trust other financial institutions (and why would they as more evidence of ever greater debt burdens unfolds?) or to the automobile and other industries to save jobs (but it wont because the burgeoning wealth inequality and income/job insecurity means consumption will continue to contract) will not resolve the problem. Indeed, the latter was tried and failed in the Great Depression.

Seventh, the lessons to be drawn from the last two paragraphs are important. Not only has the notion of self-correcting markets and limited government intervention conspicuously failed but inequality needs to be a central component to redressing the current crisis. Employment arrangements should be a critical redistributive mechanism not a source of further exploitation and harm to the health of workers. Thus fundamental change is required in thought and action. It is unfortunately doubtful that governments will recognise these realities until the level of "immiseration" associated with the current crisis is too manifold to ignore in the context of pressure from social movements.

6. A New Policy Agenda

Neoliberalism has so steeped itself into the decision-making of governments that most policy-makers can no longer grasp the proactive role that government (at national and international level) can play in terms of social and economic development. Rather, the role of government has been limited to boosting private markets and, in times of crisis, responding to the lobbying of powerful special interest groups while the pleas of unions and other groups representing the vulnerable are largely drowned out. This needs to change.

The broad framework for critical changes to secure a more sustainable and healthy workforce and society are clear. First, effective action needs to be taken to minimise if not eliminate work arrangements known to be harmful (precarious employment, informal work, slavery, child labour and forced labour) through devices like legislation, income transfers and empowering groups that represent the vulnerable. Integrated minimum labour standards and regulation (like supply chain regulation) to combat evasive tactics are necessary at both national and international level. Trade cannot be divorced from labour standards and arrangements to safeguard the latter need to be integral part of international commerce. Second, promoting ‘quality’ work needs to be a central policy objective of governments and multinational bodies like the EU. At an EU presidency conference held in Belgium in 2001 such an effort was made but was quickly stymied by neoliberal opponents. This effort needs to be revived and extended. Again, this process must include unions and community groups as key decision-making participants. Third, inequality of income and wealth need to be addressed at both the national and international level.

Far from being an economic impediment, initiatives in this directive can address the current economic, environmental and climatic challenges facing Europe and the world. Government investment in more effective and environmentally sustainable infrastructure including education/research, transport (freight and people), healthcare, energy (including the manufacturing of new technologies), food production and urban environments can be used to simultaneously create quality and healthier work while undertaking an essentially restructuring neoliberalism has clearly failed to deliver. Promoting this form of ‘development’ in poor countries and re-orientating trade will avoid the current dilemmas whereby scarce healthcare workers are plundered from Africa by rich countries, domestic food production is sacrificed for export goods, and ‘dirty’ forms of manufacturing are shifted to poor countries. The EU should be ready to take a leadership role.

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v. A Progressive Agenda: Labour and Social Protection By Conny Reuter[28]

An Old Crisis
Progressive political forces are unanimous in their view that this crisis has not fallen from the sky, nor is it a new concept. What is different about this crisis is that it is like trying to stop a high-speed train in the countryside: many different experts want to contribute to putting the train back on track.

The dramatic consequences of the crisis on people's lives are direct consequences of the failure to set up the right policies in the past, which consist of:

- Investing in people instead of investing in shareholder value
- Reshaping a real economy around sustainable jobs and growth
- Investing in public policies, social infrastructure and social services
- Guaranteeing the transparency of financial markets and procedures
- Protecting the public good and the general interest
- Basing policy making on good governance

These policies are not new, but under the sweet poison of so-called modernism, progressive forces often gave up these essentials when about to govern.

What are the main effects of the crisis?

