

**SDG DECADE OF ACTION**  
TRADE UNION POLICY RESPONSES

**SDGs FOR RECOVERY  
AND RESILIENCE**  
CASE STUDIES: BANGLADESH,  
INDONESIA AND MONGOLIA

**# TIME FOR**



**THE CLOCK IS TICKING  
FOR A NEW SOCIAL CONTRACT**



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# **SDGs FOR RECOVERY AND RESILIENCE**

## **CASE STUDIES: BANGLADESH, INDONESIA AND MONGOLIA**

This publication reflects the findings of the research conducted by Dr Rene Ofreneo

This publication is available for download at <https://www.ituc-csi.org/sdgs-for-recovery-and-resilience-in-asia-pacific>

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# FOREWORD

Asia and the Pacific was the first region to be hit by the COVID-19 pandemic and suffer its ensuing consequences in terms of health and life losses. The lockdown measures adopted by governments to fight the pandemic have caused an unprecedented social and economic crisis that has impacted the lives and livelihoods of people, increased poverty levels, deepened the already existing inequalities within and amongst countries and downgraded labour rights across the region.

Government responses to the crisis have been uneven, going from strict lockdown measures to a lax handling of the pandemic, and from strong to mild government interventions that have left the majority of the population unprotected. Workers are still suffering the consequences of governments' approaches to the crisis where insufficient efforts have been deployed to avoid layoffs, guarantee labour rights and ensure universal access to social protection and healthcare. In most of the countries in Asia and the Pacific, governments have missed the opportunity to guarantee an inclusive recovery negotiated with the social partners.

The study that follows shows the importance of ensuring an SDG-lead recovery and resilience with SDG 8 at the centre. The case studies of Bangladesh, Indonesia and Mongolia, included in this research, show different government approaches to tackling the COVID-19 crisis and the extent to which they have responded to the SDGs to guarantee that workers and the most vulnerable are not left behind.

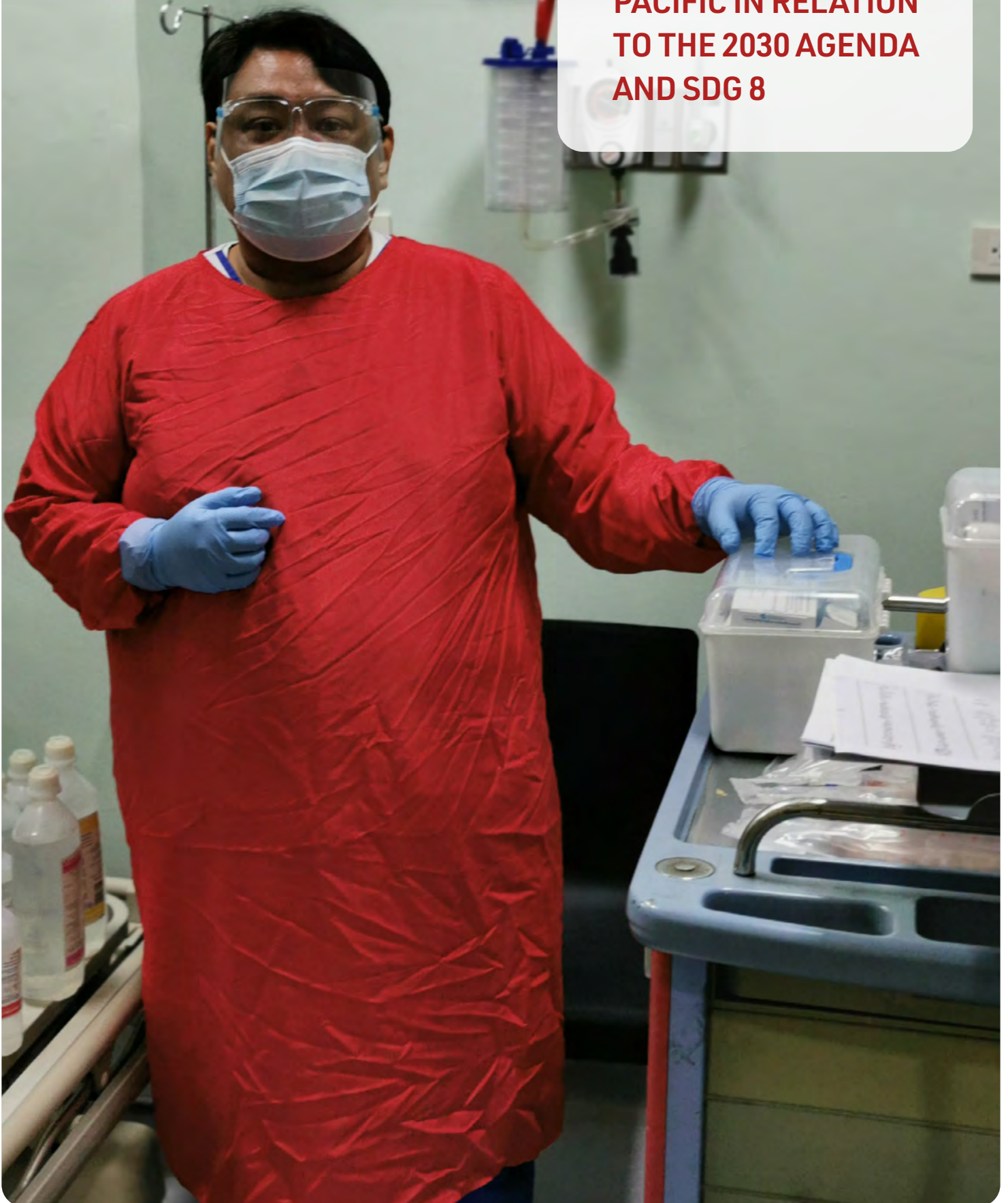
To ensure an inclusive and sustainable way out of this crisis, governments will need to put in place a New Social Contract that guarantees the creation of decent climate-friendly jobs with Just Transition; the respect for labour rights and a labour protection floor; the implementation of universal social protection and a Global Fund for Social Protection; equality and non-discrimination; and an inclusive development model.

Trade unions in the Asia Pacific region have taken up the challenge of making the New Social Contract a reality in their countries and the International Trade Union Confederation – Asia Pacific (ITUC-AP) will stand with them to make sure that this goes a long way.

