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Australia and the G20 Bandwagon: International job creation in 2012

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GLOBAL VOICES

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G20

The Group of Twenty (G20) Finance Ministers and Central Bank Governors was initially established in 1999 to connect leading industrial and developing economies to discuss key issues that are affecting the global economy. The first Leaders' Summit was held in Washington in November 2008.

The G20 replaced the older and more exclusive Group of Seven (G7) nations and Group of Eight (G8) nations and has now established itself as the premier forum for international economic development, particularly in the wake of the economic crisis that affected the world in 2008.

The constituent nations of the G20 are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom and the United States of America. The European Union is also represented, with the Managing Directors of the International Monetary Fund (IMF) & World Bank participating in an ex-officio capacity.

Australia's role in the G20 has grown significantly since 2009, with former Prime Minister and current Foreign Minister, Kevin Rudd, noting the transition to the G20 marked the 'first time ever that [Australia] has had a place at the top economic table of global economic decision-making'

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Abstract

The G20 has emerged as an important problem solver following the global meltdown in 2008 and job creation is expected to be a major discussion point at this year's Summit to be held in Mexico. Australia has already voiced strong support behind job creation despite the country's relatively stable rate of unemployment. The following paper investigates the rationale behind the Australian Government's decision to prioritise job creation. The research reveals that major problems still exist in the Australian labour market and as an export orientated economy Australia must support initiatives to promote global economic stability, such as job creation. Supporting jobs at this year's G20 Summit is also an important political tool for Australia to promote G20 consensus and to advance the reputation of the organisation. Despite Australia's strong support behind job creation, it is not clear what measures the Government will lobby behind to stimulate employment growth. The Australian Government seems unlikely to support fiscal stimulus, green jobs or the introduction of a financial transaction tax as a direct solution to the jobs crisis. Australia is expected to back initiatives to reduce youth unemployment. These initiatives include skills training and increased social protection for young people and which reflects the recent policy focus of the Gillard Government.

Introduction

International cooperation can be a problematic exercise even for the most intelligent and wily of negotiators. While rapid globalisation has elevated countless issues to international negotiation tables, the compression of time and place has yet to annul national interest; a force decisively averse to international cooperation. However by no means is international cooperation beyond the reach of world leaders and there is reason to be optimistic following the renewed standing of the Group of 20 (G20). The G20 has emerged as an important problem solver following the global meltdown in 2008. The G20's recent track record has not been seamless but the institution has demonstrated its

capacity to foster consensus and resolve problems in the global economy and financial system. World leaders and national delegations will congregate this year in Las Abos, Mexico. The Mexican leadership has established the following five priorities to guide negotiations:

- 1) Economic stabilisation and structural reforms as foundations for growth and employment.
- 2) Strengthening the financial system and fostering financial inclusion to promote economic growth.
- 3) Improving the international financial architecture in an interconnected world.
- 4) Enhancing food security and addressing commodity price volatility.
- 5) Promoting sustainable development, green growth and the fight against climate change.

Fundamental to achieving two of these goals will be developing meaningful consensus on reforms to promote green jobs and job creation. The world is in the midst of a critical jobs crisis following the Global Financial Crisis (GFC). Trade unions and other groups have proved relatively successful in lobbying governments to focus on unemployment issues in recent years. While consensus has been strong and consistent among certain actors, momentum at the official level has been interrupted and at times quelled by the burgeoning sovereign debt crisis in Europe and austerity measures. As job creation returns to the forefront of international attention, G20 countries have a new chance to capitalise on consensus and enact effective reforms. In the lead up to the Summit numerous countries have demonstrated their intention to underwrite global growth through job creation. Australia sits unequivocally in the job creation bandwagon. Australia's unemployment rate has remained defiantly stable in the wake of the worst financial crisis since the 1930s but Australia's support for job creation at this year's G20 Summit remains resolute. However, while Australia has been vocal in supporting job creation, there has been no disclosure on what particular initiatives Australia will support in advancing job creation. This paper will therefore investigate the link between job creation and Australia's G20 policy focus, while also examining whether Australia will support the four commonly proposed measures to restore employment growth.

Aims and Objectives

The primary aim of this research is to answer: *Why will Australia prioritise job creation at this year's G20 Summit and what reforms will Australia support?*

Objectives:

- To develop an in-depth understanding of the current international unemployment crisis
- To identify the impact of the unemployment crisis on Australia's G20 policy as well as other factors which influence policy
- To identify whether Australia will support four proposed measures to reduce unemployment

Research Outline

Chapter One will utilise secondary sources to establish background on the drivers behind the current state of the jobs crisis. Chapter Two will examine Australia's employment situation, government policies, the rationale behind Australia's support for job creation and Australia's role in the world. The final Chapter will draw upon a combination of secondary and primary sources to examine the feasibility of Australia's support for four G20 proposals to stimulate job creation. A final summary of the research findings follows in the Conclusions section.