***Job losses* -** According to recent International Labour Organisation (ILO) forecasts, global unemployment could increase by some 50 million due to the economic downturn. Job losses will be even more relevant because of the precarious nature of the jobs created in the past. We have seen that even if it was very important to bring people back into the labour market and social protection schemes, the first to be fired are the last to be hired: that is to say, the temporary agency work forces, the part-time workers and others in precarious job situations. According to European Commission's figures (Employment in Europe 2007), between 2000 and 2006 over half of the total employment generated was with part-time jobs.
Nevertheless, according to the Organisation for Economic Co-operation and Development's (OECD) Employment Outlook 2007, even in rich countries, poverty and low pay have persisted and will rise as an effect of the crisis: across 24 OECD countries, the incidence of low pay (i.e. the percentage of workers earning less than 2/3 of median earnings) has remained above 17%. In 2009, the proportion of people in vulnerable employment could rise to 45% of the total employed.

***Wages* -** It is always however a crisis for workers' wages. In its Global Wage Report[29], the ILO stressed that the global economic crisis is expected to lead to cuts in the wages

[28] Secretary General SOLIDAR
[29] ILO Global Wage Report 2008/2009, www.ilo.org/global/What_we_do/Publications/lang--en/docName--WCMS_100786/index.htm

of millions of workers worldwide in 2009, with a rise in the number of working poor living on less that USD2 per day.

Based on the latest International Monetary Fund (IMF) growth figures, the ILO forecasts that the global growth in real wages will at best reach 1.1 per cent in 2009, compared to 1.7 per cent in 2008, but overall wages are expected to decline in a large number of countries, including major economies. Overall, wage growth in industrialised countries is expected to fall, from 0.8% in 2008 to -0.5% in 2009. This was the defensive calculation but with a recession and the fall in industrial production, this will be even more dramatic.

At the same time, the report shows that these cuts in wages follow the trends of the last decade in which wages failed to advance together with economic growth: "*while inflation was low and the global economy grew at a 4.0% annual rate between 2001 and 2007, growth in wages lagged behind, increasing by less than 2% in half of the world's countries*".

***Wages inequalities* -** Since 1995, inequality between the highest and lowest wages has increased often reaching socially unsustainable levels. Among developed countries, Germany, Poland and the United States are amongst the countries where the gap between top and bottom wages has increased most rapidly. In other regions, inequality has also increased sharply, particularly in Argentina, China and Thailand. Some of the countries which have succeeded in reducing wage inequality include France and Spain, as well as Brazil and Indonesia, though in the latter two countries inequality remains at high levels.

***Pay gap* -** The pay gap between genders is still high and is closing at a very slow place. Although about 80% of the countries for which data is available have seen an increase in the ratio of female to male average wages, the size of change is small and in some cases negligible. In the majority of countries, women's wages represent on average between 70 to 90% of men's wages, but it is not uncommon to find much lower ratios in other parts of the world, particularly in Asia.

The gap in income inequality is also widening at an accelerated pace between top executives and the average employee. For example, in the United States in 2007, the Chief Executive Officers (CEOs) of the 15 largest companies earned 520 times more than the average worker. This is up from 360 times more then in 2003. Similar patterns, though from lower levels of executive pay, have been registered in Australia, Germany, Hong Kong (China), the Netherlands and South Africa.

For that reason the crisis cannot be the new 'discourse' of those who have justified and put in place the wrong policies in the past, which have led to widening the gap between the wealthy and the most vulnerable: *According to the United Nations (UN), the richest 10% of the world's adult population receives 85% of global wealth; in contrast, the poorest 50% barely receives 1%. A Global Social Floor is indispensable to ensure a social dimension to globalization*. (International Labour Organization, Can Low-Income Countries Afford Basic Social Security?, 2008)

The crisis MUST be the opportunity to shift the paradigm of our model of development towards a social, sustainable and just model. More than a recovery plan whose role is to reply to an immediate urgency, we need a new development model and a new global governance system.

Decent Work is the Answer to the Current Crisis

The recent call made by the Head of the German government and the Heads of five international organisations, including the OECD, ILO, IMF, WTO and the World Bank on the occasion of their meeting on 5 February 2009 in Berlin, reaffirms their will to improve cooperation to build a 'stronger, cleaner and fairer economy'. The same document recognises that the ILO's Decent Work Agenda is a key element to achieving the goal of a fairer economy as well as the importance for the international community to deliver on Millennium Development Goals and the fight against poverty.