**Shoya Yoshida**

General Secretary of the International Trade Union Confederation - Asia Pacific

**1. THE SOCIO-ECONOMIC  
IMPACT OF COVID-19  
IN ASIA AND THE  
PACIFIC IN RELATION  
TO THE 2030 AGENDA  
AND SDG 8**



## 1.1. Economic impact and projections

COVID-19 is a howling storm that has been wreaking havoc all over Asia. Government lockdowns to contain the spread of the virus resulted in the collapse of tourism, depressed consumption demand and plummeting investment, all of which caused a contraction of the regional GDP between 6 to 9.5 per cent in 2020. A further contraction from 3.6 to 6.3 per cent is expected for 2021.<sup>1</sup>

Factory Asia, the global value chain system linking different Asian countries in the production of myriad industrial products for the world market, is also severely disrupted. Before the COVID-19 pandemic, the global value chain system was experiencing production declines due to two major phenomena: first, the technology revolution which renders some global value chain production stages redundant due to the twin processes of automation and robotisation; and second, the rise of economic protectionist tendencies among the world's trading partners, as reflected in the unresolved "US-China trade wars". With the COVID-19 pandemic, the disruptions in Factory Asia have mounted due to contractions in global demand, slowdowns in logistics and shipping, and breakdowns in transport deliveries and schedules.<sup>2</sup>

For 2021, the economic outlook for the region continues to be grim. The model of a quick "V" recovery bandied around by some economists in the middle of 2020 has been shelved. Instead, policymakers are talking of a possible prolonged "L" curve due to the failure of Asian governments to secure enough vaccines for their populations and stop COVID-19, which has been mutating and spawning dangerous new variants.<sup>3</sup>

A "K" economic model has also been advanced: recovery for a few, continuing misery for the many. To a certain extent, this is happening at the regional level, as some East and Southeast Asian countries – China, South Korea, Japan, Singapore, Vietnam and New Zealand – have managed to tame the virus spread better and are posting positive GDP growth rates compared to the other Asian countries. On the other hand, some countries have been registering huge numbers of infections and deaths. These include Indonesia, the Philippines and Malaysia in Southeast Asia and India, Nepal and Pakistan in South Asia.

The foregoing uneven recovery outcomes are partly due to the differing level of development and financial capacity among countries. The more developed countries have better health care systems, greater access to vaccines, and more resources to finance recovery. One immediately sees the difference among countries when it comes to stimulus spending, as illustrated by the contrast between South Korea's fiscal stimulus of around 14 per cent of GDP in 2020 versus the one per cent or less for Cambodia, Laos and Papua New Guinea.<sup>4</sup> In the end, the gap between the advanced and less developed countries in the region is likely to be bigger once the pandemic is tamed.

## 1.2. Impact on the world of work

The human side of the GDP contraction and economic slowdown is vividly reflected in the developments in the labour market. According to the 2020 Employment and Social Outlook of the Regional Office of the International Labour Organization (ILO), 81 million workers (32 million women and 49 million men) in Asia-Pacific lost their jobs in 2020.<sup>5</sup> There was also a sharp reduction in the work hours of the employed. Working hour losses in 2020 amounted to 7.9 per cent for the region, equivalent to 140 million full time jobs.<sup>6</sup>

Asia is home to 1.3 billion informal workers, or more than half of the world's total of 2 billion. The livelihoods and jobs of over 800 million informal workers have also been affected by the rolling lockdowns and social distancing measures imposed by governments.<sup>7</sup>

The workers hardest hit by the lockdowns and the ensuing economic recession were:

- a. *Workers in global value chains*: Many lost their jobs due to the re-shoring processes and disruptions in the global value chain system. Global value chain workers able to retain their jobs suffered cuts in wages and hours of work because they occupy the lower levels of the wage and labour market ladders.<sup>8</sup>
- b. *Young workers*: Youth unemployment doubled in most countries, from 2019 to 2020. Youth participation in the labour force declined, as reflected in the growing number of youths “not in employment, education or training” (NEET), 160 million in all. Young workers are also facing difficult “transition” issues, transitioning from schools disrupted by the pandemic to joining a labour market with limited job opportunities for the youth.<sup>9</sup>
- c. *Women workers*: Women bear a disproportionate share of unpaid care work at home during the pandemic, caring for children, elderly and sick members of their families.<sup>10</sup> They also lose jobs and livelihoods faster than men. The stress on mental and emotional health is higher for women workers. Also, a majority of women workers in Asia are in the large informal sector, where the restrictive impact (reduced mobility) of lockdowns is strongest.
- d. *Migrant workers*: A number of Asian countries are highly dependent on the remittances sent by around 91 million migrant workers based in developed Asian countries, the Middle East, Europe and North America. The Asian Development Bank (ADB) estimated the total remittances of migrant workers to be US\$315 billion in 2019. But in 2020, many Asian migrants were laid off in different host countries and got stranded, unable to return to their home countries due to travel restrictions and logistical problems. ADB noted a decline in migrant remittances in some labour-sending Asian countries.<sup>11</sup>
- e. *Informal economy workers*: The lockdowns and State-mandated protocols on social distancing flattened the micro businesses and livelihoods of informal economy workers, a big number of whom are engaged in street-based hawking and selling of home-based products.

### 1.3. Setbacks in the implementation of the Sustainable Development Goals (SDGs)

Poverty levels in Asia have also increased dramatically, reaching one billion in 2020 (under a poverty rate of US\$3.20), with 158 million falling in the category of “extreme poverty” (under the US\$1.90 extreme poverty rate). “Multi-dimensional poverty” (including indicators on health, education and standard of living) doubled, going from an estimated 640 million people in 2019 to over 1.2 billion in 2020.<sup>12</sup>

With the COVID-19 pandemic, Asia’s limited progress in SDG implementation was further set back. In its assessment of the year 2020, the UN Economic and Social Commission for Asia and the Pacific (ESCAP) noted that Asia was achieving less than 10 per cent of its SDG targets based on “its current trajectory”.<sup>13</sup>

For the ILO Regional Office, the biggest SDG concern is related to SDG 8 (decent work and economic growth) because the COVID-19 pandemic has caused mounting “decent work deficits” in all countries. In its 2020 Employment and Social Outlook, the ILO observed that:

*“...too many workers have been pushed backwards into poverty, an outcome that relates in part to lacking or weak social protection systems and limited capacities of labor market institutions to deliver employment protection and employment services to both formal and informal workers and enterprises.”<sup>14</sup>*