The Global Financial Crisis & The G20

The volatile state of the global economy and the renewed significance of the G20 institution can be traced back to the seismic events of 2008. The meltdown on Wall Street and the story of the Global Financial Crisis (GFC) have become a familiar story of our time. The GFC was triggered by a complex system of liquidity problems in the American banking system and a dramatic decline in asset valuation following the burst of a housing bubble in 2007. The result was a severe decline in credit availability, dangerously low levels of bank solvency and the inevitable closure of major banking

institutions such as Lehman Brothers.¹ Banks across the world were also faced with the awkward proposition of 'bad debt' and the financial crisis on Wall Street quickly surged through the globe's closely knit financial markets. Billions were wiped off international financial markets, international trade contracted and consumer and business confidence plummeted. As of February 2009 the value of the world's companies, including banks and non-financial institutions, had lost approximately 14.5 trillion or 33 per cent of their value.² The GFC is now considered by many economists as the worst financial crisis since the Great Depression of the 1930s³ and has in many ways defined and dominated recent debate and policy in the international political economy. One direct consequence of the Global Financial Crisis has been the elevation of the G20 as the world's premier discussion table on financial and economic issues. The G8 was no longer deemed representative of international economic power and the more representative G20 was scaled up from a low-key Finance Ministers' Forum into a Summit attended by Heads of States. The success of the 2009 London Summit also propelled the organisation to the forefront of global governance and restored confidence in international cooperation.

The G20 and International Unemployment

In the aftermath of the GFC, the G20 has enjoyed elevated responsibility on various issues, including unemployment. Trade unions have played an instrumental role in recent years in shaping G20 policy on job creation. Following extensive and coordinated lobbying of G20 Sherpas at the Pittsburgh Summit in 2009, trade unions were able to successfully convince G20 governments into 'putting quality jobs at the heart of the recovery'.⁴ While not all trade union demands were satisfied, the

¹ W. McKibbin & A. Stoeckel, *The Global Financial Crisis: Causes and Consequences*, Working Papers in International Economics, Issue 209, November 2009.

² A. Shah, *Global Financial Crisis*, Global Issues, Retrieved 25 April 2012 from <<http://www.globalissues.org/article/768/global-financial-crisis>>

³ AAP, 'Three Top Economists Agree 2009 Worst Financial Crisis Since Great Depression; Risks Increase if Right Steps are Not Taken', *Reuters*, 27 February 2012.

⁴ J. Evans, 'The G20 and Jobs: Can the Mexican Presidency Deliver?' *The G20 Update*, Heinrich Böll Foundation, No. 10, February 2012.

G20's initial policy response following summits in Pittsburgh and London was 'positive' according to John Evans, the General Secretary of the Trade Union Advisory Committee to the OECD.⁵ The stimulus packages agreed upon in 2009 saved an estimated 21 million jobs according to International Labour Organisation (ILO) estimates.⁶ Nonetheless, by early 2010 external forces were beginning to have an unravelling effect on the jobs agenda. The onset of the sovereign debt crisis in Europe instigated a wave of austerity measures, public expenditure cuts and a policy focus on financial consolidation.⁷ Summits held in Toronto and Seoul in 2010 reinforced the austerity message and job initiatives were neglected.⁸ Job creation however took on a stronger interest in 2011 under the French Presidency and which followed a strong wave of non-government support behind job creation measures. Business leaders were among a range of groups during the Cannes Summit to urge G20 countries to take action on unemployment.⁹ The United Nations Secretary-General, Ban Ki-moon, also called for G20 leaders to prioritise a 'job-rich recovery'.¹⁰ Most importantly, trade unions were officially welcomed into the G20 fray with an agreement to institutionalise labour unions into the G20 governance process and the holding of the first Labour G20 (L20). At the inaugural L20, trade unions rallied for the G20 to recognise the short-term need to stabilise global unemployment.¹¹ Progress was made at the Cannes Summit as the G20 agreed on monetary and social protection reforms to assist the unemployed and to create new jobs. A G20 Task Force on Employment was also created to focus on youth employment and the U.S. agreed to implement a national tax reform package to target jobs. The Summit however was also dominated by the Eurozone crisis, following the escalation of the Greek sovereign debt crisis. While agreements on job

⁵ *Ibid.*

⁶ *Ibid.*

⁷ *Ibid.*

⁸ *Ibid.*

⁹ N. Alexander, *Introduction to the G20*, Retrieved 3 May 2012 from <<http://boell.org/web/134-651.html>>

¹⁰ UN News Centre, *Ban calls on G-20 countries to lead sustainable and jobs-rich economic recovery*, Retrieved 3 May 2012 from <<http://www.un.org/apps/news/story.asp?NewsID=40296&Cr=G-20&Cr1=>

¹¹ J. Evans, *Op Cit.*

creation were made on paper at the Summit, national agendas have since been overshadowed by the continuation of Europe's sovereign debt crisis.¹² Leadership transitions in Italy and Greece oversaw the emplacement of technocrat administrators, intent on utilising public finances to stabilise the bond markets.¹³ In December 2011, the European Council adopted an intergovernmental agreement imposing 'budget "discipline" and a dangerous balanced budget rule' on Eurozone members.¹⁴ The implications were further budget cuts and austerity measures. These measures suddenly put serious questions over the prospect of fulfilling job creation goals set by the G20 a month earlier. The goal set by the G20 at the Cannes Summit was 21 million new jobs a year in order to bring unemployment down to 2008 levels.¹⁵

The Current Situation

The International Monetary Fund's (IMF) *World Economic Outlook* has already warned of a 'disastrous impact' following recent austerity measures.¹⁶ Europe is suffering from mass unemployment and one in two people are unemployed in Spain and Greece.¹⁷ Europe is not the only region grappling with the unemployment crisis. According to the ILO and the OECD, approximately 200 million people were out of work worldwide in 2011¹⁸ and the ILO has warned of a 'massive jobs shortfall' by late 2013 unless governments revise current policies.¹⁹ For G20 countries, employment rates have risen 1.0 per cent since 2010 but this remains below the 1.3 per cent annual growth rate

¹² *Ibid.*

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ J. Evans, Op Cit.