The message is clear; we cannot use the crisis to step back from previous commitments. Rather, we have to reaffirm them and integrate them into a larger agenda, setting the policy frame allowing for the creation and fair redistribution of wealth.

Decent work is a way to answer the crisis and we should push for a Decent Work Agenda to be adopted by all countries around the world, promoted by the IMF and World Bank.

The EU should not miss this great opportunity to show its leadership and the quality of its strong social model. This model is no mere accident of history, but was, in former times of crisis, an investment in a fairer and more just society known as the welfare state.

We know where protectionism combined with nationalism will lead. This historical experience need not be carried out again.

Leaders have the responsibility to adopt fair responses to the current crisis by backing social protection and social dialogue. In a way, it is a moment of truth for the wider challenges, not just to provide larger answers on a larger scale.

Amongst others, the urgency is now to:

- Widen the coverage of unemployment benefits and insurance schemes, re-skilling redundant workers and protecting pensions from devastating declines in financial markets;
- Invest in and extend social protection and employment policies with a particular focus on the most vulnerable;
- Maintain and expand development aid and other investment flows to vulnerable countries;
- Public intervention through income support measures. A social investment approach based on the ILO Decent Work Agenda is necessary to counteract rising poverty.

The EU has to put into place measures to ensure solidarity between Member States:

- Protectionist reactions to the crisis can dangerously put at stake the internal market as well as the European Social Model and fundamental freedoms (such as the free circulation of workers);
- Political reactions to uncertainty and economic distress in the form of racial and religious hatred, discrimination against immigrants and ethnic minorities, victimisation of union representatives and protectionist economic policies that would aggravate the crisis.

In our understanding, developing and strengthening social protection systems is key to tackling the social and economic imbalances. Moreover, social protection and social assistance mitigate inequality.

For a low-income country, even a basic social protection package can make the difference between achieving and not achieving the first Millennium Development Goal of halving poverty by 2015.

The minimum or Global Social Floor comprises the following social guarantees:

- Access to essential health care benefits through pluralistic delivery mechanisms;
- Family and child benefits;
- Income support for the unemployed and the poor in the active age group;
- Education and life learning schemes;
- Sustainable pension schemes and disability grants.

The Global Social Floor, can generate growth (cash injections in local economies), and promote peace, stability and social cohesion (through the redistribution of wealth).

Its implementation is affordable even in low-income countries. According to ILO calculations, less than 2% of the global GDP would be necessary to provide this basic set of social guarantees to all of the world's poor (ILO, 2006).

Building a Global Welfare State

We along with other progressive forces have to gain the opinion leadership of their political orientations if we want policies which are socially accountable.

It is therefore up to us:

- To show the validity and value of public policies in the short, mid-term and long run;
- To create a global coalition of those forces which are able to propose realistic alternatives for getting out of the crisis, and for setting a new paradigm: sustainable growth and development!

The coalition which has come together around the Decent Work – Decent Life agenda has shown both globally and at the European level, the capacity for mobilisation and outreach. It is up to progressive politicians, leaders and activists from unions and civil society to promote a new social deal.

Through our cooperation with the members and partners of the Global Network in Africa, Asia, Latin America, North America and in Europe, we are ready to invest in a large strategic mobilisation of citizens who do not only say that another world is possible, but will act on it.

The G20 Meeting (on 2 April 2009) should not only look at urgent measures on financial issues but also implement measures to promote decent work and social protection. The unions and civil society will mobilise in London calling for an economy based on a fair distribution of wealth, and decent work for all.

With the renewal of the European Institutions in 2009, starting from the EU elections in June, civil society, both environmental and social NGO networks, have prepared a manifesto for a policy change.

In this manifesto, we say that we need the Lisbon Treaty because:

- We want the full applicability of the Charter of Fundamental rights;
- We expect new or amended regulations concerning services of general interest (SGI);
- We are waiting for a potentially strengthened Open Method of Coordination (OMC) and institutionalised civil dialogue;

- We see it as an opportunity to strengthen the social and citizenship dimension of Europe.

