



## **ITUC/TUAC Assessment of the G20 Summit in Osaka**

23 July 2019

When the G20 Leaders met in Osaka on 28-29 June, most of the G20 Ministerial Meetings under the Japanese presidency had taken place, with the notable exception of the Labour and Employment Ministerial Meeting (LEMM) scheduled on 1-2 September. The Osaka Declaration<sup>i</sup> shows that gap. While the deliverables on infrastructure, trade, digitalisation, finance and health are highlighted through over a dozen of new declarations and action plans, labour and employment issues take a back seat and are reduced to the core topics of the Presidency (demographic change and gender equality).

In particular, the outcome does not provide a stronger stance on Future of Work and labour market challenges, lacks references to past commitments made on the labour income share and omits social dialogue or collective bargaining as key mechanisms. Critical notions on non-standard forms of work are not sufficiently far-reaching or concrete, whilst a strong labour market dimension remains hidden, as does a reference to fair transitions regarding the deployment of Artificial Intelligence – endorsed by the G20 AI Principles. These Principles are important to flag for future industrial and employment frameworks.

### **Specific comments**

#### *Economic policy co-ordination and structural reform*

Over the years, the economic policy co-ordination function of the G20 has faded, which is not reassuring. Once again, the G20 Statement adopted in Osaka is lacking a strong commitment to effectively ensure co-ordinated fiscal policy stimulus just as the ongoing slowdown is intensifying. This is concerning, given that the initial and fundamental mandate of the G20, ten years ago, was to co-ordinate economic policy to exit the 2008 crisis and shift toward sustainable and mutually reinforcing growth trajectories.

Regarding the policy response, the text is almost a copy-paste version of last year's statement reading: "Fiscal policy should be flexible and growth-friendly while rebuilding buffers where needed and ensuring debt as a share of GDP is on a sustainable path. Monetary policy will continue to support economic activity and ensure price stability, consistent with central banks' mandates" (#5).

Trade and geopolitical tensions that have intensified lately are singled out as the principal causes for the slowdown (#4). The Declaration could have been more assertive on the need to support domestic demand, which is for the moment keeping the economy going. To secure a strong and sustained recovery that relies on itself and feeds on its own

strength, any policy formulation would need to boost aggregate demand and to close the income inequality gap.

In the following chapters of the Osaka Statement, the G20 leaders pledge to foster “Robust Global Economic Growth” (#8-13) and create a “virtuous cycle of growth by addressing inequalities” (#21-25), ignoring past G20 commitments on income inequalities and labour income share. The need to ensure fair labour market outcomes, for distributional measures that reduce income inequalities and to close productivity gaps through strong labour market institutions is missing.

Unlike in previous years however, the G20 leaders did not adopt an updated version of the G20 Finance Action Plan on structural reform. Last year’s “Buenos Aires Action Plan” to a large extent tilted toward a business competitiveness agenda, with little consideration for past commitments on income inequality and inclusive growth. The absence of an action plan this year is notable. It does signal another weakening of multilateralism and the need for co-ordinated measures.

### *Trade & investment*

As with last year, and in the context of exacerbated trade tensions between the US and China, the G20 Declaration does not elaborate on trade and investment, whilst reiterating a call for reforming the World Trade Organisation (#8). This constitutes another missed opportunity to frame the reform of the WTO, and the broader trade and investment treaty network, within the discussion on the global coherence with labour and environmental standards and agreements, a central demand of the L20.

While the WTO discussions on e-commerce are not mentioned per se in the Declaration, a side meeting was held by G20 members and other WTO members, that signed the Joint Statement on Electronic Commerce in Davos in January 2019, launching the “Osaka Track” to help speed up negotiations and international rule-making ahead of the next WTO Ministerial in June 2020<sup>ii</sup>.

The trade tensions are also felt in the following section related to the excess capacities in the steel sector. The G20 leaders were expected to renew the mandate of the G20 Forum which is hosted by the OECD as part of its Steel Committee. That did not happen, and further discussions are needed to secure the renewal of the mandate by the end of the year (#9).

### *Digitalisation*

The Osaka declaration offers more promising prospects regarding digitalisation. The non-binding G20 AI Principles<sup>iii</sup> (based on the OECD Recommendation on AI from May) are endorsed – and thus a “human-centred approach” (#12). The declaration does not go into the specifics of the principles – yet it is an important outcome to track, seeing as they cover important technical safeguards on transparency, robustness, accountability and security, as well as policy calls to ensure the sharing of productivity gains, a fair transition for workers through social dialogue, responsible work organisation settings and a call for multi-stakeholder, international co-operation.

