

ITUC OnLine

New World Bank Report on Global Economic Prospects

13 January 2011: The international trade union movement has criticised today's [World Bank report on Global Economic Prospects \(GEP\)](#) for advocating fiscal austerity in the face of high unemployment. However, the report's call for the re-regulation of the financial sector is welcome.

In projecting future economic growth, the World Bank acknowledges, "Unfortunately these growth rates are unlikely to be fast enough to eliminate unemployment." ITUC General Secretary Sharan Burrow observed, "The report's promotion of fiscal austerity actually undermines growth and jobs."

"The World Bank should instead be calling for an inclusive economic recovery based on higher wages and stronger social protection," added Burrow. While the report's Regional Annex notes that rising wages contributed to growth in particular countries, the main report mentions wages only in advocating a "reduction of benefit replacement rates and wage mark ups." It specifically targets public pensions. "It seems highly illogical for the GEP to be promoting reduced social protection benefits and wages when ILO reports show that real wages are falling or stagnating in many countries and the GEP's country analyses show that rising wages are actually contributing to economic recoveries in some countries," said Burrow.

On the other hand, the labour movement strongly supports the World Bank's recommendation to expand regulatory frameworks to encompass hedge funds and derivatives that have previously escaped proper supervision. The report even acknowledges "taxes on short-term foreign holdings" as a legitimate type of capital control. Such taxes should be part of a much broader financial transactions tax that would curb financial speculation, help restore government finances, and generate vital resources for sustainable growth and development.

"With financial markets having so much power over governments, the major task of transforming the global economy is yet to be taken on. Governments need to act together on that task with determination and without further delay," said Burrow, who will lead a delegation of over 60 trade union leaders from around the world in three days of meetings with the top officials of the World Bank and IMF in Washington next week.

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The ITUC represents 176 million workers in 151 countries and territories and has 301 national affiliates.