



Trade Union  
Advisory Committee  
to the OECD  
*Commission  
syndicale consultative  
auprès de l'OCDE*

## Employment Outlook 2019

# OECD calls for a “Transition Agenda that Works for All” and to Tackle the Misclassification of Workers

Paris, 26 April 2019

The 2019 OECD Employment Outlook, released on 25 April, addresses labour market challenges raised by digitalisation and globalisation with a view on projected future of work challenges.

TUAC very much welcomes the OECD key message: a call for a “*Transition Agenda for a Future that Works for All*” - one that places “*greater focus on collective bargaining and social dialogue*”.

Policy makers have the responsibility to shape technological change. “*Failing to do so*”, the report argues “*will result in a future of work with deeper social cleavages and increasing discontent, which could have negative ramifications for productivity, growth, well-being, and social cohesion*”.

Main OECD findings and recommendations:

- The future is not “jobless”, but requires massive transitional measures.
- “New” forms of non-standard employment are shedding light on old challenges and put more workers into a grey zone in which their employment status needs to be clarified.
- Strong power imbalances in the labour market favour business over workers and tend to put downward pressure on jobs and wages.

TUAC comments and takeaways:

- The formal recognition by the OECD of the need for a rights-based “transition agenda” that now needs to be fine-tuned. Going forward, a stronger link should be made to the challenges of moving workers into a low-carbon future and to a broader public investment agenda;
- More explicit support for and analysis of sector-level bargaining as a way to pool risks in case of restructuring and to set wage floors;
- “Innovative” forms of employment contracts must be firmly set against collective and individual protection safeguards.

## **Main OECD findings and recommendations**

### ***The future is not “jobless”, but requires massive transitional measures.***

The OECD estimates that 14% of existing jobs are at high risk of automation, significantly less than had been assumed in other studies – but still very high in numerical terms given the short time frame (next 15-20 years). Furthermore, a third of existing occupations will see their task content and the way they are carried out change substantially. Therefore, transitional needs would arise. The OECD here is heavily relying on PIAAC results from 2012 and will need to do more in the future to make more precise sector specific recommendations. On a positive note, job churning may increase as new jobs will be created and would replace those that are made redundant by automation. This implies investing in training systems and in effective employment services and adequate unemployment benefits to assist workers in moving into new jobs. The report, however, does not go into specific details on different pillars of transition plans and does not go as far as endorsing the Just Transition concept. Going forward, a stronger link should be made to the challenges of moving workers into a low-carbon future.

### ***“New” forms of employment are shedding light on old challenges.***

Standard, full-time open-ended employment still accounts for the majority of employment across the OECD, providing workers with more certainty while providing business with worker loyalty and higher productivity. As the main “new form of non-standard employment”, the platform work is limited to 0.5 or 1% of total employment (according to OECD data) and there are signs that its growth is already slowing down. At the same time, the significant incidence of non-standard work and associated poor job quality, including lower wages and reduced access to social protection and training for workers, is a clear cause for concern. This erosion of job quality has been occurring for decades, and the report notes that about 1 in 7 OECD workers is self-employed; the digital transformation only increases the urgency for action.

The OECD insists on the importance of the status of employment as a gateway to workers’ rights and protections, such as the right to a minimum wage, protection against dismissal, social benefits or the right to collective bargaining. Concretely, the policies the OECD recommends are to (i) clearly define and enforce the status of a dependent employee versus a self-employed worker, (ii) address the problem of misclassification of workers and (iii) extend (parts of) the labour market and social protection to self-employed workers or workers who remain in a “grey zone” but find themselves in a vulnerable labour market position. These are very welcome conclusions.

### ***Strong power imbalances favour business over workers and tend to put downward pressure on quality jobs and wages.***

Collective bargaining and social dialogue can help to address the challenges and opportunities of a changing world of work. As the Outlook points out: “*Collective bargaining, at both sectoral and firm levels can also help companies to adapt, through*

*tailor-made agreements and adjustments in the organisation of work to meet their specific needs.”* Collective bargaining can, as the Outlook illustrates:

- define new rights, amongst others the right to disconnect from work, and adjust wages, working time, work organisation
- complement public labour market policies by supporting displaced workers (as is done for example by Swedish Job Security Councils);
- anticipate skills needs and ensure access to lifelong learning to adapt to ongoing changes by managing, designing and funding training programmes for workers;
- allow the implementation of labour market regulation in a more flexible and pragmatic way.

The decline in trade union membership, falling from 30% in 1985 to 16% in 2016, and the difficulties trade unions experience in reaching out to non-standard workers are acknowledged. However, the OECD also confirms that new initiatives are being developed by trade unions to adapt to the changing world of work (opening membership to non-standard or self-employed workers, negotiating collective agreements with platform companies, engaging in training provision).