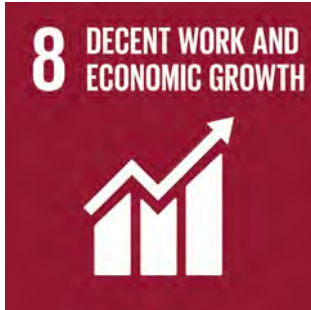


**2. MEASURING  
PROGRESS ON THE  
SDGs IN ASIA  
AND THE PACIFIC  
THROUGH SDG 8**

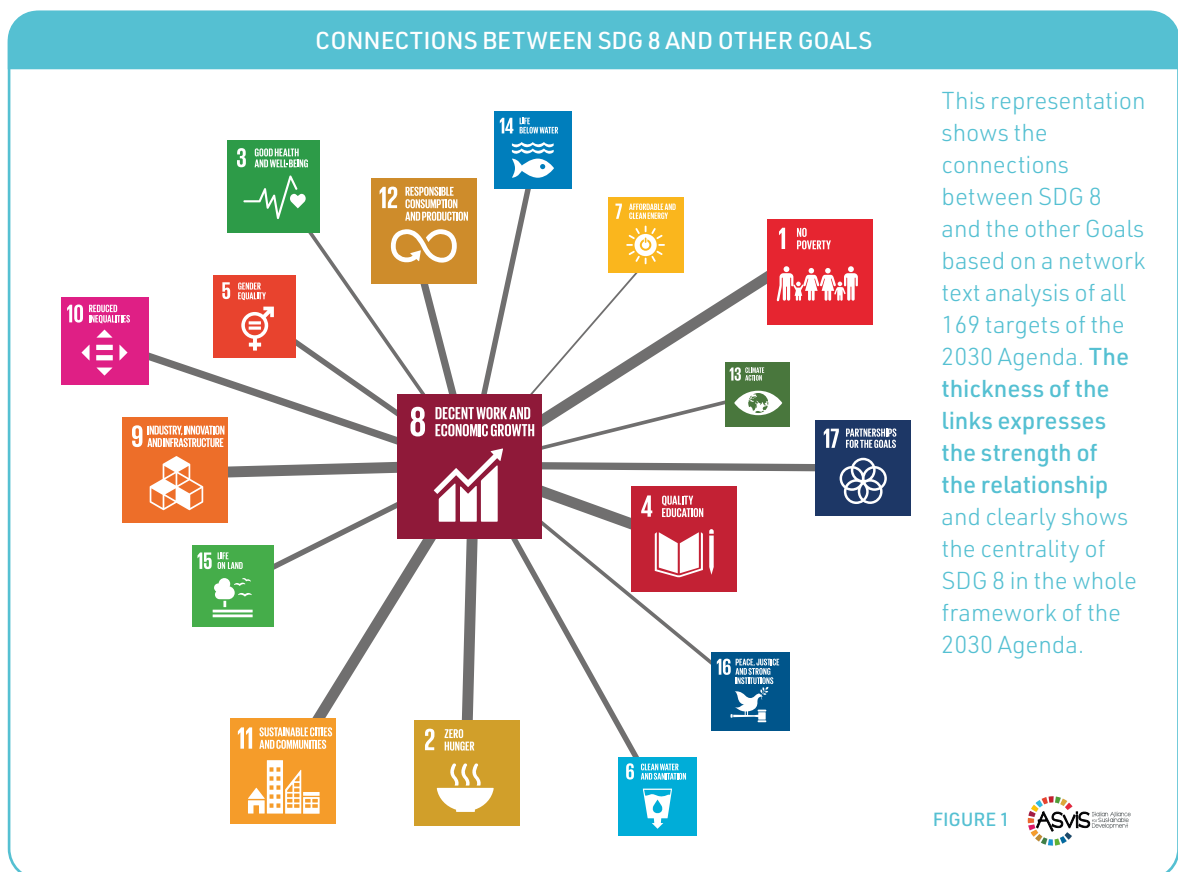


Thanks to its multiple interlinkages with other SDGs and its multidimensional nature, SDG 8 on decent work and economic growth has the driving power of carrying forward the 2030 Agenda (Figure 1).

### Main targets of SDG 8:



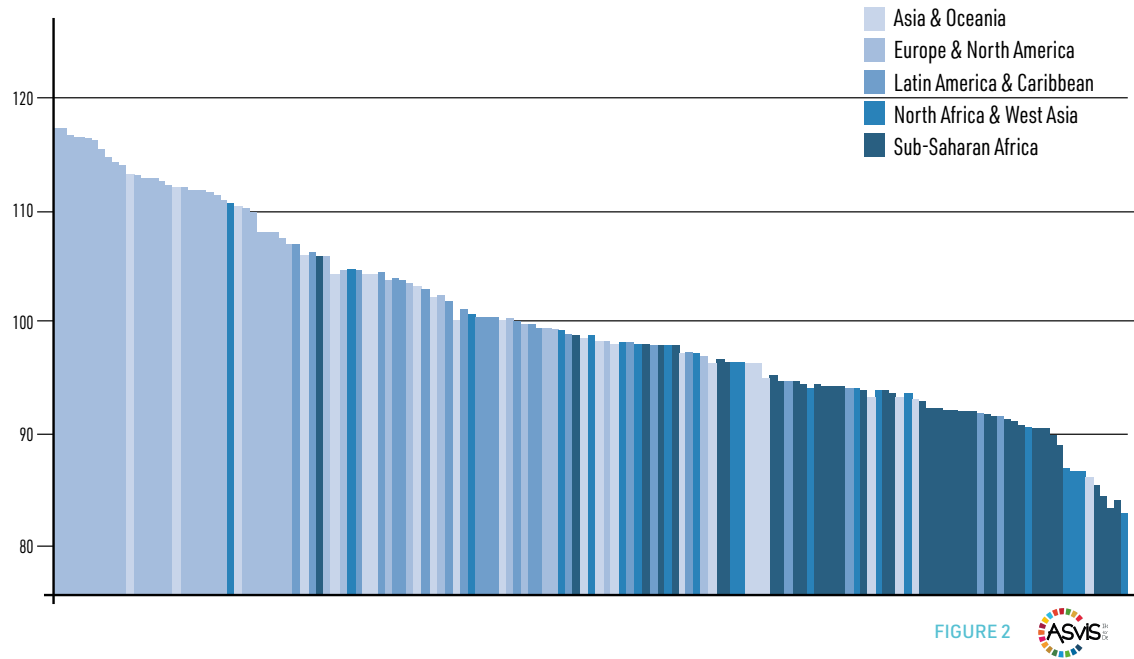
- 8.5.** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- 8.2.** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value-added and labour-intensive sectors.
- 8.3.** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- 8.4.** Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.



Source: International Trade Union Federation/Italian Alliance for Sustainable Development (ITUC/ASVIS)<sup>15</sup>

Given the centrality of SDG 8, the ITUC developed an SDG 8 Composite Indicator<sup>16</sup> based on data and statistical indicators under four major sub-domains: Economic Well-Being, Employment Quality, Labour Vulnerability, and Labour Rights. The SDG 8 Monitor aggregates the available economic, social and labour indicators under these four sub-domains to analyse world progress in attaining the SDGs through SDG 8.