On 7 October 2009, the International Trade Union Confederation (ITUC) will call for a big mobilisation around the World Day for Decent Work where the other partners of the alliance will again be present.

In the field of social policies and social services, we have to make sure that the general interest prevails and that the policies are considered as in the public good, worthy of investment and not market-driven.

For development policies, we need to show that the famous 0.7% of GDP that developed countries pledged to pay in development aid, is not a luxury but simply a modest reply to needs.

Good governance does not only mean transparent and fair rules, good governance also implies the strengthening of the role of civil dialogue!

SOLIDAR is a European network of 50 NGOs and labour movement organisations working towards all people living in dignity. Working in alliance with trade unions, SOLIDAR promotes equality, solidarity and social justice in the fields of social affairs, international cooperation and education in Europe and worldwide.
For more information visit www.solidar.org

vi. Redistribution in the Age of Globalization: in search of a new economic imperative

By Javier Ramos Diaz[30]

Although it is certainly arduous to synthesize the essence of an epoch, it is widely held that the last thirty years constitute the apogee of neo-liberalism on a global scale. Its core proposals are the true reflections of a vision that recover the centrality of the market to the detriment of the economic role of the state, while putting forward new social values (individualism, self-regulation, security) that challenge previous conceptions highly embedded in the public sphere.

After the Second War World, the confluence of certain forms of industrial production (Taylorism-Fordism), public economic intervention (Keynesianism), social provision (Welfare States) and household structure (Male Breadwinner model) moulded the socio-economic order of the so called "Golden Age of Welfare Capitalism", although with notable international differences as a plethora of literature on "welfare state regimes" has stressed.

This confluence made easier a wide compromise which basically meant the acceptance of a primary framework of property ownership together with rights of employment and citizenship in predominantly industrial societies. A mutual concession that made possible the institutionalisation of conflicts stemming from the tensions that exist between the inequalities inherent in capitalist property ownership and the idea of equality embedded in the concept of mass citizenship. It is what Crouch (1999) defined as the "Mid-century Compromise".

Yet the oil crisis of the seventies altered the previous scenario and by extension the roots of the "Compromise". The decline in real rates of GDP and the on-going increase in public deficit and inflation, together with a slowdown in productivity and profits, and an increase in unemployment gave way to a period of economic uncertainty which transformed the socio-economic order.

The need to maintain profitability under more restrictive economic conditions led employers to focus on achieving real productivity gains, expanding their markets and engaging in organisational decentralisation. These aims were accompanied by wider and more intensive processes of deregulation and employment flexibility that profoundly altered the previous labour scenario (Castells 1996).

A new epoch of “flexible specialisation” emerged on the ground of more dynamic adjustments to economic challenges and uncertainties. A new managerial strategy, defined as the “flexible firm” came into sight, dividing the labour force into a multi-skilled and functionally flexible protected core, and a disposable periphery with fewer labour rights that resulted in a segmentation of the labour market (Atkinson, 1987)

In this context advocates of labour market deregulation boosted a widely held view that the contrast between the “dynamic-unequal” USA and the “fossilised-equal” Europe suggested the existence of a trade-off between employment and equality. Countries with high income inequality and more flexible employment conditions showed better labour market performance, resulting in higher employment figures, than those

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with high income equality and more rigid labour legislation. The persistence of rigidities in hiring and firing conditions, of a high tax wedge and of considerable varieties of “generous” welfare benefits, were presented as major obstacles to employment creation in developed economies since they raised the cost of production, hindered competition and limited future profits (for an overview see Krugman 1993, Siebert 1997). Reduction in unemployment rates should be achieved through more flexible strategies of labour market relations and less generous social assistance**.**

In the last decades these principals have inspired a great number of policies not only in developed economies but in developing ones as well. The question guiding this chapter is whether this new economic paradigm has or has not served to improve people’s living standards worldwide.

