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# CHANGING THE RULES FOR A JUST AND INCLUSIVE GLOBAL ECONOMY

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## THE CURRENT RULES ARE NOT WORKING

For too many people the global economy isn't working. Billions still live in poverty unable to meet their basic needs, while the wealth of the super-rich continues to grow beyond our wildest imagination. Although there have been leaps forward made possible through new technologies, the benefits have been seized by those at the top. Climate change is accelerating, destroying lives and livelihoods. Millions were denied access to vaccines while rich countries hoarded more than they could use, exposing the inequities of trade rules. Over 53 per cent of the global population are unprotected by any social protection measures. In short, there is an urgent need to change the rules, to put people, not profit, first and to build a just and inclusive global economy for all.

# THE RICH ARE GETTING RICHER

From every perspective, the data is clear. Year on year, the rich are taking a bigger slice of the world's economic pie.

The [World Inequality Report](#) found that the richest 10 per cent of the global population currently takes an astonishing 52 per cent of global income, whereas the poorest half of the population earns just 8.5 per cent of it. An [Oxfam report](#) released at the beginning of 2023 found that the richest 1 per cent captured nearly two-thirds of all new wealth created since 2020. The report showed that;

*“Since 2020, for every dollar of new global wealth gained by someone in the bottom 90%, one of the world's billionaires has gained \$1.7m.”*

The [ITUC campaign](#) for a new social contract has shown that the world is three times richer than twenty years ago, yet 70 per cent of people do not have universal social protection, 84 per cent of people say the minimum wage is not enough to live

on, and the right to collective bargaining is violated in 81 per cent of countries. Nearly half of the world's population are still struggling to survive on less than US\$5.50 per day.

The Covid-19 crisis exacerbated inequalities. Wealthy countries pumped large sums of public money into their economies to support their populations but this also drove up asset prices and wealth at the top. In the absence of progressive taxation, the super-rich pocketed unprecedented fortunes.

While the fortunes of the super-rich grew rapidly, the pandemic led to hardship for the vast majority of people. ITUC figures show that the effects of the Covid-19 pandemic have destroyed more than 250 million jobs worldwide and worsened the extent of underemployment in many countries. The economic impacts were felt disproportionately by women, young people and those most vulnerable in society.

Sustained, decades-long attacks on collective bargaining have also heightened the imbalance in wealth and power. These attacks have led collective bargaining coverage to decline in many parts of the world. In the [OECD](#) countries alone, bargaining coverage has continued to fall from 37.4 per cent in 2000 to 32.1 per cent in 2019, and the link between bargaining coverage and inequality is indisputable. As the [International Labour Organization](#) reported in 2022, “*collective bargaining ... can effectively reduce wage inequality, whether in an enterprise, sector or industry.*”

Current levels of inequality, which have risen nearly everywhere since the 1980s, are the result of the political choices. Governments have given priority to liberalization and deregulation over the measures that reduce inequalities - progressive taxes, regulation, decent minimum wages and trade unions.

Indeed, inequality is a political choice, not an inevitability.

# A COST-OF-LIVING CRISIS PUT ONTO THE SHOULDERS OF WORKERS

To compound the structural failings of the global economy, workers around the world now face the impacts of a severe cost of living crisis. [ITUC](#) statistics on the 2022 World Day of Decent Work showed that more than half of households worldwide are struggling to get by and 10 per cent cannot meet the cost of essentials. Millions are going hungry, enduring lack-of-heating, facing homelessness or rationing medicines. Millions more face the stress and uncertainty of economic precarity.

The [World Economic Forum](#) report issued at the end of 2022 showed that this has been a truly global crisis. In Kenya, inflation was running at a five-year high, in the UK inflation climbed to its highest rate in 40 years. In Turkey, [annual inflation was at a 24-year high of nearly 80 per cent](#) and in Australia inflation reached its highest rate in more than 20 years. Most recent data show that inflation is slowing, but nevertheless very few workers have recovered the loss of the real value in their wages.

This cost-of-living crisis developed out of the Covid-19 pandemic and the impacts of Russia's invasion of Ukraine, but it was driven forward by the fact that many companies were able to earn windfall profits.

Global financial institutions and central banks expect workers to pay the price. They have consistently increased interest rates in order to engineer an economic slowdown and higher unemployment as a way to "cool" the labour market and curb worker bargaining power.