¹⁶ Trade Union Advisory Committee to the OECD, *Unions met with G20 representatives to discuss investments in green jobs, austerity and FTT*, Retrieved 25 April 2012 from http://www.tuac.org/en/public/edocs/00/00/0A/C9/document_news.phtml

¹⁷ ILO, *The G20 and Job Creation*, Retrieved 25 April 2012 from <http://www.ilo.org/washington/areas/multilateral-initiatives/the-g-20-and-job-creation/lang--en/index.htm>

¹⁸ *Ibid.*

¹⁹ AAP, 'Massive jobs shortfall' predicted for global economy', *The Guardian*, 26 September 2011.

required to return to pre-crisis levels by 2015.²⁰ According to ILO Director General, Juan Somavia, should G20 employment grow at an anticipated rate of 0.8 per cent in 2012 there's a 'distinct possibility' of a further 20 to 40 million loss of jobs.²¹ Employment growth in Italy, France, South Africa and the U.S. is currently below 1.0 per cent, while employment growth has been negative in Spain and Japan over the last year.²² A further slump in unemployment would be detrimental to the financial markets and economic growth, which rely on consumer and business confidence to stimulate spending and investment respectively.²³ Job confidence is also crucial to social stability and particularly for young people.²⁴

Youth Unemployment

High rates of youth unemployment have emerged as a common denominator across G20 countries and around the globe. The figures sketch an ominous trend. Youth unemployment rates are now double and up to triple the rate of adult unemployment in most G20 countries.²⁵ The ratio of youth unemployment to adult unemployment in Italy and Saudi Arabia is now around 3.6 and 4.3 respectively.²⁶ The ILO clarifies that young people 'were among the first to lose their jobs in the downturn' and job opportunities have been scarce for new young job entrants.²⁷ Entering the job market is difficult for young job seekers as they typically have low skills, lack experience and some are disadvantaged by a low socio-economic family background.²⁸ Moreover, young people who are

²⁰ ILO, Op Cit.

²¹ *Ibid.*

²² *Ibid.*

²³ J. Evans, Op Cit.

²⁴ *Ibid.*

²⁵ ILO & OECD, *Giving youth a better start: A policy note for the G20 Meeting of Labour and Employment Ministers, Paris, 26–27 September 2011*, September 2011.

²⁶ *Ibid.*

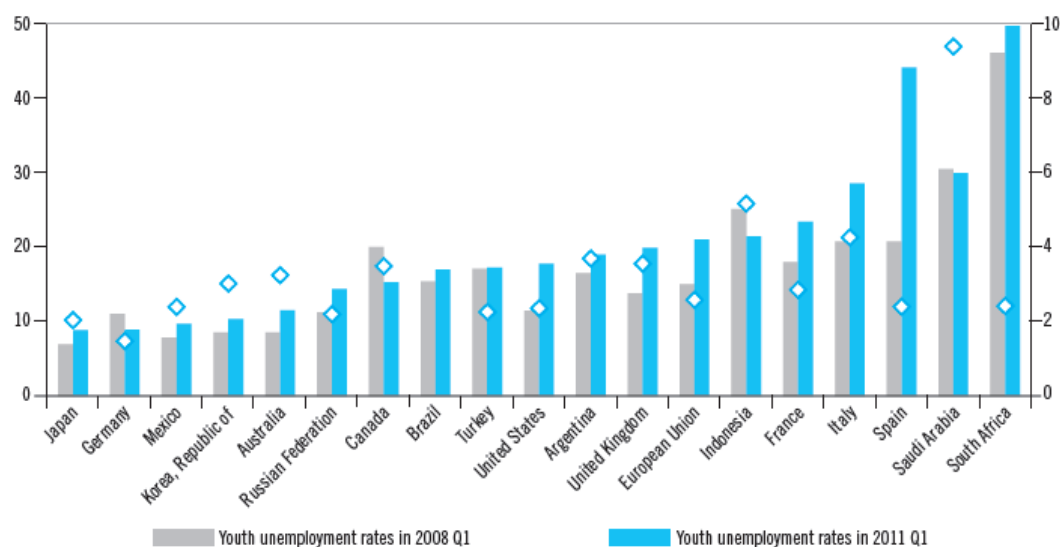
²⁷ ILO & OECD², *Short-term employment and labour market outlook and key challenges in G20 countries: A statistical update for the G20 Meeting of Labour and Employment Ministers Paris, 26–27 September 2011*, September 2011, p. 5.

²⁸ *Ibid.*

employed are far more likely than adults to be working in the informal sector or in temporary jobs.²⁹ This leaves many young people vulnerable to fluctuations in the labour market and these jobs tend to have limited social security coverage.³⁰ Persistent youth unemployment has a major consequence on both the confidence of young people and social stability. Ban Ki-moon points to the youth unemployment crisis and the ‘marching’ of young people.³¹ The jobless are ‘anxious, angry and indignant’ says Ban Ki-moon.³² Increasingly disenfranchised from society, youth led protests have proliferated in recent years.