Globalization and the New Economic Order

Although the term "global" is not at all new, it is perhaps the most appropriate term to define our epoch. In the last thirty years the so called "globalization index" has increased worldwide, particularly in Asia. All regions have registered an increase of interrelations. Even Africa, which is still the least “globalized” region, has experienced a boost in the globalization index.

This process of globalization is not ideologically neutral, nor spontaneous, but highly inspired by the liberal conceptions embodied in the so-called "Washington Consensus". The implementation of policies under the principles of trade and financial liberalization, privatization of state enterprises, redirection of public spending from indiscriminate subsidies toward pro-growth policies, liberalization of inward foreign direct investment and fiscal policy discipline, are modelling the global economy.

For free-market advocates this is the best scenario to foster economic growth, employment and wealth. The implementation of policies inspired by the principles of liberalisation, privatisation and commodification is thought to be responsible for the expansion of the size of the market allowing both developed and developing economies to take advantage of the economies of scale, and of the higher efficiency in production and exchange. Capital liberalisation and free trade encourages exports, increases human and physical capital, and boosts the total productivity growth factor (Cline, 2004) so that the competitive playing field between industrial and emerging markets countries levels and the world gets flatter (Friedman, 2005).

Indeed there are signs that developing economies are catching-up. The share of world GDP and world exports coming from developing economies has significantly increased in the last twenty years (World Bank, 2007). This is having a positive effect on poverty reduction. The percentage of people earning less than 1$ has decreased significantly and to a lesser extent the share of workers below 2$ (ILO, 2007). Additionally we are now witnessing a second cycle of globalization in which some emerging economies show a powerful capacity to export not only low-added value products, but also high-value ones demanding a highly skilled workforce (MRA report, 2007).

Yet, there are also signs that shed serious doubts on this optimistic evaluation. To begin with, the apparent reduction of poverty might not be so straight forward. According to Wade (2007), the World Bank’s poverty headcounts have a large margin of error in all years. The often-cited comparison between 1980 and 1998: 1.4 billion in extreme poverty in 1980, 1.2 billion in 1998 is biased as the Bank introduced a new methodology in the late 1990s which makes the figures no longer comparable. Additionally, China and India, the two most important countries for the overall trend, have purchasing power parity figures (PPP-adjusted income) that contain an even bigger component of guess work than for most other significant countries.

Other signs also contradict the positive image of globalization. Trade liberalization has brought about, not a global but a regional economic integration. East Asia, principally China and India, has profited in this new context the most, moving from the 4% of total world export in 1990 to 11% in 2004. Yet other world regions have hardly increased their export participation (Sub-Saharan Africa, South Asia, Middle East and North Africa, are all accounting for the same share of world merchandise exports as in 1990).

Furthermore, although international trade and capital flows have been growing faster than ever, global income growth has been slower and the world economy is allocating a smaller proportion of its income to fixed capital formation (Akyüz, 2006). Similarly, although financial liberalisation has increased private capital flows at record levels, investment into new infrastructure and productive capacity has stagnated and international capital movements have led to greater economic volatility (van der Hoeven & Lübker, 2006) (For details see several chapters in this book which are devoted to analyse the crisis of the financial market) .

Inequality is certainly growing worldwide. The gap between world regions and within countries has widened since the eighties. The sharpest rise has occurred in Eastern Europe, which accounted for the lowest inequality level until the mid-nineties, but inequality has also continued to grow in regions that already had high inequality indexes (Latin America and Asia). China, which is often presented as the globalization winner, is a paradigmatic case of growing inequality. Gini coefficient for both rural and urban population has significantly increased (0.224 in 1985 to 0.449 in 2003; WIID, 2007). But inequality has increased between rich and poor countries as well. The ratio of GDP per capital in the richest country to GDP per capita in the poorest country rose from 42:1 in 1970 to 62:1 in 1990 and the ratio of GDP per capita in the 20 richest countries to the poorest 20 countries rose from 54:1 during 1960-62 to 121:1 during 2000-2002 (Milanovic, 2005; Nayyar, D. 2003).