On data use and governance, the G20 kept commitments broader and agreed to ensure an effective use of data. Cross-border data flows are seen as essential towards more productivity growth – the evidence base for which to this day is lacking. On a positive note, “privacy, data protection, intellectual property rights, and security” challenges are acknowledged (#11). On the downside, solutions are then proposed through “sharing of good practices on effective policy and regulatory approaches and frameworks that are innovative, as well as agile, flexible, and adapted to the digital era, including through the use of regulatory sandboxes” – seemingly promoting a loose form of co-operation in regulation-making and putting the emphasis on the adjustment, rather than the application of existing policy and regulatory tools. The exacerbated competition challenges in the digital economy are also completely missing from the text. So is a link to labour market issues in this section – also due to a lack of involvement of the L20 in the process leading up to the Trade and Digital Economy Ministerial. The Leaders also omit the role of digitalisation in increasing inequalities and, instead, they state their wish of realising a sustainable and inclusive society. Finally, digital divides for vulnerable groups and MSMEs are recognised – all the while, north-south and rural-urban divides are left aside.

### *Infrastructure*

Over the years, financing infrastructure has become a core issue for the G20. The G20 approach (mainly led by the Finance track) has mostly had an excessive, if not exclusive, preference for private finance and for the failed model of Public Private Partnership – picturing infrastructure as “an asset class”. Another aim was to help promote better co-ordination between regional development banks, infrastructure funds and the Chinese Asian Infrastructure Bank. The Osaka Statement focuses on the “quality” and endorses new G20 Principles on Quality Infrastructure. The text was developed without taking on board standard instruments on responsible business conduct or a parallel G20 Commitment on supply chains, despite contributions of the L20 to the G20/OECD Task Force on Infrastructure in the initial discussions and in the G20 Development WG. It is nevertheless positive that the statement stresses the importance of taking into account other environmental and social considerations, however limited such a commitment may be.

### *Labour and Employment*

The Statement is less ambitious on employment matters than last year’s G20, but it offers some focussed deliverables, most notably on gender equality and ageing. Unlike most other G20 Ministerials, the Labour Employment Ministerial (1-2 September) is taking place after the Leaders’ Summit, and accordingly, its expected deliverables are taking a backseat in the statement. Other Ministerial meetings taking place after Osaka are those on Tourism, Health and Foreign Affairs.

Last year’s Argentinian presidency created expectations that policy aspects of the Future of Work would be further developed during the next Presidency. G20 Leaders in Buenos Aires recognised the importance of social dialogue, the policy recommendations on FoW of Labour Ministers and endorsed a separate “Menu of Policy Options on FoW” prepared by the G20 Finance<sup>iv</sup>.

The Osaka statement does not offer any progression and does not mention past G20 deliverables on social dialogue or the labour income share, as called for by the L20 in meetings of the G20 Employment WG. Some language heavily tilts towards flexibility and business groups with insufficient counterbalancing for security and social partners (“We will boost [...] flexible work arrangements” #21). Rather odd, is an instruction to the Labour and Employment Ministers “to further exchange experiences and good practices as we endeavour to develop adequate policy responses to these new forms of work, taking into account the view of the private sector” [21]. It does not discuss recognised issues surrounding the need to extend the right to collective bargaining for dependent self-employed workers or acknowledge regulatory arbitrage leading to atypical or precarious work. It also does not discuss the need for fair and decent wages. In these respects, the G7 Social Communiqué and G7 Social Tripartite Declaration are more far-reaching and set a clearer mandate to monitor and tackle these challenges<sup>v</sup>.

On population ageing, the statement refers to the importance of “promoting a healthy and active ageing society that enables to workers to participate in the labour market at older ages, while continuing to increase participation of youth, women and persons with disabilities in economic activities” [21]. It also speaks about raising the quality of employment and enhancing working conditions for all, with specific reference for long-term care workers. It however fails to mention the importance of ensuring access to and adequacy of pensions for people in old age.

Business responsibilities in global supply chains are referenced, but limited to a single reminder about past commitments to “promote decent work and reaffirm our commitment to take actions to eradicate child labour, forced labour, human trafficking and modern slavery in the world of work, including through fostering sustainable supply chains” (#21) – yet it does not recall previous commitments in this regard and does not make references to existing standards within ILO, UN and OECD instruments. Without incorporating such recognised standards for supply-chain responsibilities, it will be difficult, if not impossible, to achieve the goals in the G20 Statement for the tourism (#24) and agriculture (#25) sectors, which present extremely dysfunctional supply chains.

### *Women’s empowerment*

In regard to gender equality, the statement is more ambitious, recalling the 2014 Brisbane Goal, to reduce the gap in labour force participation between men and women by 25 per cent by 2025 (#22). Positively, it also commits to tackle gender pay-gaps, address the gender gap in unpaid care-work, improve the quality of women’s employment and fight any form of discrimination (#22). Notably, following the adoption of the ILO Convention and Recommendation on violence and harassment in the workplace, the G20 too “reaffirms the importance of taking measures to eradicate all gender-based violence, abuse and harassment, including in the digital context” (#23). However, and despite the Presidency’s ambition on this topic, commitments to reduce women’s occupational segregation are limited to skills provision only. Concrete measures (also being led globally by trade unions) to pro-actively tackle gender gaps in the workplace (e.g. pay transparency clauses, family-friendly provisions in collective bargaining agreements, and other measures that seek to address women’s disproportionate share of unpaid care work and tackle gendered social norms and stereotypes), as well as efforts to achieve equal and equitable representation of women

in leadership positions (e.g. through gender quotas) are omitted in favour of vaguely-worded voluntary commitments by the “private sector”: “We welcome efforts, particularly by the private sector, to promote women’s access to managerial and decision-making positions and foster women business leaders and entrepreneurship” (#23).