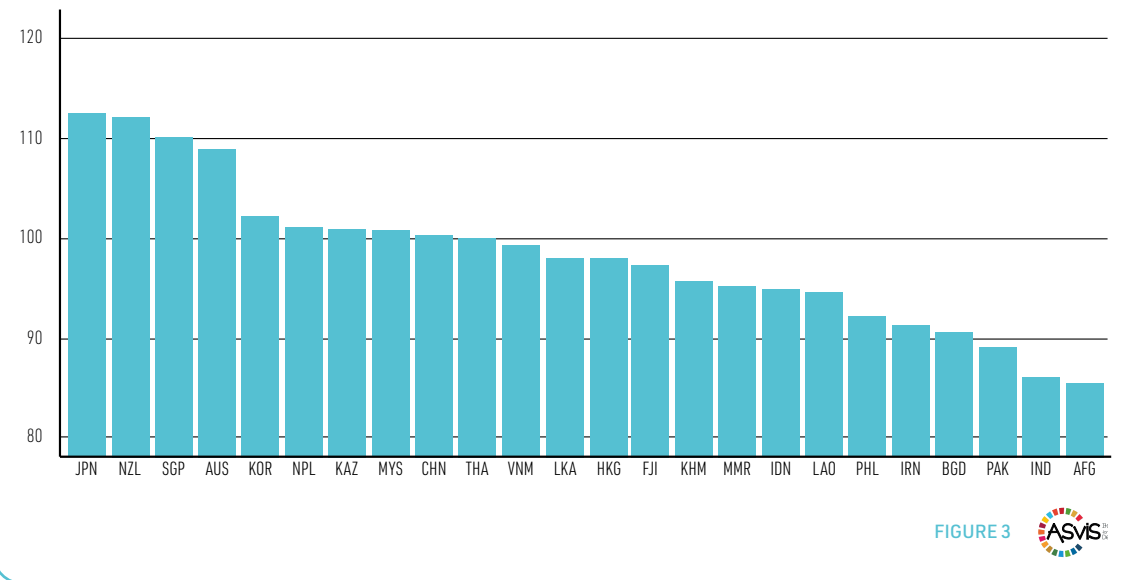
## RESULTS OF SDG 8 COMPOSITE INDICATOR BY UN REGIONS



Source: ITUC/ASviS<sup>17</sup>

In a pre-Covid assessment using the SDG 8 Composite Indicator, Asia and Oceania was rated below the world average (100)<sup>18</sup>, together with Latin America and the Caribbean, and North Africa and the Middle East (Figure 2).

## THE ASIA-PACIFIC COUNTRIES IN THE SDG 8 COMPOSITE INDICATOR



Source: ITUC/ASviS<sup>19</sup>

In Asia and Oceania, the Monitor shows that 14 out of the 24 countries analysed are below the average of 100 and only three countries (Japan, New Zealand and Singapore) scored slightly above the average (but still far from the top of the scale, as shown in Figure 3). Nineteen out of 24 countries scored below the world average on labour rights, and yet, most of these countries have been hailed as high-performing economies in Asia. This clearly indicates that economic growth alone does not lead to the full realisation of SDG 8 and that there is still a long way for the region to achieve social and economic sustainability. In Asia and the Pacific, trade unionists often complain that the region is producing high economic growth but poor job quality and low standards of living for most people. Overall, the findings of the SDG 8 Monitor in the region are in line with the finding of ESCAP that Asia-Pacific as a whole is likely to miss all the SDG targets.



**3. GOVERNMENT RESPONSES FOR RECOVERY AND RESILIENCE AND THEIR CONSISTENCY WITH SDG 8. CASE STUDIES: BANGLADESH, INDONESIA AND MONGOLIA**

Managing the health-economic crisis and stopping the spread of the COVID-19 became common policy headaches for Asian governments. A review of the different government policy responses in the region shows some uniformity in policy responses. These are reflected in the following: (a) policies to stop or contain the contagion through lockdowns and health-medical efforts; (b) policies to provide social protection and assistance to the most vulnerable; (c) policies to preserve jobs and businesses; and (d) policies to nurse the economy back towards recovery and resilience.

The policy differences among countries lie in the manner each government is crafting and implementing specific policies under the above four areas.

The following three country case studies illustrate the critical importance of having government-trade union dialogue on how countries should respond to the COVID-19 pandemic and the recession it has triggered. Additionally, the case studies show how some governments in Asia have failed to use the SDGs, particularly SDG 8, as a guide in the formulation of needed policy responses.

## Bangladesh<sup>20</sup>

*Pre-Covid situation:* Before the COVID-19 pandemic, Bangladesh was considered a rising economic star in South Asia, primed to formally graduate from a least-developed to a robust middle-income country. Its per capita income had risen fast from 2000 to 2019, fuelled largely by earnings from three major legs of the Bangladesh economy: the export-oriented ready-made garments sector, agriculture, livestock and fisheries, and migrant remittances.<sup>21</sup>

However, according to the SDG 8 Monitor, Bangladesh in the pre-COVID period still had a long way to go to reach a respectable level of development. Its scores in the four main sub-domains of the SDG 8 Monitor were way below many countries (Table 1). Bangladesh is also a hot spot in relation to the violation of labour rights.

TABLE 1. BANGLADESH RANKING IN SDG 8 MONITOR (PRE-COVID)

	Composite Indicator SDG 8	Economic Well-being	Employment Quality	Labour Vulnerability	Labour Rights
Bangladesh	90.7	98.1	98.1	94.3	74.6

Source: ITUC-ASviS-TUDCN/RSDC study, 2021.

*Covid impact:* With COVID-19, Bangladesh gains in employment and poverty reduction were quickly eroded. The ready-made or export-led garments sector suffered heavily in the first half of 2020, with 1,904 factories closing down. The sector contracted by more than 50 per cent due to the sharp decline in global demand for garments.<sup>22</sup>

The devastating economic impact of the COVID-19 pandemic was the reason the ADB chose Bangladesh as one of the early recipients of ADB's Covid-19 Active Response and Support (CARES) program by granting the country a US\$500 million "countercyclical support facility loan" in April 2020. Justifications for the loan included the following Bank projections on the likely impact of the pandemic on Bangladesh's social sector: job losses as high as 3.7 million, with one million out of the four million ready-made garment workers displaced; 13 million or 7.7 per cent of the population joining the 20 per cent classified as poor; and dire consequences for all those living below the poverty line because of weak social protection programs in place.<sup>23</sup>

The dire socio-economic situation in Bangladesh is compounded by its vulnerability to disastrous typhoons that are regularly spawned by the Bay of Bengal. One super-typhoon, Amphan, broke out at the height of the COVID-19 lockdown in May 2020, amplifying the consequences of the pandemic.