Similarly, informal economy is growing worldwide (McKinsey GI, 2004). At the beginning of the 21st century it represented 41% of GDP in developing countries, 38% in transition countries and 18% in OECD countries. In China 16% of GDP stems from informal sectors, growing at annual rates of between 12.51% (ILO 2002) and 13,5% (World Bank 2002) per year. Other winners of globalization show high rates a well. India (23%), Argentina (26%), Korea (27,5%), Mexico (30,1%), Malaysia (31%), Pakistan (36%), Brazil (39,8%), Russia (46,1%) or Thailand (52,6% (Schneider, 2002).

Economic immigration from poorer to richer countries is at record levels (IOM,2008) and cross-border human trafficking (illegal immigration, prostitution) is increasing worldwide (Danailova-Trainor & Belser, 2006). Economic and political openness are related. If borders are more permeable for goods and services, they are also so for movement of people. Especially when i) fertility rates are falling to levels below replacement rates in most developed countries, whereas they remain high in developing economies, ii) some low-skilled jobs are not taken by local workers at low wages in developed economies, iii) better and cheaper communication and transportation that facilitate global movements and iv) new technologies that permit immigrants a fluent and easy communication with their countries of origin.

Due to this ever-increasing immigration, an estimated 190 million persons reside outside of their country of birth or nationality. The number of those living in foreign countries for more than one year (long-term immigrant) has been growing since the seventies. There were 84 million international long-term immigrants in 1975, an estimated 105 million in 1985, around 120 million in 1990, 150 million in 2000 and 195 million in 2006 (Martin, 2001; OIM, 2008).

Many countries are trying to regulate migration and decrease borders' permeability through restrictive immigration laws. This is favoring the increase of professional smuggling and human trafficking, that not only bring migrants across borders but exploit and abuse them in receiving countries. According to recent investigations, about two thirds of global victims are trafficked intraregional within East Asia and Pacific (260,000-280,000) and Europe and Eurasia (170,000-210,000). The region of the Near East is a primary destination for victims from East Asia and the Pacific (12,500-16,000) (Danailova-Trainor & Belser, 2006).

If all this was not enough, after a century and a half of industrialization, emissions of greenhouse gases into the atmosphere are increasing average global annual temperatures, resulting in climate change with the subsequent negative effects on the global economy and prosperity. With respect to the year 1856, emissions are 30 times higher today, whereas atmospheric CO2 concentration has moved from 275 parts per million (ppm) in 1856 to 380 ppm in 2004.

By definition, climate change is a global issue, which does not fit into the logic of political borders, or other cultural and economic determinants. Yet, climate disasters are concentrated in poor countries. Some 262 million people were affected by climate disasters annually between 2000 to 2004, 98% of which were in the developing world. In the OECD countries 1 in 1500 people was affected by climate disaster whereas for developing countries the figure is 1 in 19 (UNDP 2008). Fight against climate change requires rich nations to cut emissions by at least 80%, with cuts of 30% by 2020. Emissions from developing countries would peak around 2020, with cuts of 20% by 2050. Between now and 2030, the average annual cost would amount to 1.6% of GDP. This stabilization target is stringent but affordable. The costs of inaction could reach 5–20% of world GDP (Stern Report).

To conclude, it is possible to state that the current model of globalization is bringing about a substantive integration of new economies and a reduction of 1$ poverty (although there are serious doubts about the intensity of this reduction) but this is at the expense of increasing the levels of inequality, informal economy, economic immigration, human trafficking and ecological risks.

The effects of Liberal Globalization in EU economy

This scenario is affecting developed economies as well. If growth does not translate into development in emerging economies, central economies face not only relocations of production but pressures to deregulate employment, control salaries and reduce social policy expenditure as a result of competition from third countries with lower labor costs, lax labor laws and fairly small social policies (the famous "employment-equality trade-off").