To provide access to collective bargaining for different types of workers, the OECD points to the importance of the correct classification of the employment status . The Outlook suggests to expand union membership to new forms of work by:

- tailoring labour law to give workers in the “grey zone” (dependent contractors, false self-employed) the right to collective bargaining;
- exempting specific forms of self-employment from the prohibition to bargain collectively, in particular under competition or cartel law.

Importantly, the OECD stresses that such measures should not only be considered for reasons of fairness but also for reasons of efficiency, as, in their absence, buyers may have disproportionate power, thus depressing wages, as well as employment performance, as is described by the model of labour market monopsony.

## **TUAC comments**

While the OECD Employment Outlook offers a much welcome framework for a Transition Agenda, a key policy ask of the TUAC in the past years, a closer look suggests that some key policy points could have been fine-tuned and could form the basis for the future programme of work of the OECD.

### ***Lack of details on how transitions should be managed.***

The OECD stays away from alarmist thinking regarding automation and the platformisation of work; it insists that the future is not set in stone and that labour market outcomes depend on policies that manage the concrete introduction and implementation of new technologies and help secure productive change where opportunities and benefits are shared fairly. It is in this light that the OECD data on worker skills (6 in 10 OECD workers lack basic computer skills) and worker demographics (over 50% of OECD populations may be over 65 years old by 2050) should be viewed. The “Transition Agenda” advocated by the OECD calls for “greater focus” on workers’ rights and collective

bargaining. The report points to the need to strengthen enforce and extend both labour law where the definition of an employee is concerned, as well as collective bargaining and social dialogue for non-standard forms of work. However, as discussed above, the means needed towards job-to-job transitions deserve further attention. A Just Transition plan normally rests on four pillars: (1) labour market regulation, (2) labour relations, social dialogue and collective bargaining, (3) adult learning, and (4) social protection. As the Outlook confirms, transitional costs will be high – necessitating a mix of policies including *“taxation and even housing, transport, competition law and industrial policy”*. Going forward, it would be useful to look into the financing and governance of transition funds to enable quality job creation – including through investments into infrastructure, regions/ communities that are falling behind (as confirmed by the Outlook) or public facilities, such as career guidance or adult VET systems.

***Advantages of sector-level bargaining that could have been better highlighted.***

In the report, the OECD support for sector-wide collective agreement is very encouraging, particularly in the area of life-long learning and access to skills. While mentioning the advantages multi-employer or sector-level bargaining, the report however misses the opportunity to describe them in greater detail including in regards to: the pooling labour market risks, such as the risk of restructuring and displacement of workers but also new agreements on training and working time. Multi-employer bargaining amongst other provides a coordination framework to overcome the market failure of individual employers and SMEs not investing or not be able to invest in upgrading workers’ skills. It allows covering all firms in a sector – no matter the size of the firm or whether the firm is a new entrant. It also sets new standards when it comes to new models of production, service delivery and processes when new technologies are deployed (as the Outlook briefly outlines). If future labour markets will be characterised by more churn, both in terms of firm entries and exits as well as in terms of workers finding themselves in more flexible and short-term employment, collective bargaining agreements setting sector-wide standards and safeguards are of particular importance. Finally, sector-level bargaining tends to be associated with higher trade union (and employer) density rates, which the OECD wants to see promoted in more general terms.

***“Innovative” forms of employment contracts without the necessary collective and individual safeguards.***

The OECD suggests greater “diversity” and “continuous innovation” of employment contracts to allow for more flexibility for both firms and workers. In practice however, new and “innovative” forms of employment relationships are at the fringes of existing labour law and therefore cover fewer rights and protections. They are used by businesses to obtain a competitive advantage by looking for all possible backdoors to be exempt from respecting established workers’ rights or tax obligations. In the absence of clear and explicit safeguards on individual and collective protections, the OECD’s call for “innovation” is a recommendation that could be interpreted as opening up the way to a race to the bottom. Instead, the OECD should build on its reflections on the nexus between quality jobs and flexibility and how to promote both in terms of increased well-being at the workplace (working time, leave for care responsibilities or training).

Finally, the OECD's view on collective bargaining as offering more flexibility to deviate from labour law should be treated with caution, when such policy advice in practice leads to hollowing-out key worker protection and labour law principles themselves. The report does add rather strict conditions (within "a framework that guarantees the respect of fundamental labour rights and a balance in bargaining power", adapting wages and work organisation in "flexible and pragmatic – but yet fair – manner than that entailed by changing labour law". These essential conditions can be found in the body of the text, they could have been highlighted in the key findings of the relevant chapter.