*Government response:* One immediate response of the government of Bangladesh to the pandemic was to launch a multi-purpose stimulus program costing US\$3.4 billion, or one per cent of the GDP. The cost of the stimulus ballooned to US\$12 billion (3.7 per cent of the GDP) through 2020<sup>24</sup> as the government responded to the health and social protection needs of the country, particularly to the widespread calls for assistance for the contracting ready-made garment sector, disrupted SMEs, displaced workers and the vulnerable.

#### **Measures to support workers, income and social protection**

Workers and employees in the private sector and urban informal economy in Bangladesh were very badly affected due to the prolonged impact of the pandemic. The labour-intensive ready-made garment sector was among the hardest hit by the pandemic in Bangladesh and in the Asian global value chain system. In response, workers' and employers' organisations, the ILO and major brands and retailers joined efforts to take action to support manufacturers to survive the economic disruption caused by the COVID-19 pandemic and to protect garment workers' income, health and employment.<sup>25</sup> They endorsed a call for action<sup>26</sup> and committed to work with governments and financial institutions to mobilise sufficient funding to enable manufacturers to ensure business continuity, including the payment of wages, as well as income-support and job-retention schemes to address the impact of the crisis.

In Bangladesh, industry-saving measures within the stimulus program adopted by the government included allocations for salary disbursements to garment workers and for the processing of commercial bank loans for distressed companies.

The Ministry of Labour and Employment also put in place 23 regional Tripartite Crisis Management Committees to oversee the payment of wages, arbitrate labour cases arising from the crisis and ensure industry compliance with COVID-19 occupational health and safety measures at the workplace.

With respect to the informal economy and low-income households, the government organised the "Open Market Sales" to provide subsidised food. This, however, was criticised as insufficient; hence, a cash transfer program for the most vulnerable was added. Cash transfers to returned migrant workers who lost their jobs due to the pandemic were also put in place, together with investment credits.

#### **Measures to support SMEs and job creation**

Support came in different forms: financial subsidies and loans given to firms to enable them to pay workers' wages, assistance to struggling firms in the importation of raw materials, credit facilities for SMEs, and refinancing programs for agricultural producers.

The overwhelming focus of government assistance was on the ready-made garment sector, the country's leading economic pillar. The stimulus for the ready-made garment sector includes two-year loans to factory owners at two per cent interest. The idea was for the adversely affected factories to cover the wage bill for three months. However, the operationalisation of this stimulus became problematic because of difficult technical, financial and bureaucratic procedures, such as the identification and selection of firms, disbursing of credit through the banking system, and monitoring of the assistance process.<sup>27</sup>

Credit facilities for SMEs, agriculture and select industries were also initiated in 2020. However, interest rates were higher (four per cent) compared to the loans arranged for the ready-made garments sector. Borrowers were also subjected to the same difficulties encountered by the ready-made garment borrowers.<sup>28</sup>

### **Investments to support environmental sustainability, digitalisation and Just Transition measures**

The economic stimulus packages did not include investments in the green economy as part of Bangladesh's recovery program.

Digitalisation of business operations has spread rapidly in urban areas under the pandemic. E-learning classes have also been promoted. The government has been pushing for the creation of software technology parks.

### **Is there social dialogue? Unions' point of view**

Trade unions consider effective social dialogue as the right approach to finding solutions to the most contentious economic and labour issues spawned by the COVID-19 pandemic, such as the termination of employment in losing ready-made garment factories. The unions have been submitting proposals to the government and employers' associations on how to alleviate workers' plight. They have also been attending dutifully the tripartite conferences and industry consultations convened by the government.

The problem is in finding agreement on "how to correct the problems" and "institute meaningful changes". The Bangladesh Free Trade Union Congress (BFTUC) laments that "in the end, it is always status quo all the time" because policy changes or reforms adopted are "superficial". BFTUC claims that unions' positions are heard but rarely acted upon, much less accepted in full.

The trade unions are also critical of the manner the various stimulus measures were formulated and implemented without trade union consultation. They have voiced out their criticisms on growing corruption, the non-inclusion of those deserving utmost social assistance, and in the bungling in the administration of the health, social protection, occupational health and safety and industry-based wage assistance programs.

Other labour concerns raised by the trade unions are the rising number of labour rights violations, growing social inequalities and fragile social protection, the rising unemployment and poverty rates, the increasing drift of Bangladesh towards authoritarianism, and the slow and limited progress in raising the health-safety standards in the ready-made garment and other sectors since the tragic Rana Plaza fire in 2013 (over 1,200 garment workers killed). They also warn that the national debt is unsustainable (public sector debt of US\$44.8 billion in 2019 rising to US\$52.2 billion in 2020).<sup>29</sup>

Nonetheless, the trade unions have remained hopeful despite the difficult economic and political environment in Bangladesh. They have remained firm in their advocacy for a labour-friendly "rescue program" for the country, crafted with the participation of the trade unions and other stakeholders in society. They want SDG 8 and its major development targets to serve as the guideposts for sustainable economic recovery and are calling for a New Social Contract.

## Indonesia<sup>30</sup>

*Pre-Covid situation:* Indonesia has the largest population in Southeast Asia, 270 million. Somehow, this large population has become a major source of economic growth. As the largest economy in Southeast Asia, Indonesia – a diverse archipelago nation of more than 300 ethnic groups – has charted impressive economic growth since overcoming the Asian financial crisis of the late 1990s. Today, Indonesia is the world’s fourth most populous nation, the world’s 10th largest economy in terms of purchasing power parity, and a member of the G-20. Furthermore, Indonesia has made enormous gains in poverty reduction, cutting the poverty rate by more than half since 1999, to 9.78 per cent in 2020.<sup>31</sup> Prior to the COVID-19 crisis, Indonesia was able to maintain consistent economic growth, recently qualifying the country to reach upper-middle-income status.<sup>32</sup>

However, Indonesia’s “development deficits” are huge, SDG-wise.<sup>33</sup> According to the SDG 8 Monitor (Table 2), Indonesia rated low in the four sub-domains: Economic Well-Being, Employment Quality, Labour vulnerability and Labour rights. Per monitoring by ESCAP in 2019, Indonesia and other Southeast Asian countries were on track to miss their SDG targets.<sup>34</sup> This was reaffirmed in the 2021 ESCAP report on SDG monitoring in Asia.<sup>35</sup>

TABLE 2. INDONESIA RANKING IN SDG 8 MONITOR (PRE-COVID)

	Composite Indicator SDG 8	Economic Well-being	Employment Quality	Labour Vulnerability	Labour Rights
Indonesia	95.0	98.8	101.6	92.4	87.7

Source: ITUC-ASviS-TUDCN/RSDC study, 2021.