We cannot forget that cross-national differences in social expenditure are huge. Total social security expenditure as a percentage of GDP was 26,8% in the European Union, 16,6% in North America, 16,1% in Oceania, 8,8% in Latin America, 6,4% in Asia and 4,3% in Africa in 2000. The winners of globalization are devoting only a marginal part of their increasing GDP to social security. China, devoted only 3,6%, India 2,6%, Singapore 3,3%, Malaysia 2,9%, Thailand 1,9% and Indonesia and Philippines 1,7%. Other winners such as Russia, Brazil or Argentina devoted around 10% of their GPD to social issues (ILO, 2000). The resulting reality is that around 80% of the world's working population has little or no social security (ILO 2007)

This situation places "social dumping" and "off-shoring" at the forefront of economic controversies regarding the financing of the European welfare states. If wages are not adjusted downward in the EU, there will be a rise in unemployment as a result of inferior competitive rates and productive relocation. However, if wages are fully adjusted, then the result will be a rise in inequality. This apparent "employment-inequality" trade-off which has been considered the origin of one of the most important challenges for developed economies (Esping-Andersen, 1996; Scharpf, 1999) has adopted a more complex dimension as some emerging economies are not only catching up in the low-skilled sector, but in avant-garde sectors as well.

The consequences are already evident: 20% of total employment in the services sector in Europe is likely to be relocated (Welsum & Vickery, 2005). Most relocation is to new member states (51.2%), but Asia, primarily China and India now accounts for 36.3% and the rest of the world receives 12.5% of European off-shoring. And we are only seeing the beginning of job losses as a result of these relocations, (7.9% of total jobs lost in Europe in 2005, which in turn accounted for 1.2% of total employment loss compared to 2004), it is a troubling factor especially when the new EU member states are also beginning to relocate part of their production to other economies with lower labour costs (MRA report, 2007)

But the effect of relocation is reflected not only in job losses, but in the pressures to deregulate employment that is not relocated. Temporary employment has grown throughout the EU, rising from 9% in 1987 to 14.7 in 2006. Temporary workers are increasing involuntarily (60.9% in 2006 compared to 50.5% in 1986). The duration of temporary employment contracts is decreasing, thereby increasing job insecurity of unprotected workers. While the number of temporary contracts of between 1 and 2 years has doubled between 1992 and 2006, temporary contracts of less than 1 month have risen by 293% over the same period, and those between 1 and 3 months have also risen 256%.

These alarming tendencies are important as differences in terms of legal protection and wages between permanent and temporary workers continue to rise. The risk of in-working poverty (being poor despite having a job) stood at 4% in 2006 among the permanent workers and 12% among temporary workers (Eurostat 2008). And the wage gap between the two groups is remarkable with a 43% difference between temporary and permanent workers.

The ILO estimates suggest that 20% of GDP and 15% of employment in developed countries fall within the informal economy, with a remarkable increasing tendency (the percentage of workers employed in the informal economy rose in Western Europe from 12% in 1980/1990, to 15% in 1990/2000 (ILO, 2002 & 2004). Moreover, we have witnessed a loss of the importance of wages in the national income at a European level. At the EU-27, wages represented 50.3% of GDP in 1995 and 49% in 2005. This trend has occurred in virtually all member states, although it is especially pronounced in the larger European economies (Eurostat 2008).

What should be done? Some Tentative Reflexions

The integration of economies that up until now were not involved in international trade is great news. Yet the economic consequences of this integration are not so positive. In reality the benefits of the economic growth associated with globalization are being enjoyed by just a small percentage of the people, but the burdens of growth, principally inequality, deterioration of working conditions, informal economy and human trafficking, are spread out among an increasing part of the population.

The entry of developing economies, mainly China, India and Ex-Soviet Republics, into the globalized economy has brought about gigantic supply-side shocks. In 1985 there were about a billion and a half workers. By the year 2000 the global labour force had doubled to 3 billion (ILO 2007). This doubling, in the context of insecurity, labour precariousness and lack of social protection described above, is bringing about a formidable process of proletaritation which is breaking the nexus between economic growth and development. The fact that around 80% of the world's working population has little or no social security despite the vigorous growth of many economies in the last decades (ILO 2007) constitutes the core of the problem.