Figure 1. Youth unemployment during the crisis (percentage of the labour force, 2008, Q1-2011 Q1)

Source: ILO 2012



²⁹ *Ibid.*

³⁰ *Ibid.*

³¹ UN News Centre, Op Cit.

³² *Ibid.*

Australia & Job Creation

Sustained and robust demand for exports in the resource sector, a strongly regulated financial system and fiscal stimulus has seen the Australian economy lead economic recovery in comparison with other OECD countries post-2008.³³ Nonetheless, labour market indicators did initially deteriorate as a result of the GFC. The official unemployment rate expanded from 4.3 per cent in September 2008 to a peak of 5.8 per cent by October 2009.³⁴ The relatively low rate of unemployment also masked the problem of underemployment and statistics from the Australian Bureau of Statistics in 2010 declared that more than 800 000 full time and part time workers wanted to work more hours.³⁵ Economic growth and employment rates though stabilised after the initial impact of the GFC. Australia's recorded real GDP growth was estimated at 2.7 per cent for 2010 and 1.8 per cent for 2011, despite a string of destructive natural disasters during that period.³⁶ From September 2009, Australia's average rate of employment growth was 2.7 per cent and a further 500,000 jobs are expected to be created by mid-2013.³⁷ As of March 2012, Australia's unemployment figure was 5.2 per cent and 'remains steady' according to the Australian Bureau of Statistics.³⁸ The IMF's *World Economic Outlook* also expects the Australian economy to expand by 3.0 per cent in 2012 as the fiscal situation eases in Europe and the U.S.³⁹ The *IMF Update* expects the Australian economy to lead growth over all other advanced economies in the next few years.⁴⁰ The

³³ P. Coorey, 'Australia leads world in beating downturn', *The Sydney Morning Herald*, 17 September 2009.

³⁴ It is important to recognise that while these rates are calculated using the internationally recognised definition of unemployment, that this definition of employment of one hour a week severely under-estimates the extent of under-utilisation of labour. OECD. *G20 Country Policy Briefs*, OECD, 2011.

³⁵ M. Janda, 'Low unemployment masks army of underemployed', ABC News, 24 February 2010.

³⁶ CIA World Fact Book, *GDP: Real Growth Rate*, Retrieved 1 May 2012 from <https://www.cia.gov/library/publications/the-world-factbook/fields/2003.html> ; P. Coorey, Op Cit.

³⁷ P. Coorey, Op Cit.

³⁸ Australian Bureau of Statistics, *Australia's unemployment rate remained steady at 5.2 per cent in March 2012*, Retrieved 29 April 2012 from <http://www.abs.gov.au/ausstats%5Cabs@.nsf/mediareleasesbyCatalogue/46DFE12FCD8783D9CA256B740082AA6C?OpenDocument>

³⁹ J. Wright, 'Australian economy leads the world', *The Sydney Morning Herald*, 18 April 2012.

IMF therefore expects Australia's unemployment rate to remain low at 5.2 per cent for 2012 and 2013.⁴¹

Nonetheless, there are still various areas for concern within the Australian labour market. Between February 2008 and December 2011, the number of jobs held by 15 to 19 year olds fell by 92,200 despite an overall gain of 623,600 in the national labour market.⁴² The teenage unemployment rate jumped from 13.6 per cent in December 2008 to 17.3 per cent by December 2011.⁴³ According to Dr Bill Mitchell, Director of the Centre of Full Employment and Equity at the University of Newcastle, employers are now less likely to hire younger staff as they require more training.⁴⁴ Employment sectors which have traditionally employed young people, including retail and construction, have also been hit hard by the weakness in the global economy.⁴⁵ The number of those aged 15-19 and employed in the retail sector has fallen from 239,100 in 2008 to 215,500 in 2011, and in the construction sector there has been a fall from 68,700 to 59,300.⁴⁶ Data on labour market performance also reveals significant disparities in unemployment across geographical areas. In April 2008 the gap between the highest and lowest rates of regional unemployment was 4.9 percentage points.⁴⁷ The gap as of March 2011 was 9.3 percentage points.⁴⁸

These statistics indicate the 'uneven nature of the economic recovery' as well as the skewed pace of growth in the economy which has been dominated by gains in the resource sector.⁴⁹ Australia therefore faces a challenge of enhancing labour mobility in relation to the occupational and geographical makeup of the national labour workforce.⁵⁰ In 2009, the Australian Government introduced the *Jobs*

⁴⁰ *Ibid.*

⁴¹ *Ibid.*

⁴² C. Zappone, 'Young workers hit by rising unemployment', *The Sydney Morning Herald*, 24 January 2012.

⁴³ *Ibid.*

⁴⁴ *Ibid.*

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*

⁴⁷ OECD, Op Cit.

⁴⁸ *Ibid.*

⁴⁹ *Ibid.*

⁵⁰ *Ibid.*

and Training Compact which focused on creating jobs and providing special assistance for those in disadvantaged groups and regions. The government initiative included an increased investment in training and skills development, and improvements in the national welfare system. Training programs have also targeted skills in shortage. The Government's 2011-12 Budget allocated an additional AUD \$3 million to upgrade skills and develop human capital as the country prepares for a return to GDP growth rates of approximately 4.0 per cent under a sustained investment boom in the resources sector.⁵¹ Enhancing labour mobility will be a major priority for Australia over the coming years. Reducing unemployment is also important in maintaining the Government's pledge to deliver budget surpluses. Low rates of unemployment increase government revenue through income tax and reduce expenditure on social welfare payments.

