

FINANCING A NEW SOCIAL CONTRACT BASED ON SDG 8

Trade Union demands to the Financing for Development Forum 2022

The SDG Decade of Action began in a context of multiple crises. At the same time, more than two years after the outbreak of COVID-19, this pandemic is far from over and its human cost is staggering. The world has lost the equivalent of 255 million full-time jobs in 2020; an additional 130 million jobs were lost or at risk in 2021, and global unemployment is projected to stand at 207 million in 2022.¹ Violations of labour rights are increasing worldwide,² while some two billion informal workers struggle daily to survive.

Facing this scenario, trade unions call for a **New Social Contract** to respond to six workers' demands: the creation of climate-friendly jobs with Just Transition; a labour protection floor for all workers; universal social protection; minimum living wages and equal pay; equality in income, gender and ethnicity; and a more inclusive development system with a renewed multilateralism.

Rewriting the Social Contract for our societies is a must, and it is feasible. **The SDGs show us the way forward and SDG 8 has a leading role in boosting recovery and resilience.** What we need are clear financing priorities, together with ambitious financing strategies to turn these priorities into reality.

TRADE UNION PRIORITIES FOR A SDG 8 DRIVEN RECOVERY

❖ **INVESTING IN DECENT, CLIMATE-FRIENDLY JOBS:** to achieve full employment as mandated by SDG 8, **we need to create 575 million new jobs in the formal economy by 2030³ and to formalise at least 1 billion informal jobs.** Investments should be promoted to create **decent, climate-friendly jobs** in strategic sectors -sustainable infrastructure, transport and agriculture along with energy and heavy industry transitions, and livable cities. These shifts require just transition processes that involve social partners. Adequate public investments in the **care economy** are also critical for both community resilience and gender equality. These investments would contribute to the formalisation of informal care jobs, reduce the burden of care on women and facilitate their participation in the labour market.

In line with the ILO Centenary Declaration, job creation strategies should guarantee the application of a **labour protection floor** to ensure that fundamental workers' rights are respected, an adequate minimum wage is applied, maximum limits on working time are guaranteed, and safety and health at work are upheld.

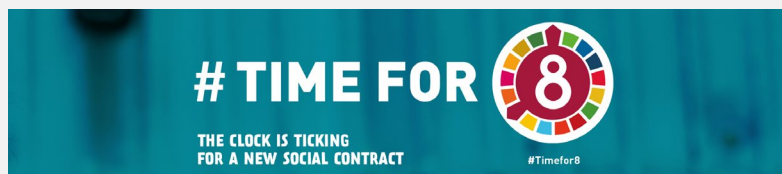
❖ **UNIVERSAL SOCIAL PROTECTION:** social protection systems have contributed to mitigating the impacts of the pandemic in many countries. Still, more than **half of the global population lack any social protection coverage⁴**, while comprehensive social security systems cover only 30 per cent of

¹ ILO, [Employment and Social Outlook](#). Trends 2022, January 2022

² ITUC, Global Rights Index 2021, <https://www.globalrightsindex.org/en/2021>

³ ITUC, [Just Jobs campaign brief - Creating jobs: what can governments do?](#), June 2021

⁴ ILO, [World Social Protection Report, 2020-22](#), January 2022



the working-age population. The pandemic also dramatically showed the **gender gaps** in social protection coverage⁵ and job security.⁶

Putting social protection at the centre of government responses to COVID-19 and other areas of crisis will increase resilience while fighting poverty and inequalities, and act as an economic and social stabiliser to sustain recovery and boost development. That is why governments must prioritise investments in extending **social protection** systems to achieve universal coverage in line with ILO standards. A **Global Social Protection Fund** is essential to mobilise and coordinate international financing to support the establishment of social protection floors in the world's poorest countries, which lack sufficient domestic resources to finance social protection in the short term⁷.

- ❖ **MINIMUM LIVING WAGES AND EQUAL PAY:** over the past 30 years, the world's GDP has quadrupled; however, the labour share of GDP has constantly been decreasing.⁸ As a result, millions of workers worldwide do not earn enough to live in dignity.

Maintaining low labour costs through low wages has been a strategy for many countries to achieve competitiveness. However, such a strategy is misguided and leads to disastrous economic consequences. Conversely, increasing wages through minimum living wages and sharing prosperity through collective bargaining have macroeconomic benefits, including increased demand, higher labour productivity growth and faster technological progress.⁹

Wage policies should be central to fiscal policy: statutory **minimum living wages**, with collective bargaining, are essential to fight poverty and inequalities. These policies must go hand in hand with the promotion of **equal pay for work of equal value**, through inclusive labour market policies, formalisation processes and measures tackling occupational segregation and discrimination.¹⁰

FINANCING STRATEGIES TO TURN PRIORITIES INTO REALITY

The financing strategies to turn these priorities into reality are available. We need a stronger and inclusive multilateral system based on: shared prosperity rather than austerity; strengthened development cooperation with debt relief; Special Drawing Rights reallocation, liquidity swaps and direct funding support; fair taxation and trade rules that allow policy space for industrial policy, along with due diligence laws for business accountability and anti-corruption measures.