This is seriously damaging the sustainability of this growth model. Competition among economies is likely to be distorted unless a progressive harmonization of social standards and working conditions is achieved at the global level. The prospect of future growth and wealth will certainly be difficult to achieve if trade liberalization is just a question of extending the size of the market, ignoring social confluence and labour harmonisation. Therefore, although it is certainly ardours to synthesise the contents of a new proposal, one of its fundamental pillars should be the emphasis on social cohesion at the global level.

In order to achieve this objective it is necessary to make a profound revision of the economic imperative ruling globalization. While trade liberalisation and macroeconomic stability may be necessary to sustain economic growth, they are certainly not sufficient to spread about well-being. Global institutions such as World Bank (2000) and ILO (2007) have acknowledged that neither trade, nor growth, automatically leads to poverty reduction, and by extension that the more efficient way to reduce poverty is tackling it directly.

Therefore, greater concern for employment creation and income distribution should be more explicitly taken into consideration if the economic system is to perform better. We need to push the global agenda to favour a progressive integration of all economies into the global market, while at the same time developing new solidarity instruments in the face of rising inequalities and worsening employment conditions.

In this respect it is indispensable to pay much more attention to the prospect of setting up a "Global Social Floor" and to spread out the "Decent Work Agenda". The first option is feasible if we link social expenditure to economic growth. In the last 25 years some emerging economies have grown at a yearly rate of 10%, but their social expenditures have remained stagnant. A new economic imperative is needed to bring about a more balanced equilibrium between growth and social expenditure.

The ILO has undertaken two studies, one in Africa (seven countries) and one in Asia (five countries) which provide a first estimation of the costs of the global social floor in low-income countries. In all of the 12 countries considered, the initial annual cost is projected to be in the range of 3.7 to 10.6% of GDP. More importantly, the implementation of the Global Social Floor is affordable even in low-income countries. According to ILO calculations, less than 2% of the global GDP would be necessary to provide this basic set of social guarantees to all of the world's poor (ILO, 2008).

The gradual application of these global objectives would mean a more equitable distribution of the benefits of market integration. The current economic scenario encourages global companies to select relocation from one economy to another searching for soft laws on labour conditions and taxation, as well as the capacity to impose on governments the most favourable conditions for investment. This translates into rising inequality and a steady worsening of employment conditions.

The Global Social Floor, once implemented, generates growth through cash injections in local economies, and it promotes internal demand that, at the same time, reinforces the upward economic cycle. This will favour stability and social cohesion if redistributive policies are implemented. Additionally, the improvement of economic opportunity is not only the best long-term solution to illegal migration, but will also enable the spread business worldwide.

More political impetus should be aimed at reducing inequality on a global scale, to favor fair trade and a progressive integration of all economies into the global market but under the preponderance of new economic imperatives: redistribution and social cohesion. A globalization of this type does not involve autarkical solutions to global challenges but a significant integration by other means. Trade integration is a fundamental prerequisite for sustainable economic growth, but it must be accompanied by a distribution of its benefits that strongly reduce inequality and impede a deterioration of working conditions. This combination of economic integration and redistribution may trigger positive effects on the most important limitations embedded in the current model of liberal globalization.

Europe must play a more active role in the design of another model of globalization that would encompass social policies as one of its pillars. Despite the fact that many European citizens are still enmeshed in the logic of their local reality, Europe is a vital global player. Not only because for 50 years we have been "globalizing" a continent with significant social, economic and cultural differences, but also because we are the region of the world where the most progress on equality across a range of social policies and labour guarantees has been achieved.

In this sense the role played by progressive forces in globalization must significantly change. The ideological capital of progressive forces needs to be increased after 30 years of weak responses and accommodation to the liberal socio-economic mainstream. No longer can progressives by their silence, reinforce the economic status quo; it is time to strongly transform it.

"Third way" alternatives have shown to be a mere adaptation to the liberal principles that govern globalization, unwilling to provide a reliable substitutive model. So much more work needs to be done to move from analysis to a credible alternative. Yet, the idea of associating growth and redistribution constitutes a promising starting point.

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