*Covid impact:* Indonesia had the largest number of COVID-19 infections in Southeast Asia. This was due partly to the lackadaisical stance of the national government towards the pandemic during the first quarter of 2020. The country had difficulty stopping COVID-19 surges in the succeeding quarters.

The impact of the pandemic on the Indonesian economy was dire. It contracted by 2.1 per cent in 2020. Job losses for the year were estimated to be over 5.1 million and the unemployment rate increased to 7.07 per cent in 2020. Many holders of jobs in the formal sector and those with livelihoods in the informal sector suffered reduced incomes and the percentage of informal workers increased to 60.47 per cent of the total workforce.<sup>36</sup>

*Government response:* The initial government response was one of complacency over the spreading virus. But in the second quarter of 2020, President Joko Widodo tried to assert his leadership by asking the military and police to enforce a strict quarantine program. This was accompanied by an announcement of a big stimulus program amounting to US\$53 billion, equivalent to 4.4 per cent of the GDP.<sup>37</sup>

The stimulus program provided allocations for the health sector (e.g. testing and treatment of COVID patients) and programs to help workers, vulnerable populations and MSMEs survive the crisis, including recovery support for companies that committed not to dismiss workers.

### Measures to support workers, income and social protection

About one-third of the target stimulus spending in 2020 was allocated for social protection measures, which include the following: staple food program for 20 million families; cash assistance for 5.6 million laid-off workers, informal workers and micro entrepreneurs; a subsidy for 8 million workers receiving a monthly wage of less than Rp 5 million; free electricity for 24 million customers using 450 kVa; support for low-cost housing in the form of financing subsidies, and vaccination support for 10 million poor families.<sup>38</sup>

However, three major problems have emerged in the implementation of the above measures. As articulated by the trade unions, these are: the accessing of the assistance by the non-deserving “rich people”, the failure of government to deliver in full the promised subsidies to deserving workers, and the low availment of government subsidies by people working in the informal economy because the funds were coursed through the formal social security system (BPJS Ketenagakerjaan).

### **Measures to support SMEs and job creation**

These included the following: interest subsidies for micro and small enterprises; delayed debt payments for six months for those affected by COVID-19; reduction of corporate income tax from 25 to 22 per cent; import restrictions for select goods; one-year postponement of payments for loans of informal economy workers and SMEs. In addition, the cash-for-work program in disadvantaged communities has been expanded.

### **Investments to support environmental sustainability, digitalisation and Just Transition measures**

There were hardly any measures to support the green economy and Just Transition, except for the discussions/plans by different sectors on a disaster readiness program.

With respect to digitalisation, Indonesia has been witnessing rapid digitalisation of business operations. The government's "Go Digital Vision" program, launched amidst the pandemic, fuelled further growth in digitalisation, with 10 million micro and small businesses going digital. The government is promoting partnerships of SMEs with big e-commerce providers as well as partnership with the ride-hailing Grab and Go-Jek firms.

### **Is there social dialogue? Unions' point of view:**

Despite the pandemic and the lockdown, the trade unions have been active in asking government for consultations on the situation of workers, the proposed stimulus packages and the alignment of policies with the SDG 8 framework. The unions sent communications to the Ministry of Labour on the importance of information sharing and consultation on the above concerns in 2020, but, according to KSBSI, got no formal answer.

However, the trade unions tried to utilise all spaces available where they can express workers' positions on critical policy issues. For instance, they participated in the consultations convened by the Ministry of Environment on Indonesia's nationally determined contributions. This enabled them to push for the inclusion of a Just Transition clause. They even succeeded in securing in December 2019 government and industry support for a Bogor Declaration – a Tripartite Just Transition Declaration – for a low-carbon-climate-resilient (LCCR) Indonesia.

There are other trade union concerns related to the government's handling of the stimulus and other COVID response programs. First, the government failed to consult the trade unions on the stimulus packages arranged in 2020, most of which were justified in the name of job preservation and workers' protection.

Second, at the height of the pandemic, the government railroaded the passage of the so-called "Omnibus Law" on the labour market and labour relations in the second half of 2020. This Omnibus law was the object of widespread protest of the trade union movement when it was floated in 2019. As the unions see it, the law seeks to liberalise the rules on employee termination, relaxes stringent rules on outsourcing, weakens minimum wage provisions, extends overtime hours, allows employers to keep workers on temporary employment contracts, and liberalises rules on the environment for investors, among others. On the other hand, the government justifies the passage of the law as an instrument for investment and job creation. It thus baptised the new law as the "Job Creation Law", meaning the law was part of Indonesia's recovery program.

Third, the SDG 8, as a guide in policy formulation, has not been given enough attention. As the KSBSI put it, the overwhelming focus of the policy makers was on the economic growth aspect, not in ensuring the decent work aspect in development. The consultation process on SDGs was flawed. The trade unions also complain about the downgrading of environmental concerns in the packaging of the stimulus growth and in the formulation of growth strategies.

Fourth, social protection for the displaced formal workers and the large army of informal workers (over 56 per cent of the total work force), including workers with disabilities, was abysmally limited.

Fifth, observance of labour rights under the pandemic has been weak, with trade unions unable to express collective power due to lockdown restrictions. The situation has worsened with the downsizing of the number of labour inspectors.



## Mongolia<sup>39</sup>

*Pre-Covid situation:* The social and economic problems of Mongolia are complex. Like its giant neighbours (China and Russia), Mongolia has shifted from a centralised government-run economy to a free market economy. However, the transition has not been easy. It has caused labour pains, especially for those displaced due to the large-scale privatisation and/or dissolution of state-owned enterprises.

A major trade union concern under the transition is the rapid debt accumulation of Mongolia, incurred mostly in the 2000s. But when the market for minerals plummeted in mid-2010s, it was forced to seek a bailout agreement with the International Monetary Fund (IMF) in 2017. The IMF stabilisation loan amounting to US\$5.5 billion came with a heavy social price. Government spending was restrained under a broad austerity program.<sup>40</sup> One of the victims of this austerity program was social protection for the poor and vulnerable because social spending of the government had to be reduced. The Confederation of Mongolian Trade Unions (CMTU) explained that the increase in workers' social insurance contributions was part of the austerity program.