G20 Summit 2012

Strong support is again growing for the jobs agenda and there is mounting pressure on G20 leaders. Evans has warned that 'G20 finance ministers have to shift from austerity' and prioritise jobs.⁵² The international union movement has also declared that G20 Finance Ministers will be failing their populations unless action is taken on stimulating job creation.⁵³ The Mexican Presidency has already announced that this year's G20 Summit will build upon the Cannes' agreement to restore growth through an emphasis on employment policies.⁵⁴ The Mexican Presidency intends to prioritise employment growth through structural reforms and measures to stabilise the global economy.⁵⁵ G20 leaders have also agreed to hold a Labour and Employment Ministers' Meeting and to establish an

⁵¹ *Ibid.*

⁵² International Trade Union Confederation, *Unions challenge G20 finance ministers to unleash green jobs investment*, Retrieved 4 May 2012 from <www.ituc-csi.org/unions-challenge-g20-finance.html>

⁵³ Trade Union Advisory Committee to the OECD, *Mass unemployment the "spectre at the G20 finance ministers feast"*, Retrieved 4 May 2012 from <http://www.tuac.org/en/public/edocs/00/00/0A/87/document_news.phtml>

⁵⁴ G20, *Employment*, Retrieved 2 May 2012 from <<http://www.g20.org/en/sherpas-track/employment>>

⁵⁵ *Ibid.*

Employment Task Force in partnership with various international organisations to tackle youth unemployment.⁵⁶

Job creation may therefore dominate this year's negotiations and Australia has promptly joined the jobs bandwagon. While Canberra has more reason than most to be unconcerned by the international job crisis, Treasurer Wayne Swan has already announced Australia's intentions to support job creation. Specifically, Swan declared job creation to be at the forefront of both the G20 and Australia's efforts to secure global economic stability.⁵⁷ As cited in the previous section, the Australia Government has had a strong focus in recent years on enhancing labour mobility, creating jobs and reducing disparities across the domestic labour market. Furthermore, Australia is not immune to the growing pool of unemployed in Spain, Greece, the U.S. and other regions of the world. Low global unemployment is key to sustaining and driving aggregate demand, confidence and global growth. As an export orientated economy, Australia is highly vulnerable to global economic instability and confidence in the international economy is crucial to maintaining Australia's trade surplus.⁵⁸

Australia's Role on the World Stage

Isolationism has never boded well for Australian policy makers and Professor Brendon Taylor from the ANU explains that Australia has traditionally 'seen itself as a deeply vulnerable and insecure nation' (sic) and particularly in relation to Asia.⁵⁹ Taylor asserts that while Australia is now much more confident on its place in the region, there is now a fear of being 'overlooked' by Asia.⁶⁰ Australia's size, geographical location and cultural composition are potential variables which could

⁵⁶ *Ibid.*

⁵⁷ AAP, 'Crucial G20 pursues job creation: Swan Anonymous', Sydney Morning Herald, 17 February 2012.

⁵⁸ X. Yi-Chong, 'Australian Participation in the G20', in ed. W. Hofmeister, *G20: Perceptions and Perspective for Global Governance*, Konrad Adenauer Stiftung, Singapore, 2011, p. 11-21.

⁵⁹ B. Taylor, 'Developing East Asia's Security Architecture: An Australian perspective on ASEAN processes', in ed. R. Huiskens, *The Architecture of Security in the Asia-Pacific*, The Australian National University E Press, Canberra.

⁶⁰ *Ibid.*

cause Australia to be excluded from the 'region's most influential institutional processes'.⁶¹ The institutionalisation of the Six-Party Talks into a more prominent security mechanism and elevation of an East Asian Community through the ASEAN+3 process are two potential scenarios which could exclude Australia from the region.⁶² Contemporary Australian foreign policy has highlighted Canberra's intention to remain economically and politically linked to the region. Concern over regional architecture was a key driver behind former Prime Minister Kevin Rudd's proposal for an Asia Pacific Community. Rudd was also an instrumental voice in elevating the role of the G20 in the wake of the GFC. Rudd was intent on maximising Australia's voice on the international stage and assuring that Australia had a seat on a prominent discussion table alongside China, India, Indonesia, Korea and Japan.⁶³ Hugo Dobson explains that Australia has been far more proactive than other countries in advocating for revisions to the architecture of global governance and incorporating Asia in the process.⁶⁴ Rudd's enthusiastic support for the G20 can also be explained by Australia's traditional aspiration to sit alongside great powers. Michael Fullilove elaborates that 'the one foreign policy theme that has united our otherwise diverse post-war prime ministers has been the desire to join institutions through which Australia can influence international decisions and touch the international flows of power'.⁶⁵ Rudd's leadership epitomised Australia's post-war affinity for internationalism and nor has the theme of Australian foreign policy changed under the new Labour Government. Julia Gillard recently asserted that 'it's not the Australian way to stand on the sidelines when we've got something to contribute'.⁶⁶ Maintaining the G20's reputation as a credible institute to resolve problems in the global economy and financial system is therefore a priority for Australian policy makers. As a "middle power", nor is Australia inclined to thwart G20 collaboration by

⁶¹ *Ibid.*

⁶² *Ibid.*

⁶³ Others estimate 13th or 14th largest. It partly depends on exchange rates. H. Dobson, *The G20: Engine of Asian Regionalism*, German Institute of Global and Regional Studies, no. 79, 2011.