- 1) INCREASED OFFICIAL DEVELOPMENT ASSISTANCE FOR BETTER DEVELOPMENT COOPERATION:** Official Development Assistance (ODA) is fundamental to contribute to recovery processes in developing countries. While development cooperation donors increased spending in 2021 to an all-time high USD 178.9 Billion, this is less than half the amount that would have been mobilised if development partners were in line with the 0.7 per cent of ODA target. We need to urgently **scale up and meet the ODA 0.7 per cent commitment, with 0.15 to 0.20 per cent of GNI for the least-developed countries.**

⁵ According to the ILO, women's coverage lag behind men's by a substantial 8 percentage points. ILO, [World Social Protection Report, 2020-22](#), January 2022.

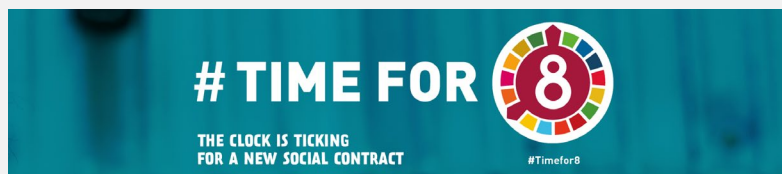
⁶ One year after the pandemic outbreak, women's employment registered a decline by 4.2 per cent, a drop of 54 million jobs, while men's employment declined by 3 per cent, or 60 million jobs. See: ILO (2021) [Building Forward Fairer: Women's rights to work and at work at the core of the COVID-19 recovery](#)".

⁷ ITUC, [A global social protection fund is possible](#), June 2020

⁸ ITUC, [Promoting minimum living wages - The World Needs a Pay Rise](#), June 2020

⁹ Ibidem.

¹⁰ See [ITUC Economic and Social Policy Brief: The Gender Wage Gap](#), august 2018.



Moreover, **ODA should be directed to support key SDG 8 related policies**, such as job creation, social protection, climate sustainability and the fight against inequalities. Blended finance mobilised through ODA should promote decent job creation and ensure compliance with ILO standards and responsible business conduct instruments. Donors should increase funding to **social protection** to reach, by 2030, at least 7 per cent of ODA allocated to social protection and gradually increase this percentage to 14 per cent, including through the above-mentioned Global Social Protection Fund. **Climate finance and just transition** are in urgent need of increased resources: still the target of USD 100 billion of climate finance a year is not being met. As a response to the Russian invasion of Ukraine, we are also seeing further worrying trends in terms of fossil fuel and other energy subsidies. Increased resources need to be mobilised, while increasing the much-needed funding for adaptation and loss and damage.

- 2) **TAX JUSTICE THROUGH PROGRESSIVE TAXATION AND GLOBAL REGULATION:** domestic resource mobilisation needs to be enhanced by promoting progressive taxation systems at the country level, while moving away from regressive taxation that generate worse results in terms of GDP, employment creation, and household income generation. Other measures for improving domestic resource mobilisation should embed policies that tackle precarious work and promote the formalisation of the informal economy in order to improve working conditions and strengthen the financing base.

Improved global governance on taxation should be promoted to address inequalities between countries and tackle tax evasion, tax avoidance and illicit financial flows. There is an urgent need for a multilateral reform of the current corporate tax architecture, including a minimum tax floor of 25 per cent for all corporations, a switch to unitary taxation with fair allocation factors, a billionaires' or wealth tax, and a financial transactions tax.

- 3) **STRENGTHENED BUSINESS ACCOUNTABILITY:** decent job creation must be at the centre of private sector financing strategies. Supporting decent work requires an adequate **regulatory framework to ensure that investments comply with ILO standards, responsible business-conduct principles, and due diligence**. The UN Guiding Principles on Business and Human Rights are equally relevant when it comes to **innovative financing vehicles such as blended finance**: in the absence of consistent evidence on its added value in terms of development impact, increased accountability and transparency mechanisms are needed through binding criteria for eligibility and compliance with international labour, fiscal and environmental standards.

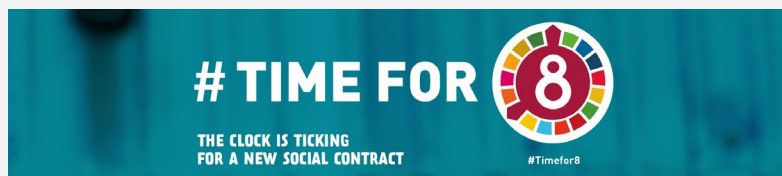
Facilitating **access to finance for MSMEs** will enhance their job-creating potential and, when complemented with the right incentives and enforcement measures, could contribute to the formalisation of the informal economy.