## **INCREASED RISK OF A GLOBAL DEBT CRISIS**

Inflation and rising interest rates have pushed many countries towards a new debt crisis. The UNCTAD Trade and Development Report 2022 estimated that 60 per cent of low-income countries and 30 per cent of emerging market economies are in or near debt distress, which makes the possibility of a global debt crisis high. Entire countries are facing bankruptcy, with the poorest now spending four times more repaying debts to rich creditors than on healthcare.

As a result of the debt crises, [Oxfam research](#) shows three-quarters of the world's governments are planning austerity-driven public sector spending cuts over the next five years. That means cuts to healthcare, education and social protection, putting the most vulnerable even further at risk.

## **INTERNATIONAL TRADE THAT DOES NOT DELIVER**

The Covid-19 pandemic shone a light on the failings of a global trade system designed to maximize the profits and power of corporations. Effective vaccines were developed with unprecedented speed, but vaccine nationalism by the richest nations and intellectual property provisions deprived millions of life-saving protections. Nevertheless, the World Trade Organization refused to change the rules.

While some progress has been seen in strengthening labour protections within trade agreements, for example in the US-Mexico-Canada successor to NAFTA, most agreements in recent years continue to



have weak or unenforceable sustainable development chapters, such as in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership or the Regional Comprehensive Economic Partnership.

The increasing urgency of the climate crisis has also shone a light on trade.

Controversy around the Energy Charter Treaty has led several countries to withdraw due to the potential for investor state dispute settlement proceedings which could be used against them if they take steps to reduce or end dependency on fossil fuels.

## **GENDER INEQUALITY REMAINS**

The global gender gap in labour force participation is still estimated at 27per cent and progress towards ending the gender pay gap remains painfully slow, still at around 20 per cent globally, according to the International Labour Organization (ILO). Women lost around US\$800 billion in income during the pandemic.

# LACK OF PROGRESS ON SUSTAINABLE DEVELOPMENT

We should be just seven years away from achieving the 2030 Agenda for Sustainable development that was launched with such fanfare back in 2015. However, progress across all the Sustainable Development Goals has stalled and it seems extremely unlikely that any of them will be met by 2030. The latest progress report shows that working poverty had increased for the first time in two decades although SDG1 calls for the elimination of all forms of poverty everywhere. SDG 5 aims to achieve gender equality and empower all women and girls, yet women accounted for 45 per cent of global job losses while only making up 39 per cent of total employment. We have seen the first rise in inequality between countries in a generation despite the commitment of SDG 10 to fight to reduce inequality.

# **A CLIMATE CRISIS**

The current global economic model is further challenged by the need for fundamental reform to tackle the existential crisis of climate change. Our current path is not leading to the reductions in climate impacting emissions which are needed and without urgent action we will have soon crossed the point of no return.

Governments and finance capital continue to support fossil fuel developments when the decarbonization of the economy is urgently required, a clear example of market failure.

# **TIME FOR CHANGE**

The time has come to change the rules to make the economy work for people and communities. The need for a just and inclusive global economy has never been greater and UNI and its affiliates must work to develop and support alternatives to the current failed system.

# SOLUTIONS AND CHANGES

## STRENGTHENING COLLECTIVE BARGAINING

Fundamental change is needed at a structural level to deliver a just and sustainable global economy. But perhaps the biggest step forward in delivering this goal remains increasing collective bargaining coverage for workers around the world. Building collective power and delivering collective agreements is at the heart of the work of UNI and its affiliates.

Evidence shows that increased collective bargaining coverage reduces inequality, improves gender equality and even the OECD recognized that “collective bargaining matters for some of the policy objectives that policy makers and citizens care most about: employment, wages, inequality and productivity.”

However, collective bargaining remains under threat in many countries. Overall collective bargaining coverage continues to decline and the fundamental right to collective bargaining continues to be under attack. The ITUC Global Rights Index in

2022 showed that the number of countries violating this right increased from 63 per cent of countries in 2014 to 79 per cent of countries in 2022. It will not be possible to achieve a just and inclusive global economy without reversing this trend. Respect for the right of collective bargaining is crucial to build a more sustainable future for all.

## TAXING THE RICH

Tax rates for the richest in society have been falling for decades. This means that some of the richest in the world, such as Jeff Bezos and Elon Musk, pay far lower 'true' rates of tax than the vast majority of the world's workers.

