

## **The 2030 Agenda: How Social Dialogue combats inequality and ensures social cohesion<sup>1</sup>**

### ***The world is growing unequal***

The new global development agenda, enshrined in the 2030 Agenda for Sustainable Development and its Sustainable Development Goals, has since the early days of its negotiation been accompanied by the slogan and ambition to "leave no one behind". For workers and the union movement this means recognising and taking action on the ever increasing inequalities people face, within and between countries.

Rising income inequality is no longer just an ethical issue – it has economic costs and restrains a broad-based and sustainable economic recovery. There are also serious long-term consequences. High inequality leads to low inter-generational mobility. The capture of the policy agenda by top income earners through their excessive domination of political funding in some countries is leading to a serious distortion of public policy and builds inequity into economic growth models.

Increases in household income inequality have been largely driven by changes in the distribution of wages and salaries, "the labour share", which account for 75% of household incomes among working-age adults. Inequality is not limited by geographical scope and is pervasive in the developed and developing world alike. While, according to the Gini coefficient, it is highest in Latin America and Sub-Saharan Africa, income inequality within the wage share is increasing in many countries in the developed world.<sup>2</sup> Inequality as measured by the ratio of top to bottom deciles of income earners rose in most, albeit not all, G20 countries.<sup>3</sup> From the late 1980s, the increase in income inequality became more widespread, though significant differences between countries remain. Tax havens are a perverse manifestation of and further entrench income inequality and must also be exposed and completely uprooted. The existence of tax havens is not limited to Panama but prevalent in countries which profess to combat tax evasion and corruption, including the United States and the United Kingdom.

High and rising inequality has a significant social and economic cost. A series of papers from the IMF research department have argued that rising inequality, combined with the behaviour of financial intermediaries contributed to the financial bubble prior to 2008<sup>4</sup>. Other work concludes that "equality appears to be an important ingredient in promoting and sustaining growth". The current rise in inequality is increasingly at odds with established paths towards sustainable development. Leaving aside the moral case for greater equality, there is also a compelling economic case against inequality.

Poverty excludes millions of citizens from the mainstream economy, depriving them of the opportunity to achieve their potential. Over the past years an increasing number of governments have cut public spending, often within the context of so-called austerity measures, and ultimately failed to deliver on their obligations to ensure quality education, health care and social protection for all. This undermines social mobility and efforts to build fair, equitable and inclusive societies, and reduces the prospects for sustainable growth in the medium term.

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<sup>1</sup> This paper draws extensively from existing work; *TUAC Background Paper The Role of Collective Bargaining as part of a comprehensive strategy to reduce inequality* - [http://www.tuac.org/en/public/e-docs/00/00/10/6D/document\\_doc.phtml](http://www.tuac.org/en/public/e-docs/00/00/10/6D/document_doc.phtml); *The Relevance of Social Dialogue in Development* - <http://www.ituc-csi.org/social-dialogue-development>

<sup>2</sup> <http://data.worldbank.org/indicator/SI.POV.GINI/countries?display=map>

<sup>3</sup> Source: OECD Earnings Database, ILO Global Wage Database and OECD-EU Database on Emerging Economies for Brazil, China, India, Indonesia and South Africa.

<sup>4</sup> Michael Kumhof and Romain Rancière, IMF Research Papers, 2011

### ***As labour market institutions have been eroded, inequality has deepened***

The weakening of labour market institutions is one key cause of increasing inequality. The “structural reform paradigm” employed since the 1980s had the undesirable effect of reducing the ability of labour market institutions to moderate market inequality. The proportion of workers covered by collective agreements has declined in many industrialized economies.

The integration of national economies into global markets and the expansion of global supply chains have intensified competition and caused leading firms to cut labour costs through restructuring, outsourcing and off-shoring. This, in turn, has increased downward pressure on wages and working conditions. In a number of countries, these changes were accompanied by the deregulation of labour markets and a rollback in policy support for protective labour market institutions and collective bargaining. These policies, together with the increased mobility of capital, have tipped bargaining power away from workers and their representatives. The model of global supply chains is based on low wages, insecure and often unsafe work. Goals to realise sustainable development have to realise decent work.

International labour standards are the foundation for social justice and a fair globalization. Despite widespread ratification of ILO conventions, obstacles to the effective realization of the Right to Organise and Collective Bargaining (ILO Convention 98) continue. Recent IMF research “confirm that the decline in unionization is strongly associated with the rise of income shares at the top” and goes on to say that this “explains about half of the 5 percentage point rise in the top 10 percent income share. Similarly, about half of the increase in the Gini of net income is driven by de-unionization<sup>5</sup>.”