Given the ongoing geopolitical instability and planned increases in interest rates, **public development banks** have a specific role to play.¹¹ Public development banks should facilitate access to credit at concessional rates for public investments in health, education and social protection that will support public services.

- 4) **DEBT RELIEF, RESTRUCTURING AND CANCELLATION:** the COVID-19 crisis has dramatically increased global debt levels and put many countries at risk of debt distress, threatening much-needed investments in recovery plans.

An extension of **debt relief** should be granted to the poorest and most vulnerable countries. **Debt restructuring and cancellation** should be applied to the poorest countries in debt distress. These

¹¹ ITUC, [Financing a just and sustainable recovery in developing countries](#), October 2020



measures should serve to invest in a recovery aligned with SDG 8 that contributes to job creation and income redistribution policies.

With the end of the G20 Debt Service Suspension Initiative, the **G20 Common Framework for debt treatment** constitutes a positive step. Still, it needs to be improved and expanded to other heavily indebted countries in dire need. Sustainable solutions beyond the Common Framework should move towards a **permanent multilateral process to tackle sovereign debt challenges** and ensure private creditor participation in debt restructuring. Multilateral debt relief should be broadened alongside international tax reform to ensure adequate investments in recovery and avoid debt traps while creating fiscal space for investments in the SDGs.

- 5) **AMBITIOUS TARGETS FOR SPECIAL DRAWING RIGHTS REALLOCATION:** ITUC welcomes the progress on creating a Resilience and Sustainability Trust Fund to rechannel Special Drawing Rights allocated to high-income countries that already have adequate reserves. The goal of rechanneling USD 100 billion in Special Drawing Rights to IMF trust funds and multilateral development banks should be seen as a minimum target. The Trust Fund is a step forward in recognising that **transformative measures are needed** to anticipate and mitigate shocks related to climate, health, digitalisation and other challenges. The IMF should be reformed to best support transformation and effective crisis response, avoiding past mistakes of weakening labour market institutions.¹² The global community has not done enough to support middle-income countries and vulnerable island states during the pandemic, nor for climate mitigation and adaptation. The broad eligibility criteria of the proposed Trust Fund are therefore welcome. However, accessing the Trust Fund should not be tied to having an existing traditional IMF programme. This is at odds with the proactive intent of the Trust Fund.

- 6) **REFORM THE MULTILATERAL TRADING SYSTEM:** With decades of footloose capital and liberalised goods and services markets, the global trading system has exacerbated inequality and social injustice. The **WTO should be reformed to deliver development, sustainability, and human rights**. Among other issues, implementing the Doha Development Agenda and actualising the Agreement on Agriculture would contribute to the achievement of the SDGs. Abandoning the corporate oriented agenda of e-commerce and domestic regulation disciplines would ensure that governments have more policy space to pursue their development goals. Putting human rights in WTO's core mission would help address persisting inequalities and imbalances. The reform of the WTO should incorporate social and environmental standards and require mandatory human rights due diligence and remedies from all trading actors and MNEs. Regarding the pandemic, the global trade union movement calls for an ambitious TRIPS Waiver to achieve universal and equal access to vaccines and promote the accountability of the pharmaceutical industry.

GOVERNANCE OF THE FINANCIAL RECOVERY

Our success will depend on the governance of financing global recovery. **We need an inclusive multilateral system -with social partners on board at global and national level.** Right now, the moral imperative of global governance is to ensure **universal access to COVID-19 vaccines** by financing

¹² Global Unions, [Decent work, collective bargaining, and universal social protection: The IMF and World Bank at a crossroads](#), March 2022
ITUC, [Reforming the IMF for a resilient recovery](#), March 2021.



expanded production, fair distribution among countries, equitable rollouts and the removal of WTO intellectual property barriers.

The world needs a new vision to fund inclusive economic and societal models, and this requires commitments from all economic, social and political forces. We applaud the UN Secretary General for

the launch of the **Global Accelerator for Jobs and Social Protection, where he calls for putting decent jobs creation and universal social protection at the centre of recovery plans.** These priorities are at the heart of trade unions demands. The ITUC will work assiduously with the ILO to make the Accelerator a reality at the national level.

Building back better is not enough. The SDGs tell us that we need to build forward differently, sustainably and fairly. As the UN Secretary General said: “humanity faces a stark and urgent choice: a breakdown or a breakthrough”¹³. Trade unions stand ready to engage through social dialogue to pave the way to global resilience.

¹³ UN Secretary-General’s report “[Our Common Agenda](#)”