There is a growing momentum for fundamental change. [Oxfam published a major report](#) to coincide with the 2023 World Economic Forum that called for significantly increasing taxation on the wealthiest as one important step governments could take now to reduce inequality and boost investment in a fairer and more sustainable future. The report

included new analysis showing that an annual wealth tax of up to 5 per cent on the world's multi-millionaires and billionaires could raise US\$1.7 trillion a year, enough to lift 2 billion people out of poverty. UNI and its affiliates have been pushing that same message of the need for a redistribution of wealth through taxation in the face of the cost-of-living crisis. Slow but welcome progress is being made at the global level where, for the first time, agreement was reached at the OECD on minimum rates of corporate taxation. But at just 15 per cent this falls well below the 25 per cent rate that has been widely demanded, and both on corporate taxation and the need for the wealthiest to pay significantly more tax much more needs to be done.

## **MAKING TRADE WORK FOR ALL**

UNI and its affiliates have continued to campaign for new rules for international trade. Digital trade is one area of particular importance to UNI sectors where there is concern that the current structure of digital trade agreements will restrict the ability of

governments to legislate on issues such as taxing ecommerce, data localization and opening up algorithms to much needed scrutiny. This focus on the new area of digital trade agreements is in addition to the ongoing demands for the inclusion of binding and enforceable labour rights, the exclusion of public services from international trade, removing investor state dispute settlement mechanisms and protecting the right to regulate.

The [Council of Global Unions](#)' called for vaccine equity in relation to Covid-19 and that principle is now informing trade union input in the process for a potential World Health Organization convention on pandemic prevention, preparedness and response.

## **A SUSTAINABLE AND RESPONSIBLE FINANCE SECTOR**

A just and inclusive economy also requires a more sustainable and responsible financial sector as it remains a driving force behind the global economy. The sector should defend workers' rights and operate

for the benefit of individuals and the real economy, serving society and not the other way around.

More effective regulation to avoid systemic risk and ensure that the finance industry can promote long term business investments is crucial. The recent cases of the collapse of Silicon Valley Bank and the crisis at Credit Suisse have shown that governments have not learned the lessons of the 2008 banking crisis and the risks to wider society and the economy remain significant.

The need to protect the jobs, terms and conditions of finance workers as the sector continues to undergo massive restructuring remains important. However, there is also increased focus on holding financial institutions responsible for the investments they make and support. Examples include pressure on financial institutions relating to their investments in countries with significant human rights abuses such as Myanmar, engagement with investors on issues of labour rights and strengthening the trade union voice within the key role the finance sector plays in the needed green transition.



# CHALLENGE MONOPOLY POWER

The economic dominance of mega corporations and the growth of monopoly power across the economy threatens democracy and offers too many companies an anti-competitive advantage. Some of this market dominance was evident when companies were able to profiteer in the face of inflation.

Amazon is a case study of a company which benefits from its size and control of technology, leading to outsized influence and power. It controls a sales platform on which it sells its very own products in “competition” with others. It also controls the advertising algorithm which relies upon data it gathers from its millions of customers. How can this possibly be fair to other companies which sell on Amazon.com?

At the same time as Amazon has used aggressive tax avoidance mechanisms to reduce the already minimal corporate tax that it owes, it has benefitted from over [US\\$4.7 billion of government subsidies.](#)

UNI and its affiliates are engaging with competition authorities to raise the importance of the impact on workers in the context of competition decisions, often in alliance with other civil society organizations.

## **A NEW SOCIAL CONTRACT**

Bringing these elements together is the foundation for the collective global trade union call for a [new social contract](#). The demand for a new social contract encapsulates the key policy foundations to build a just and inclusive economy for all, based around key themes of jobs, rights, wages, universal social protection, equality and inclusion.

The call for a new social contract is reflected in the proposal of the UN Secretary General for a massive expansion in social protection. This is needed to build a sustainable recovery after the Covid-19 pandemic and to reduce inequality. Greater spending on social protection can lift millions out of poverty and ensure they have access to education and healthcare. Combined with

investments in the green and care economy, estimates from the UN's [Global Accelerator for Jobs and Social Protection](#) show the potential for creating 400 million new jobs by 2030.

## CONCLUSION

In 1944 the ILO, in the Declaration of Philadelphia, stated that *“labour is not a commodity, freedom of expression and of association are essential for sustained progress, and poverty anywhere constitutes a danger to prosperity everywhere”*. That sentiment remains true as UNI meets for its 6th World Congress, again in Philadelphia. UNI and its affiliates are continuing to lead the way to demand a new social contract, to ensure that the rich pay their taxes, to fight for trade rules and a responsible finance sector that work for the good of all, and most importantly to strengthen and widen the coverage of collective bargaining.



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