Mongolia is not covered by the SDG 8 Monitor due to the lack of comparable data on social and economic indicators for its four major sub-domains. But a good assessment of the status of SDG implementation in Mongolia in the pre-Covid period can be gleaned from the trade union SDG country profile elaborated by the CMTU in 2019. The CMTU reported that the minimum wage had doubled since 2010, the proportion of the population covered by social protection had increased, and the ILO Convention on Social Security was ratified. However, the CMTU also reported some negative developments: poverty "constantly rising"; unemployment for both men and women growing; an increasing number of working-age youth falling in the NEET category; and surge in the number of child workers.<sup>41</sup>

*Covid impact:* Mongolia, a large land-locked country with a sparse population of over 3.3 million, was hailed in 2020 for having one of the lowest rates of COVID-19 infections, less than 1,000 from March to September 2020.<sup>42</sup> This was credited to the early efforts of the Mongolian government to contain the pandemic, including the closure of its long borders with China.

However, the economy contracted severely in 2020, due largely to the collapse of tourism and the sharp decline in the demand for Mongolia's major export products: coal, copper and gold.<sup>43</sup> Its large herd of cattle cannot make up for the downfalls in mineral exports, especially to China.

The labour impact of the crisis is rising unemployment (over seven per cent in 2020) and a declining labour force participation rate among the working-age youth, meaning a growing number of jobless workers are not looking for jobs they feel are not available in the labour market.

*Government response:* The response of the government, through the State Emergency Committee (SEC), was to engage in heavy fiscal spending on the health sector and on measures to save jobs and businesses. According to the World Bank (2021), Mongolia's relief and recovery spending reached over nine per cent of GDP, one of the highest in Asia-Pacific.<sup>44</sup>

The relief and recovery program was a product of tripartite consultations in the first quarter of 2020. Eventually, the program was legislated through the issuance in April 2020 of a government "Decree on Stimulus Package for Economic Recovery and Protection of Citizen's Health, Income and Employment".<sup>45</sup>

### **Measures to support workers, income and social protection**

The major measures adopted by the government include: increase in child allowances, distribution of dividends from state-owned enterprises to all citizens, no penalty for those unable to pay their electricity consumption, refund of the VAT collected in the first quarter of 2020, increase of food stamp amounts for adults and children, increased social welfare pension, and increased allowances to solo parents with more than four children and persons with disabilities. Pensions for seniors were also increased.

Wage and salary earned from the second to the third quarter of 2020 was exempted from income tax and social insurance contribution.

### **Measures to support SMEs and job creation**

Over 100,000 SMEs were exempted from taxes for half a year. No penalty was imposed on companies which failed to remit social insurance contributions.<sup>46</sup>

On direct assistance to businesses, the government provided credit guarantees to SMEs and subsidies and soft loans to cashmere producers.

### **Investments to support environmental sustainability, digitalisation and Just Transition measures**

Mongolia had a number of programs on climate change mitigation being pursued with the help of UN agencies – before the COVID-19 pandemic. These programs are now being revived in 2021.

Since 2016, the Mongolian government has been promoting digitalisation as part of governance and economic development. Under the pandemic, the process of digitalisation accelerated, with a majority of businesses adopting the use of information and communication technology. E-learning classes have also been pursued with the help of UNESCO.

### **Is there social dialogue? Unions' point of view**

Social dialogue between and among the trade unions, employers and government agencies is a well-established institution in Mongolia. In the pre-COVID period, the CMTU, together with the Mongolian Employers' Federation (MONEF), was regularly invited to bipartite and tripartite meetings convened by the Ministry of Labour and Social Protection (MLSP) and other agencies dealing with other socio-economic issues, such as the environment and SDG implementation.

With COVID-19, the social partners – CMTU, MONEF and MLSP – have maintained and even deepened the dialogue process. Thus, in contrast to the experience of other countries, Mongolia has managed to minimise job-shedding exercises in industry and reduced the pain of workers and families suffering from eroded incomes through tripartite agreement on measures protecting jobs, incomes and people's well-being. Many items in the long list of social protection measures outlined above were products of social dialogue. As pointed out, the April 2020 Decree on Mongolia's Stimulus Package was the end result of tripartite consultations and dialogues, with the CMTU playing an active role.

The dialogue process has been cemented further with the updating by CMTU, MONEF and MLSP of their 2017-2018 Tripartite Agreement on Labour and Social Consensus. On 28 May, 2021, the leaders of the three institutions signed the "National Tripartite Agreement on Labour and Social Consensus 2021-2022". The new agreement has a long list of new proposals advanced by CMTU and MONEF on how the government can further strengthen its plans and programs to increase incomes, salaries, pensions and benefits of the working people of Mongolia.

But the most significant feature of the new tripartite agreement is a section on "Social Partnership", which provides mechanisms on how the social partners can develop consensus making in tackling the social, economic and labour issues facing Mongolia. The CMTU believes that the agreement will help enhance labour standards and promote collective bargaining between employers and unions.

The foregoing Tripartite Agreement, forged amidst a global pandemic and a global recession, is clearly a historic social contract. Of course, it cannot solve all the problems that Mongolia is facing, such as its huge external debt, dependence on a few mineral exports, and problems arising from Mongolia's unfinished "transition" towards a free-trade market-oriented economy. But the Tripartite Agreement is a potent weapon in the search for societal solutions that require the collective support of the whole population. Social dialogue can help the tripartite partners chart development pathways out of the COVID-triggered crisis, development pathways that are supportive of a green, inclusive and sustainable Mongolia.

## 4. CONCLUSIONS AND RECOMMENDATIONS



## 4.1. How can governments shape response strategies to the crisis in line with SDG 8 and the 2030 Agenda?

The health-economic crisis gripping Asia and the rest of the world is a crisis like no other – one which requires a whole-of-society, whole-of-humanity approach. But how should Asian countries rebuild their flattened economies? How can recovery and rebuilding be inclusive and sustainable?

The case studies we have presented above show that fostering economic growth without addressing the requirements of decent work and environmental sustainability will not contribute to an inclusive recovery and can deepen inequality. The race to the bottom of the past should be replaced by a race to the top. Efforts of economic planners to downgrade or roll back labour rights are counterproductive and do not foster competitiveness in the long run. The old thinking that a country's competitiveness lies on its ability to attract investors by restraining unionism and reducing workers' rights will only help deepen the crisis.

Unfortunately, such old thinking is still prevalent in the policy corridors of many countries, as seen with the implementation of the Indonesian Omnibus Law. It is even reinforced by the top-down, unilateral and even militaristic approach of autocratic government officials in responding to the crisis. Some Asian leaders have even been using the pandemic as an excuse to push for labour policies that weaken labour rights.

