



TRADE UNION ADVISORY COMMITTEE
TO THE ORGANISATION FOR ECONOMIC
COOPERATION AND DEVELOPMENT
COMMISSION SYNDICALE CONSULTATIVE
AUPRÈS DE L'ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

Outcome of the 2017 OECD Ministerial
**The OECD & Globalisation:
the right assessment, the incomplete policy responses**
Paris, 14 June 2017

The 2017 OECD Ministerial Council Meeting (7-8 June)ⁱ, chaired by Denmark, had the bold ambition to “make globalisation work (...) for all”. The outcome of the Ministerial offers a much welcome critical assessment of the drivers of globalisation that have “not benefited everyone”. Turning from assessment to policy prescriptions however, the set of proposals that emerges from the Ministerial is incomplete. On the positive side, the OECD reiterates past calls for greater international cooperation on responsible business conduct, corruption and tax evasion. On the domestic policy front, it also calls for better access to skills upgrading, education and social protection for workers to cope with globalisation and rising inequalities. But the policy setting that is suggested for the future stops short of questioning past labour market flexibility reforms that have left workers and their families on their own through the individualisation and deregulation of labour contracts. The Ministerial outcome also signals a weakening of multilateralism as no full consensus could be found on trade issues and on the Paris agreement on climate change. The agreement on a new OECD framework for “prospective members” took an unsatisfactory turn by focussing on investors and shareholders’ right, while neglecting human rights and environmental and labour standards.

Moving ahead it is essential for the OECD not to fall into a simplistic and unhelpful policy package revolving around free trade at the international level and a “competitiveness” agenda at the domestic level. Doing so would precisely fail to draw the policy lessons of rising inequality and the falling share of labour income. The starting point for this discussion, if indeed globalisation is to “work for all”, is to effectively empower workers’ collectively and ensure a just transition to a low-carbon and increasingly digitalised economy.

The OECD Ministerial (7-8 June) had a bold ambition, to “make globalisation work (...) for all”. It was preceded by the OECD Forum (6-7 June)ⁱⁱ to “bridge divides” within and between societies. The Ministerial came at a time when a number of OECD initiatives are underway: *Going Digital*, the review of the *Jobs Strategy* (the OECD blueprint for labour market reform), and bringing more “inclusiveness” in the *Going for Growth* OECD monitoring process. It also came at a time where the OECD is aspiring to take a leadership role on responsible business conduct, with the strengthening of the National Contact Points under the OECD Guidelines for Multinationals and the development of sectoral and cross-sectoral due diligence guidelines. Several flagship publications were released at the time of the Ministerial: *Business and Finance Outlook*ⁱⁱⁱ, *Economic Outlook*^{iv} and *Employment Outlook*^v.

Ahead of the Ministerial, the TUAC shared the labour movement's key messages to the OECD. First, governments should be held to account for a double policy failure at the root of the popular backlash against globalisation: a failure to deliver a satisfactory economic recovery since 2008, creating a low-growth trap instead; and in the long run, a failure to achieve a more equal distribution of the gains from technological and economic progress. In its statement & key messages to the MCM, the TUAC further called on OECD members to start building a “social contract for inclusive growth” at the domestic level, starting with eliminating the productivity-wage gap by turning away from structural reforms that weaken labour market institutions^{vi}. At the international level, the TUAC called for devising a new “progressive agenda on trade and investment” regimes, tackling the increasing financialisation of our economies and taking decisive steps to ensure responsible business conduct including in global supply chains, by strengthening the OECD National Contact Points.

The outcome of the Ministerial – including the final statement by the Council^{vii}, the MCM Chair's Statement^{viii} and OECD papers prepared ahead of the Ministerial^{ix} – is on the right track regarding its assessment. Globalisation indeed “has not benefited everyone”. Several OECD papers prepared for the Ministerial recognise that the adjustment costs to globalisation are far more severe and for more sustained than previously thought. The Council statement in particular includes a much welcome call for “new and inclusive approaches to structural policies”, for a “renewed and strengthened social contract in our societies” and to “reinforce social dialogue” (between trade unions, employers and governments). OECD Committees are mandated to devise a new *Framework for Policy Action on Inclusive Growth* for next year 2018 Ministerial.

Turning to the specific policy proposals however, a picture of an incomplete response emerges. At the international level, the Ministers agree on positive actions to “foster more inclusive growth” covering six chapters: trade and investment, tax evasion & BEPS practices, corporate governance, competition & market failures, responsible business conduct (RBC), digitalisation and corruption. On RBC, OECD Ministers make encouraging commitments to strengthen the NCPs including by undertaking peer reviews. On tax, a new multilateral convention was signed by 76 countries (with the notable exception of the United States) to update and align the thousands of bilateral tax treaties worldwide with standards of the *BEPS Action Plan* of 2015^x. On corporate governance and competition, Ministers bring focus on market distortions created by “excess capacity in some sectors” and by (mainly non-OECD) state-owned enterprises – thereby relaying a key policy message of the *OECD Business Finance Outlook* released before the Ministerial^{xi}. On trade and investment however, no agreement was found among all member states. A separate Statement by the MCM Chair was supported by “near-consensus” on trade together with commitment to implement the Paris Agreement on climate change. The failure to agree by consensus on climate and on trade can be seen as another sign of weakening of multilateralism following the outcome of the US presidential elections in 2016.

