



International  
Labour  
Organization

# Executive Summary

## **There is an alternative: Economic policies and labour strategies beyond the mainstream**

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Many progressive economists and trade unionists have sought to engage in dialogue and negotiations with capital and governments during the global financial crisis, hoping they could achieve the adoption of reasonable and balanced policies. They may have done so because such an approach used to work in the past, especially in social-democratic contexts, or because, in the early days of the crisis, they were listened to as respectfully as during the high time of the “Keynesian compromise” in economics. But as the General Secretary of the International Trade Union Confederation (ITUC) Sharan Burrow puts it in this volume, “If during the crisis workers’ organizations could have anticipated that a new era of dialogue had begun, the moment has clearly passed”.

Are neoliberal policies, and the huge increases in inequality they have caused, responsible for the crisis? The policies adopted in the wake of the crisis tend to give credence to this view – from the absence of any meaningful regulation (or rather, the curtailment) of financial “innovation”, to the public bailing out of banks by States who then in turn reduce their spending, thus passing the costs of the crisis on to ordinary workers and unemployed people. Trade unions have been using their organizational and institutional power to resist attacks on social and labour rights. Nevertheless, after decades of retreat, the financial crisis is rapidly weakening further their traditional pillars of power and influence.

Labour faces the urgent need to overcome the dilemma that it cannot let its influence slip further, while a more oppositional strategy carries the risks of further marginalization if it fails. Trade unions have recognized the need to fight precarious employment, to build new alliances (for instance to defend the rights of domestic workers), to make efforts to organize workers and to regain democratic control over markets. But achieving a meaningful reduc-

tion in inequality (and in the power of finance) will require both the formulation of convincing policy alternatives and a determination to see them realized. This requires imagination, will and belief in the possibility of change.

There are four areas where the fight against neoliberalism must be waged in order to be successful and to allow a coherent project to emerge. These are, in increasing order of importance, academia, ideology, policy and politics.

On the academic front, the dominance of neoclassical economics needs to be contested. It can hardly be doubted that the inability of today's policy-makers to take decisive action to leverage state power in order to protect workers is linked to the predominant discourse of the last decades. If one sees labour as a mere cost and unemployment as voluntary, it would be hard to believe that higher wages would improve a derelict situation.

On the ideological front, the time has come to question the unshakeable faith in the market held by certain economists and policy-makers. Simplistic notions such as “the private sector is more efficient” must be challenged in the public debate, along with calls for the systematic inclusion of the private sector in public investment, as in public–private partnerships, or for the commercialization of the operation of state functions, whether utilities or health care. Contrary to what some would have us believe, workers' rights are not at odds with economic growth, or with a country's national interests.

On the policy front, it is time to call for bold policies which will thoroughly break with the financial and privatizing tendencies of the last 30 years. Macroeconomic policies should be refocused to support employment creation, to play a counter-cyclical role and to support *real* stability – an objective hardly compatible, for many countries, with full-blown liberalization. Microeconomic policies, in particular industrial and competition policies, should be rehabilitated, as they are the key instrument that governments can use to stimulate and orient growth. In developing countries in particular, the possibility of using trade policy to support development objectives is absolutely essential.

But none of the above fields of struggle is as important as the political one – which is itself highly dependent on the previous three. The most impressive achievement of neoliberalism has undoubtedly been its dramatic weakening of the political power of workers, unions and the parties aligned with them. Unions have lost many workers, especially outside the public sector, and the growing “precarariat” is often either disillusioned with unions or afraid to join

them. Restoring the power of workers and unions, starting with the workplace, is more than ever a priority: a strong and mobilized base is the necessary lifeblood of any successful political movement. Many unions are increasingly articulating broader political demands. Recent threats to collective bargaining rights may signal both the political awakening of others.

After issuing a (largely unheeded) call not to “waste the crisis” in the annual first Global Labour Column anthology, this second anthology examines the policies that have been implemented in the wake of this great depression – as well the resistance they have met. Popular movements around the world are analysed and contextualized. Essays in the volume cover the 2010 public sector strike in South Africa; the movement against pension reform in France; strikes in Guangdong, China, and at Fiat in Italy; and efforts to achieve a sectoral contract for domestic workers in Switzerland.

As one of the continents hit hardest by the crisis, Europe is extensively discussed in Part II, which opens with a visionary article by Andrew Jackson warning Europeans against following the Canadian austerity model. To prevent the European Union’s collapse (and the daunting consequences this could have), it must be defended – and reinvented. The neoliberal Europe, focused on defending the interests of large corporations, must give way to a progressive entity that seeks to reduce inequality between and within the EU Member States.

The essays in Part III discuss the impact of neoliberal globalization on development policy, together with possible alternatives. The increased openness and fiscal “discipline” imposed on developing countries following the debt crisis of the 1980s contrast with the readiness to extend new borrowing facilities to the banks and financial operators that brought the global economy to the brink of collapse. The massive drop in demand by rich countries has shown the crucial importance of building domestic demand rather than focusing solely on cutting labour and other costs in the hope of being competitive in export markets. The essays here explore options and means for finding the right balance between trade, employment and development, with a particular focus on Brazil and India.

Part IV focuses on the central issue of inequality, which was at the root of the current crisis. Growing inequality is intimately linked to the undermining of wages and workers’ rights, not least through the pressures of private equity funds. Essays by Sharan Burrow, Özlem Onaran, Seeraj Mohamed and others examine both the practices and thinking that produced the crisis as well as possible strategies for moving away from them to a fairer and more sustainable economic future.

As discussed in the last section of the book, the defence of workers' rights and wages is absolutely necessary to ensure sustainable growth in the world. Indeed, decent work and wages will provide a much more stable (and dignified) source of effective demand than will structured finance. Essays by Ronald Janssen and ILO Director-General Juan Somavia make convincing cases that workers' rights are not at odds with economic growth, and an essay by Frank Hoffer shows the key role international labour standards can play in bringing about a more coordinated approach to wages and working conditions, since the risk (real or imagined) of low-wage competition can act as a powerful disincentive in individual countries. The overall programme is ambitious, as it will imply reversing deep trends such as the exclusion of many workers from wage negotiations or even protection or growing casualization and wage inequality. Yet such ambition is necessary for a broad and vigorous mobilization to succeed.

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