⁶⁴ Arguably Australia is only modestly active. Certainly it has relatively little to say about these matters at the UN. *Ibid.*

⁶⁵ *Ibid.*

⁶⁶ *Ibid.*

prioritising alternative policy objectives. A study from the G20 Research Group at the University of Toronto recently found that international compliance under the G20 scored lower than under the former Group of 8 (G8).⁶⁷ Australia however was found to defy this trend and ranked as the most compliant of the 'newcomers to G-summitry'.⁶⁸ According to Dobson, 'one concrete measure of internationalism is compliance with the pledges made at G20 summits'.⁶⁹ Australia's Department of Foreign Affairs and Trade webpage declares that Australia holds 'high ambitions for the G20 and the Asia-Pacific region's influence in it'.⁷⁰ Thus, forming successful consensus on the major issues such as job creation and food security will be important for Australia in advancing the credibility of the G20 institution.

Reforming the International Employment Crisis

Financial Transactions Tax

International trade unions have supported the introduction of a financial transactions tax in order to stimulate job creation. The tax on financial transactions would penalise speculation in the financial markets and has the potential to raise US \$620 billion per year in revenue.⁷¹ Revenue could then be invested in measures to stimulate job creation. This year former French President, Nicolas Sarkozy, announced that the Eurozone would introduce a 0.1 per cent tax on financial transactions to be implemented in August 2012. Certain European economies advocated for the tax in order to bail out the banking system. Critics however warn that this tax will discourage investment in countries with the tax and not all countries are willing to adopt the "robin hood" tax. Wayne Swan has already ruled out Australia's support of a financial transactions tax. In January 2012, Swan declared that the tax would 'slow down economic growth' as the increased cost of capital would affect Australian

⁶⁷ *Ibid.*

⁶⁸ *Ibid.*

⁶⁹ *Ibid.*

⁷⁰ DFAT, *The G20*, Retrieved 28 April 2012 from <<http://www.dfat.gov.au/trade/g20/index.html>>

⁷¹ J. Evans, Op Cit.

businesses.⁷² Swan also asserted that Australia does not need to bail out banks through tax revenue as has been proposed in Europe.⁷³ Professor Sinclair Davidson and Michael Gangemi from RMIT University agreed that that while the tax could raise funds to invest in job creation, the tax simultaneously discourages financial transactions, reduce company profits and thereby discourages investment and job creation.⁷⁴

Jobs for the Youth

According to the ILO, 'first and foremost' to reducing youth unemployment is implementing policies to foster strong and sustainable growth.⁷⁵ Youth unemployment and under-employment are highly susceptible to fluctuations in the business cycle and a boost to aggregate demand drives job creation. In regard to the school-to-work transition, the ILO advises improved access to education and lower drop-out rates.⁷⁶ Former President of the Australian Council of Trade Unions and now General Secretary of the International Trade Union Confederation, Sharan Burrow, believes that 'the first step in rebuilding' youth employment should be a G20 Youth Jobs Pact 'with training and job guarantees for unemployed young people and school-leavers, an expansion in apprenticeships and strengthened rights and social protection for young workers'.⁷⁷ Evans also advocates for the introduction of a Jobs Youth Pact for young people (those under the age of 24) who have been unemployed for six months.⁷⁸ Under this scheme young people are offered either employment at the relevant minimum wage or funded for full time training for six months with job search support offered after training.⁷⁹ Evans and Burrow also propose a social protection floor for unemployed youth. Davidson advocates further deregulation of the labour market to allow employers to hire

⁷² AAP, 'Swan rejects financial transactions tax', *The Western Australian*, 30 January 2012.

⁷³ *Ibid.*

⁷⁴ S. Davidson, pers. comm., 8 May 2012; M. Gangemi, pers. comm., 10 May 2012.

⁷⁵ ILO & OECD², *Op Cit*, p. 9.

⁷⁶ *Ibid.*

⁷⁷ *Ibid.*

⁷⁸ J. Evans, *Op Cit*.

⁷⁹ *Ibid.*

youth people for two hour shifts.⁸⁰ Davidson asserts that these measures would reduce the severity of youth unemployment and provide vital work experience and skills for young people.⁸¹ The Australian Labour Party though does not support labour deregulation. The Gillard Government would be more likely to support Evans and Burrows' focus on social protection for young people and skills training.⁸² As mentioned in Section 2.1, the Labour Government has shown a strong focus in recent years on skills training and reforming the social welfare system to protect against inequalities, including young people.