As pillars of social dialogue, freedom of association and collective bargaining serve as cornerstones for reducing inequality. This is done by improving working conditions and ensuring fair employment relations and innovation, but also by valorising democratic institution-building more generally. It is clear that social dialogue has a key role to play in managing societal change.

### ***Inequality, the 2030 Agenda and the role for the Social Dialogue***

The evidence that inequality is increasing in all corners of the world is overwhelming. Consequently, UN Member states and the international development community more generally, have identified inequality as one of the main and growing challenges for sustainable development. This is illustrated by Sustainable Development Goal 10 (SDG 10). The 2030 Agenda has further acknowledged that sustainable development can only be achieved through the creation of productive employment and decent work for all by enshrining it in SDG 8 respective targets of the SDGs. Fulfilling the four pillars of decent work - employment creation, workers’ rights, social dialogue and social protection- are crucial to ensure that “no one is left behind”. In light of global trends, the importance of the social dialogue and collective bargaining cannot be understated in efforts to combat inequality. There is a need to reverse the current trends by promoting and supporting the social dialogue and the role of the social partners.

Social dialogue is any type of negotiation, consultation or exchange of information between representatives of employers, workers and governments on issues relating to economic and social policy. It can take place at different levels, from sectoral or inter-professional, to national and regional. It can produce different outcomes from collective agreements at enterprise level, international framework agreements, to national tripartite compacts.

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<sup>5</sup> Source: Florence Jaumotte and Carolina Osorio Buitron in IMF “Finance & Development”, March 2015, Vol. 52, No1

Social dialogue requires an enabling environment and an effective institutional framework. This begins with respect for fundamental freedoms of right to association and right to collective bargaining. Representative and independent employers and workers' organisations, sound industrial relations practices, functioning labour administrations, including labour inspection, and respect for the "social partners" are the other building blocks of social dialogue.

With an increased orientation towards the private sector in development circles and the focus on economic growth, coupled with increasing concerns about social and income inequalities, social dialogue is indispensable. Social dialogue has a function to ensure businesses respect working conditions and consequently serves as a means to ensure accountability of businesses and private sector actors in their operations<sup>6</sup>. In the absence of dedicated and enforceable whistle-blower protection for workers, unions have an important role to play in exposing and identifying corrupt practices.

Moreover, social dialogue is a vehicle for improving system effectiveness and equity, and enhancing the quality of service provision and delivery. Workers represent an invaluable source of knowledge not only in terms of working conditions and professional needs, but, importantly, also sector-wide and system-level improvements.

Finally, in many post conflict situations and countries transitioning to democracy, social dialogue has proven to be a powerful tool to stabilise social relationships and pave a way forward, by bringing around the table economic and social actors and governments. Social dialogue has been at the heart of transitions to democratic and free societies in places like South Africa, Tunisia, Indonesia and many countries in the post-Soviet Eastern Europe.

### ***The impact of social dialogue on development: highlights from country experience***

In an effort to assess the impact of social dialogue and its development relevance at the national level, the union movement recently conducted two country case studies, in Ghana and Uruguay. Highlights of these two case studies are presented here. Each of these country experiences demonstrates how social dialogue can support the implementation of many of the SDGs.

The case of **Ghana** showed important contributions to targets within Goals 1, 8 and 10. At the national level, social dialogue manifested through tripartite consultations resulted in a 1500% increase in the national daily minimum wage over the last fifteen years. Enterprise-level bipartite dialogue which determines wages, working conditions and work organization, is covered by a legal and institutional framework based on the ILO Convention on the right to organize and collective bargaining and is enshrined in the country's constitution and labour law. In addition to improving wages and working conditions, enterprise-level social dialogue provides spaces for workers to influence the work organization and management of their enterprises, and has thus contributed to promoting positive industrial relations in the country. Social dialogue became a key element in the formulation of medium-term economic policies in Ghana, such as the Ghana Poverty Reduction Strategy (GPRS) and has in the past contributed to mitigating the effects of utility price hikes. However, a lack of comprehensively defined structures and procedures as well as external influence from international financial institutions such as the IMF and the World Bank have restricted the positive outcomes of this type of social dialogue.