On the domestic policy front, the Ministers reiterate past OECD calls for better access to education, to skills and to social protection schemes. On labour market policy however, the Council Statement stops short of questioning past flexibility reforms that have contributed to greater inequality and left workers and their families on their own through the individualisation and deregulation of labour contracts. The findings in OECD papers prepared ahead of the Ministerial point to the decline in the labour share of national income and the weakening of the bargaining power of labour. They were not echoed in the Ministerial statement. In the same vein, the *Economic Outlook*^{xiii} released during the Ministerial acknowledges the direct effect of low wages and of wage stagnation on the current slow economic recovery. Although the *Economic Outlook* did not follow up with recommendations

on collective bargaining^{xiii}, the *Employment Outlook* released a week after the Ministerial does devote substantial consideration to collective bargaining^{xiv}.

OECD membership and the “codification” of pre-accession criteria were also on the agenda of the Ministerial. The agreement on a new framework of criteria for “prospective members”^{xv} took an unsatisfactory turn by focussing on tangible requirements to observe the rights of foreign investors and of shareholders, while neglecting human rights and environmental and labour standards. Going forward, this needs to be re-framed accordingly to reflect the fundamental democratic values that lead to inclusive societies.

Moving ahead, in devising a new *Framework for Policy Action on Inclusive Growth* in the coming year, it is essential that the OECD does not fall into a simplistic policy package revolving around free trade at the international level, a “competitiveness” and labour flexibility agenda at the domestic level, with added layers of education and social protection to “compensate the losers” of globalisation. Doing so would precisely fail to draw the policy lessons on rising inequality and the falling share of labour income. Attempting to fix globalisation by “compensating the losers” will not achieve the desired objective of more inclusive growth. Taking action to effectively empower workers’ collectively and ensure a just transition to a low-carbon and increasingly digitalised economy will do.

ⁱ <http://www.oecd.org/mcm/>

ⁱⁱ <http://www.oecd.org/forum/>

ⁱⁱⁱ OECD Business and Finance Outlook 2017 <http://www.oecd.org/finance/oecd-business-and-finance-outlook-2017-9789264274891-en.htm>

^{iv} Global Economic Outlook, June 2017 <http://www.oecd.org/economy/economicoutlook.htm>

^v OECD Employment Outlook 2017 <http://www.oecd.org/employment/oecd-employment-outlook-19991266.htm>

^{vi} 31/05/2017| TRADE UNION MESSAGES AND INPUTS TO THE OECD WEEK 2017 / MESSAGES ET CONTRIBUTIONS DES SYNDICATS LORS DE LA SEMAINE 2017 DE L’OCDE http://www.tuac.org/en/public/e-docs/00/00/13/4B/document_news.phtml

^{vii} <http://www.oecd.org/mcm/documents/C-MIN-2017-9-Final-EN.pdf>

^{viii} <http://www.oecd.org/mcm/documents/C-MIM-2017-18-EN.pdf>

^{ix} including the Key Issues Paper <http://www.oecd.org/mcm/documents/C-MIN-2017-2-EN.pdf>, the Strategic Orientations of the Secretary-General <http://www.oecd.org/fr/rcm/documents/C-MIN-2017-1-FR.pdf> and the Update Report 2017 - Inclusive Growth <http://www.oecd.org/mcm/documents/C-MIN-2017-3-EN.pdf> full list posted here <http://www.oecd.org/mcm/documents/>

^x <http://www.oecd.org/tax/ground-breaking-multilateral-beps-convention-will-close-tax-treaty-loopholes.htm>

^{xi} <http://www.oecd.org/finance/oecd-business-and-finance-outlook-2017-9789264274891-en.htm>

^{xii} <http://www.oecd.org/eco/outlook/economicoutlook.htm>

^{xiii} 07/06/2017| OECD Economic Outlook 2017 recognises that weak wages produce a weak recovery http://www.tuac.org/en/public/e-docs/00/00/13/4F/document_news.phtml

^{xiv} 13/06/2017| OECD finds that centralised or coordinated collective bargaining strengthens labour markets http://www.tuac.org/en/public/e-docs/00/00/13/53/document_news.phtml

^{xv} Report of the Chair of the Working Group on the Future Size and Membership of the Organisation to Council: Framework for the Consideration of Prospective Members <http://www.oecd.org/mcm/documents/C-MIN-2017-13-EN.pdf>