Green Jobs

Promoting sustainable development, green growth and acting on climate change is specifically outlined as one of the five goals of the Mexican Presidency. Proposals on green jobs are therefore set to make a major impact on this year's negotiations. In the wake of independent analysis forecasting the economic potential for green jobs growth, the International Trade Union Confederation (ITUC) has urged G20 countries to invest at least 2.0 per cent of GDP in the green economy.⁸³ According to the independent Millennium Institute Green Investment Model, an annual 2.0 per cent investment of GDP in six G20 countries over the next five years could create up to 42 million green jobs.⁸⁴ Under this model 24 million jobs could be created in the three advanced economies of Australia, Germany and the USA over a five year period.⁸⁵ In the emerging market economies of Brazil, Indonesia and South Africa a further 18 million jobs could also be created.⁸⁶ In regards to Australia, the ITUC has stated that almost a million jobs could be created over five years

⁸⁰ S. Davidson, Op Cit.

⁸¹ *Ibid.*

⁸² S. Davidson, Op Cit; M. Gangemi, Op Cit.

⁸³ ITUC, *Growing Green and Decent Jobs*, Retrieved 1 May 2012 from
<http://www.ituccsi.org/IMG/pdf/ituc_green_jobs_summary_en_final.pdf>

⁸⁴ *Ibid.*

⁸⁵ ITUC, Op Cit.

⁸⁶ *Ibid.*

in the energy, construction, transport and manufacturing sectors.⁸⁷ Australia has been a strong advocator of green growth in recent years

Figure 2. Job creation by economies: 5 year job creation by type of economy

Source: ITUC 2012

Country	Green	Green	Green	Green	Green
Germany	4,839,960	Indonesia	6,351,950	Ghana	169,570
Spain	1,785,340	South Africa	1,502,930	Nepal	445,855
USA	20,735,840	Bulgaria	177,330	Tunisia	307,190
Total	28,280,245	Total	18,799,810	Total	1,358,680

and which has been underlined by the Australian Government's lead in introducing a carbon tax, as well as an emissions trading scheme to be introduced in 2015. The Gillard Government was commended in the 2011 G20 Communiqué for its leadership on green growth but the eurozone crisis and other problems in the global economy, including food security, ultimately overshadowed talks on sustainable development.⁸⁸ Australia may well be faced with the same problem this year with green jobs, as this is also not a short-term solution according to Davidson and Gangemi.⁸⁹ According to Davidson and Gangemi, green jobs are not the answer to immediate international job creation as there is still uncertainty over what constitutes a green job and whether these jobs add value to the economy.⁹⁰ Davidson was particularly skeptical, and pointed to the example of Spain which has pursued a strong focus on green jobs in recent years and is now struggling with severe rates of unemployment.⁹¹ Green job advocate, Professor Ian Thomas, emphasised the importance of

⁸⁷ *Ibid.*

⁸⁸ D. Shanahan, 'PM Julia Gillard told you're on your own on carbon', *The Australian*, 5 November 2011.

⁸⁹ S. Davidson, Op Cit; M. Gangemi, Op Cit.

⁹⁰ *Ibid.*

⁹¹ S. Davidson, Op Cit.

green jobs in preserving the environment but Thomas also conceded that green jobs can be quickly ‘knocked off the table’ at important meetings such as the G20 Summit.⁹²

Stimulus

Contrary to the current wave of austerity measures has been the proposal to drive job creation via fiscal stimulus. Evans advocates for countries with enough fiscal flexibility to inject stimulus into their economies.⁹³ According to the OECD’s *November 2011 Economic Outlook*, half of all OECD countries had space to implement stimulus measures.⁹⁴ Both Davidson and Gangemi were sceptical that Australia would advocate for fiscal stimulus due to Wayne Swan’s determination to maintain a budget surplus.⁹⁵ Various economists and observers have also been critical over the fervent levels of Australian stimulus spending following the GFC.⁹⁶ Australia’s relatively strong rates of economic growth and stable unemployment rate also does not justify extreme measures such as fiscal stimulus.⁹⁷ Support behind stimulus at this year’s G20 will also be met with staunch opposition from European members.⁹⁸

Conclusion

While Australia’s economy and labour market have not been so severely affected as other G20 countries, the Australian Government has voiced strong support behind international job creation for this year’s G20 Summit. The research found several reasons which vindicate Australia’s emphasis on G20 job creation. Firstly, the research found that there are still problems within the Australian labour market, despite the relatively stable rate of national unemployment. Youth unemployment has grown rapidly as a result of the GFC, there are unemployment disparities across regions, skill shortages in the resources sector and significant unemployment. As an export orientated economy it

⁹² I. Thomas, pers. comm., 10 May 2012.

⁹³ J. Evans, Op Cit.

⁹⁴ Ibid.

⁹⁵ S. Davidson, Op Cit; M. Gangemi, Op Cit.

⁹⁶ Ibid.

⁹⁷ S. Davidson, Op Cit.