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<sup>6</sup> The study "Business Accountability FOR Development", launched in April 2015, by the ITUC-TUCDN highlights existing business accountability mechanisms in general, and puts forward specific criteria to ensure effectiveness of private sector initiatives in development. <http://www.ituc-csi.org/business-accountability-for-development>

The case of **Uruguay** demonstrated the impact of social dialogue on Goals 1, 5, 8 and 10. The current format of social dialogue in the country was first introduced under harsh economic realities. As a new centre-left government came into office in 2005, the country was recovering from a deep economic crisis, with public debt exceeding 100% of the GDP, unemployment at 20% and poverty affecting one in three inhabitants of the country. The deregulatory policies pursued by previous governments had caused the weakening of trade unions and a depreciation of the minimum wage, deepening the crisis in the labour market. To counterbalance this, a new government designated social policy as an explicit priority and emphasized the importance of social dialogue. This afforded the Uruguayan trade union movement, which had a traditionally strong role in representing workers' interests, a privileged role within the dialogue on labour policy, as well as other subjects which contribute to development and social inclusion. As a result, the labour market became a key factor in the rise of the standard of living of the population, as well as in overall poverty reduction and more equitable income distribution. Real wages increased uninterruptedly for ten consecutive years, with an increase of 51.5% across the decade. The Uruguayan trade union movement, represented by the PIT.CNT, actively participated in the National Dialogue on Social Security (NDSS) to ensure a socially conscious perspective was included in law-drafting and public policy implementation. Despite numerous disagreements between stakeholders, the outcomes of the first NDSS were promising, with a number of agreements resulting in concrete actions, such as the redesign of the unemployment benefit program and the introduction of a law on the flexibilisation of access to retirement funds. Social dialogue has continued beyond this and gave rise to a second NDSS. Currently, an invitation to participate in the discussion and management of the National Care system has been made by the current government.

In a context of growing relevance of “multi-stakeholder partnerships”, especially with respect to the implementation of Agenda 2030, social dialogue gives examples of multi-stakeholder partnerships that have been ongoing in many countries for many decades. Valuable lessons can be drawn from this experience. Each of these case studies highlights how important social dialogue is for reinforcing the three other pillars of the Decent Work Agenda.

### ***Implementing and monitoring the Agenda 2030 through the Social Dialogue***

The union movement maintains that the four pillars of decent work are equally important and mutually reinforcing. Consequently, any goal or target related to the decent work agenda will not be fulfilled unless all dimensions are realized, including social dialogue. It is notable that social dialogue is nowhere explicitly referred to in the 2030 Agenda, but is nevertheless a critical element for achieving decent work (for goal 8 but also many other goals, 1, 5, 10 and 16 for example).

It is well understood that achieving the Agenda 2030 will require the mobilization of significant financial resources, and it will also require significant support through non-financial means. Without active and strong labour market institutions, social dialogue and collective bargaining, meeting the decent work related goals and targets will prove very difficult. The evidence presented at the outset draws a strong correlation between weakened labour market institutions and increased inequality. Consequently, social dialogue will be a critical means of implementation in the coming years if the SDGs are to be realized. However, and as previously stated, this requires an enabling environment and an effective institutional framework underpinned first and foremost for the respect and protection of the fundamental freedoms and rights at work.

With respect to the monitoring of Agenda 2030, from national to global levels, social dialogue is important for two reasons. Firstly, in order to achieve goals and targets associated with the decent work agenda, social dialogue, as one of the pillars of decent work, must be promoted and utilized.

This will require the collection of data directly assessing the existence and use of social dialogue at country level. At the same time, the national level review processes can benefit from the participatory and democratic nature of social dialogue when conducting the reviews. The follow up and review process of the 2030 Agenda aspires to be an inclusive and participatory endeavour, and social dialogue is a means to ensure that this is the case. This will be particularly important when it comes to reviewing areas which cover the decent work agenda.

In both implementation and monitoring, the role of the ILO, its tripartite constituents and its supervisory system, will be fundamental in the Agenda 2030 monitoring process. As the specialized agency of the UN on all labour related areas, the ILO possesses the required attributes to support the realization of many of the SDGs.

***“Leaving no one behind” means tackling Inequality***

Reversing the trend of increasing inequality is as pressing a concern as ending absolute poverty. There are proven ways of combatting inequality which only need political will to be implemented, including the fight for tax justice, against tax havens. The 2030 Agenda has offered some hope that through the realization of decent work for all, a more equal society is possible. Labour market institutions, such as social dialogue, collective bargaining, and trade unions create more equal societies and support truly sustainable and inclusive development.