### *Climate*

As with last year, the Statement exposes the split between the US Administration and the rest of the G20 Countries regarding the Paris Agreement. While the “G19” Signatories to the Paris Agreement are “determined to implement it, reaffirm their commitment to its full implementation, reflecting common but differentiated responsibilities and respective capabilities, in the light of different national circumstances” (#35), the US Administration has its own paragraph – a first for a G20 Statement – stating that “the United States reiterates its decision to withdraw from the Paris Agreement because it disadvantages American workers and taxpayers” (#36).

The Osaka statement makes an important reference to the work of the International Panel on Climate Change (IPCC) and Intergovernmental Science-policy Platform on Biodiversity and Ecosystem Services (IPBES), stressing the call for urgency from the scientific community and takes on board the outcomes of the joint Environment-Energy Ministerial that took place mid-June, G20 Leaders calls for “a paradigm shift” on environment and growth (#34). The statement is quick to underline that such a paradigm shift should take place “with business communities playing an important role, in synergy with the public sector”. There is no mention of a need for a Just Transition that takes into account the impact of the climate crisis on workers, their families and communities and which is crucial to get society to support the urgent and ambitious climate policies that need to be implemented.

### *Financial reform*

The G20 leaders “remain committed to the full, timely and consistent implementation of the agreed financial reforms” (#19). The reality however is that many G20 jurisdictions are lagging behind. The recent status report by the Financial Stability Board however shows that many jurisdictions, all in the Eurozone banks are “materially non-compliant” with the Basel III rules (supposed to be the basic reform post-2008). “Vulnerabilities and emerging risks to financial stability” are mentioned, in line with recent FSB and OECD findings and concerns about overall debt levels, corporate levels in particular, shadow banking and specifically with private equity ones (leveraged loans).

### *Tax reform*

The G20 leaders adopted the Work Plan on the tax challenges of the digitalisation of the economy which was agreed to by the OECD-hosted Inclusive Framework on the BEPS Action earlier in June, and committed to redouble efforts for a consensus-based solution with a final report by 2020 (#16). The Work Plan could soon be revised however. Ongoing talks at the OECD and at the G7 (Biarritz Summit on 24-26 August) suggest that a consolidated version of the Work Plan could be agreed by the end of the year, one that would give greater scope for unitary taxation of MNEs (by opposition to the entity-by-

entity arm's length principle). This would be welcome – provided that employment matters are fully taken on board.

Regarding the Global Forum the G20 Leaders welcomes the OECD updated list of “jurisdictions that have not satisfactorily implemented the internationally agreed tax transparency standards” (#16) and the fact that “defensive measures will be considered” against these jurisdictions (current list: Antigua and Barbuda, Brunei Darussalam, Dominica, Israel, Montserrat, Niue, Saint Vincent and the Grenadines, Sint Maarten, Trinidad and Tobago and Vanuatu).

### *Implementing the 2030 Agenda for Sustainable Development*

The G20 Leaders adopts the Osaka Comprehensive Accountability Report – which is a status update on the G20’s work with the SDGs and development. In line with the parallel work on infrastructure, the report highlights the role of “blended finance” as a way to upscale efforts to reach the SDGs, but comparatively gives less scope for social dialogue and democratic oversight.

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<sup>i</sup> <https://www.g20.org/en/documents/>

<sup>ii</sup> [https://www.g20.org/en/special\\_event/index.html#day2](https://www.g20.org/en/special_event/index.html#day2) & [https://www.g20.org/pdf/special\\_event/en/special\\_event\\_01.pdf](https://www.g20.org/pdf/special_event/en/special_event_01.pdf)

<sup>iii</sup> [https://www.g20.org/pdf/documents/en/annex\\_08.pdf](https://www.g20.org/pdf/documents/en/annex_08.pdf)

<sup>iv</sup> [https://www.g20.org/sites/default/files/documentos\\_producidos/g20\\_menu\\_of\\_policy\\_options\\_for\\_the\\_future\\_of\\_work\\_fwg\\_1.pdf](https://www.g20.org/sites/default/files/documentos_producidos/g20_menu_of_policy_options_for_the_future_of_work_fwg_1.pdf)

<sup>v</sup> <https://tuac.org/news/outcome-of-the-g7-labour-employment-ministerial-2019/>