The reality is that solid responses to the pandemic and its ensuing crisis require the opposite approach – a consultative and participatory process that involves all sectors of society. This approach can only be forged by promoting genuine, transparent and sustained dialogue between governments and the social partners. In this regard, the example of Mongolia – inking a social contract in support of protection for all amidst an unprecedented health-economic crisis – is truly outstanding.

The socio-economic containment measures that governments across the region have devised or are formulating should be part of proactive stimulus policies negotiated with the social partners. A truly inclusive recovery must be based on a New Social Contract with SDG 8 at its heart. This will require the creation of decent climate friendly jobs with Just Transitions; guaranteeing labour rights; guaranteeing universal social protection; ensuring equality and an end to all forms of discrimination; and promoting an inclusive development model.

Decent work creation will need to be at the forefront of crisis responses to ensure that workers' livelihoods are restored and that economies are refloated. New, climate-friendly jobs will need to be created in key sectors, such as health and education, including jobs in the care economy, to ensure quality public services.

Job creation in the green and digital sectors will be fundamental for recovery strategies, and although digitalisation has been given importance in some countries, the case studies undertaken in this report show huge investment deficits in the green economy. A more solid approach is therefore required for job creation in these sectors, through investments in digitalisation, renewable energies, energy efficiency measures and sustainable transport. But these will need to be accompanied by Just Transition strategies that are negotiated with the social partners to guarantee that workers can shift to new jobs in these sectors through active labour market policies that include vocational training and reskilling, and strengthened social protection schemes that will support them through the transition.

Countries' job-creation policies will need to consider the huge challenges that informal economy workers face across the region and provide for formal jobs as well as for concrete initiatives for the formalisation of the informal economy in line with ILO Recommendation 204. But governments also need to specifically target the youth in their employment creation strategies, to offer them adequate job opportunities and ensure a smooth transition from schooling (which has been heavily affected by the pandemic) to the labour market. Specific measures are also needed to fight against child labour, a scourge that has increased in many countries due to the pandemic.

Throughout our analysis and the different case studies, we have seen huge violations of labour rights that are latent in many of the countries in the Asia-Pacific region and how these are challenging the achievement of SDG 8. To promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, governments across the region will need to implement a labour protection floor, in line with the ILO Centenary Declaration for the Future of Work, to ensure fundamental workers' rights are respected, living minimum wages are applied, maximum limits on working time are upheld and occupational health and safety is guaranteed.<sup>47</sup>

In the devastated landscape that the pandemic has left in the region, social protection has been the only lifeline for many workers, including displaced and informal economy workers. But social protection measures have been insufficient and, as seen in the case of Indonesia, they have failed to adequately reach informal economy workers and the most vulnerable populations. Strengthening social protection systems and floors, in line with ILO Convention 102 on social security and ILO Recommendation 202 on social protection floors, should be one of the main building blocks for resilience to current and future crises. Universal social protection and access to healthcare need to be ensured by governments to reduce the vulnerability of their populations.

Responses to the current crisis will need to consider the burden that increasing levels of debt are weighing on national budgets. Trade unions in Bangladesh and Mongolia have shown concerns about rising debt levels which defy the much-needed stimulus measures to rebuild labour markets and guarantee well-being. In order to devise sustainable solutions, governments will need to work together with the social partners to seek collective ways of tackling these challenges.

## 4.2 What is the role of international cooperation in supporting these recovery and resilience strategies?

While countries in the region have made considerable fiscal efforts to mobilise resources to respond to the COVID-19 crisis, limited budgets assailed by increasing debt burdens (as in Bangladesh and Mongolia) can only be stretched so far. The role of international cooperation in supporting these recovery and resilience strategies will be fundamental in the coming years.

Although, overall, Development Assistance Committee (DAC) donors have increased their official development assistance (ODA) budgets in 2020 to reach the highest level of expenditure ever to be seen – US\$ 161 billion – this amount is equivalent to only 1.37 per cent of DAC countries' own fiscal measures to fight the COVID-19 crisis. Efforts should therefore be made by DAC members in order to reach the 0.7 per cent target of gross national income that would have ensured an additional US\$ 188.6 billion would have been invested in 2020 to respond to the needs of developing countries at a time when aid is more dear than ever (OECD, 2021).

Increased ODA should be accompanied by a targeted approach to focus on key sectors. Ensuring access to vaccines will need to be one of the first steps towards recovery, not only because “no one is safe until everyone is safe”, but also because this is a moral and humanitarian imperative. Development cooperation donors should target support towards guaranteeing universal access to free testing, treatment and vaccines for developing countries.

While development donors are increasingly focusing on the green economy, investments should be targeted towards climate-friendly job creation, accompanied by Just Transition measures, to ensure that these investments do not leave workers and their communities behind.

Investments in jobs should also promote decent job creation in the care economy, a sector which has proven to be a fundamental pillar of our societies and which has been increasingly visibilised throughout the pandemic. Care work is mainly undertaken by women and in most cases remains informal or unpaid. Investing in the care economy would contribute to increasing the number of jobs available for women and to formalising informal jobs.

But any investments in job creation need to be accompanied by respect for labour rights. Development cooperation providers need to ensure that workers' rights are respected throughout all their operations. This also includes guaranteeing that resources mobilised by and through the private sector comply with international labour standards and ensure due diligence.

Universal social protection is also a key area to build resilience to which DAC donors should increasingly contribute. Donors should increase bilateral contributions towards the strengthening and access to social protection systems, but also contribute to coordinated approaches for the promotion of universal social protection through support to a Global Fund for Social Protection that would contribute to funding social protection floors in the world's poorest countries.<sup>48</sup>

Support to social protection should also contribute to the formalisation of the informal economy through specific measures that will facilitate voluntary contributions from informal economy workers and guarantee an increase in coverage.

The Creditor Reporting Systems purpose codes on the Decent Work Agenda, adopted by the DAC in 2018, will help us track the extent to which ODA is contributing to important areas for recovery, such as employment creation, labour rights, social protection and social dialogue.

In light of the increasing need for financial resources that countries are facing to rebuild their economies and societies, development donors need to prioritise the use of grants instead of loans, as the latter will further increase debt burdens. Domestic resource mobilisation will need to be promoted through progressive taxation and international cooperation on tax matters to tackle tax evasion, tax avoidance and illicit financial flows. A global minimum tax rate for all corporations should be implemented together with a wealth tax and a financial transactions tax.

Finally, as recommended for governments' response measures to tackle the COVID-19 crisis, an inclusive approach in shaping and implementing development cooperation policy responses will need to be undertaken together with the social partners to guarantee a greater effectiveness and impact of policies and ensure we can all work together towards the achievement of an SDG-led recovery based on SDG 8.

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# SDG DECADE OF ACTION

TRADE UNION POLICY RESPONSES



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