⁹⁸ Ibid.

is also vital that Australia supports initiatives to promote global stability and confidence, such as job creation, in order to maintain the country's trade surplus. Supporting job creation at this year's Summit is also an important political tool to promote G20 consensus and to advance the reputation of the organisation. Australia of course has a direct interest in advancing the reputation of the G20 institution as Australia does not wish to be excluded from global governance and isolated from major Asian powers. However, while Australia has been vocal in supporting job creation, there has been no disclosure on what particular initiatives Australia will support in advancing job creation. The research analysed the possibility of Australia supporting four commonly cited initiatives to foster job creation. Fiscal stimulus and the introduction of a financial transactions tax were virtually ruled out by interview respondents and comments made in the media by Treasurer Wayne Swan. Fiscal stimulus is unfeasible due to the Labour Government's determination to return the Budget to surplus and also because the national economy is growing steadily and Australia has already implemented significant efforts to stimulate the economy. The introduction of a financial transactions tax was ruled out earlier this year by Treasurer Wayne Swan because the tax would raise the cost of capital. Davidson and Gangemi agreed that the benefits of the tax would be offset by a slump in company profits and investment. Australia's emphasis on green growth renders the Government more supportive of green jobs but all three respondents agreed that green jobs could be easily overlooked by other countries and it is not a short-term solution according to Davidson and Gangemi. The most viable of the four proposed initiatives was Australian support behind initiatives to promote youth unemployment, such as skills training and social protection for young people. The research found that youth unemployment and skills shortages are both major problems within the national labour market and Australia has already been proactive in developing skills training and social protection measures as a response. Although labour deregulation was cited by Davidson as measure to alleviate youth unemployment, the Australian Labour Party strongly opposes labour deregulation. Findings from the research therefore indicate that Australia is highly supportive of the

G20 process but there remain questions over what initiatives Australia will support in order to make a meaningful contribution to international job creation. Further research could examine what other initiatives the Australia Government could support to stimulate job growth, such as exemptions to the Basel III Accord which would improve the availability of credit in Australia, promote investment and potentially drive employment growth. Another potential measure not considered by the research was financial support for small and medium sized businesses.

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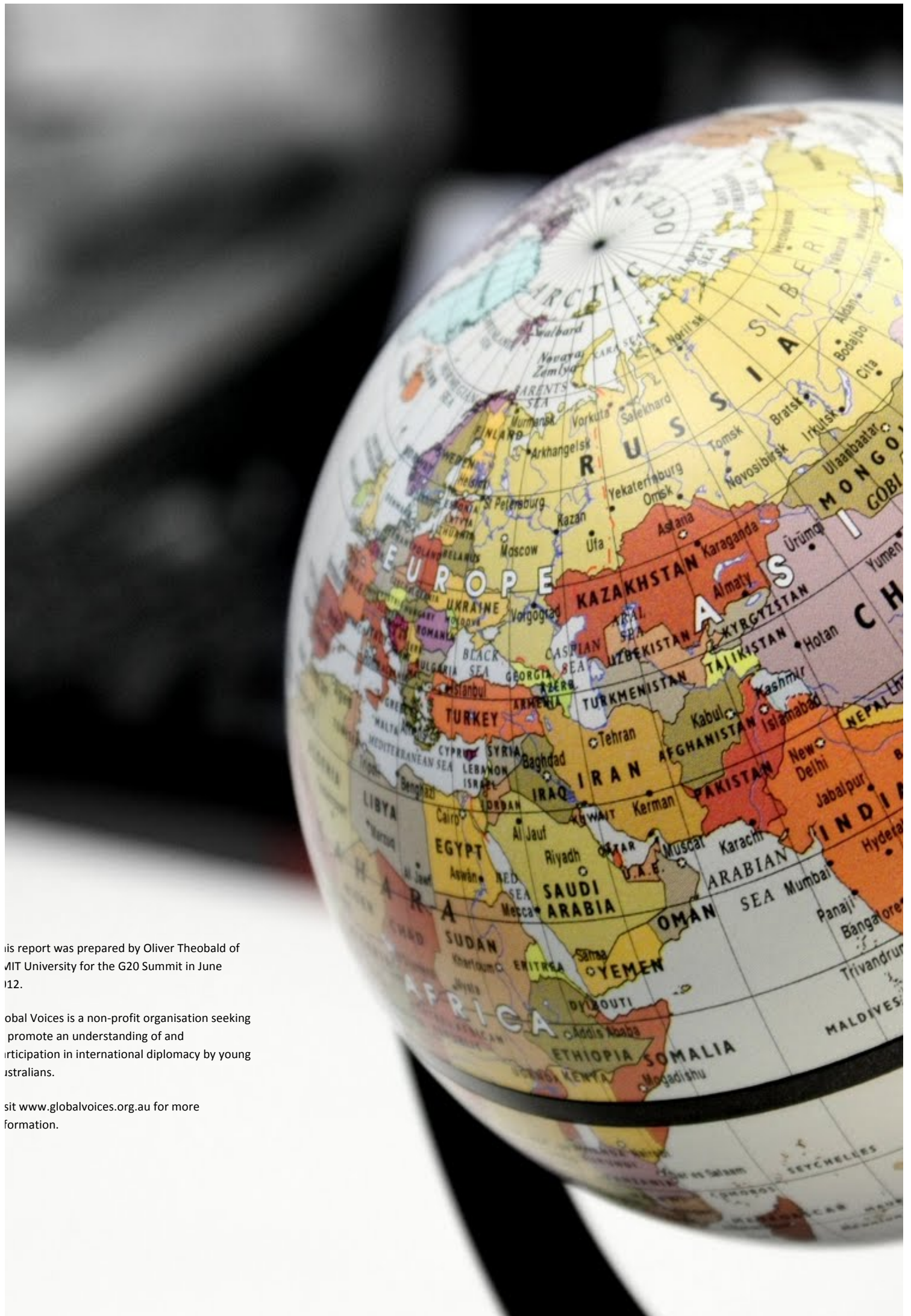
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