INTERNATIONAL TRADE UNION CONFEDERATION
ITUC OnLine

Trade unions call on IFIs to support recovery through stronger labour market institutions and increased public investment

Brussels, 6 October 2016 (ITUC OnLine): In advance of the annual meetings of the International Monetary Fund and World Bank, scheduled to start in Washington this Friday, the ITUC and its Global Unions partner organisations call on the international financial institutions (IFIs) to support a vigorous and coordinated strategy of public investment in services and infrastructure and strengthening of labour market institutions to secure wage growth.

For the seventh year in a row, the IMF on Tuesday reduced its global economic growth forecasts and cautioned that further risks to its growth projections "are tilted to the downsides". ITUC General Secretary General Sharan Burrow commented: "The IMF's chief economist correctly said that the downward spiral of growth 'could be reversed were global demand higher', but the Fund's lending programmes actually work to reduce demand further. In the Arab countries, which recently overtook Europe as the largest recipient of IMF loans, the focus of the country programmes is on austerity and calls for labour market reform, which in Europe has meant measures to compress wages and make employment more precarious."

Global Unions' statement for the IFIs' annual meetings points out that some IMF programmes in the Middle-East-North Africa have supposedly included requirements to reach a minimum level of social spending, but when actual expenditures were far below the so-called social spending floor, there was no consequence for the status of the loan. Instead, the IMF expressed approval of the government's success in achieving "fiscal consolidation" targets.

The ITUC's general secretary also urged the IFIs to take action to reduce income inequality, following up on their own research confirming that countries with more equal distribution of income not only have better health and social outcomes but also experience more stable economic growth. She noted a glaring absence in a World Bank report on "Poverty and Shared Prosperity" published this week in neglecting to include recommendations to combat inequality through strengthening of labour market institutions. The absence is all the more surprising because the report highlights the key role that increases in the minimum wage, formalisation of low-wage workers and their access to social programmes played in Brazil's remarkable progress in reducing income inequality since 2000.

Sharan Burrow added: "The failure of the Bank's inequality report to include recommendation on labour market institutions is particularly worrisome in light of the threats of Brazil's new unelected government to end regular increases of the minimum wage and cap social spending, measures for which an IMF statement last week expressed approval. The IFIs cannot be serious about reducing inequality if they do not actively support policies on a country level that are successful in contributing to that goal."

The Global Unions' statement to the IMF and World Bank annual meetings contains several recommendations on measures the IFIs should take to support global economic recovery, reduction of inequality, more effective financial regulation, and implementation of the recently adopted World Bank labour safeguard in a manner that ensures consistency with international labour standards:
http://www.ituc-csi.org/statement-by-global-unions-to-the-17849?lang=en

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