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

Release of Going for Growth 2019

Going faster - at what cost?

Paris, 22 July 2019

Overview

The OECD report "Going for Growth", released on 12 July 2019, is the organisation's flagship report listing the "what- and when-to-reform", including more than 150 pages of country-specific recommendations. The 2019 edition also highlights how a series of megatrends such as globalisation, digitalisation, demographic change and environmental degradation are changing the global economy[i].

On substance, the report appears to be in line with recent editions' attempts to reconcile the traditional "creative destruction" policy of structural reforms with an inclusive growth model[ii]. The report proclaims the overall objectives of "stronger and fairer outcomes" and environmentally sustainable growth. A new framework for selecting country-specific "top 5 reform priorities" using "a matching algorithm" is presented with four core pillars: productivity, employment, inclusiveness and environmental sustainability.

In the policy prescriptions, however, the report remains closely aligned with the priorities of previous editions: business competitiveness, enhancing productivity through greater competition, trade liberalisation, and labour market flexibility. To incentivise businesses to invest more, the report argues, employer social contributions on labour and tax rates on corporate profits need to be cut, while trade liberalisation and reducing barriers to trade and investment will help lift growth. There should also be a change in the tax policy mix, shifting the tax burden from corporate income to property, consumption and environmental taxation.

For TUAC, the ability of these limited set of policies to effectively drive inclusive growth and ensure fair distribution of wealth generated by growth and productivity gains is questionable.

Furthermore, the core message of the report concerns the willingness and capacity to reform faster and deeper. With the economy facing further headwinds and economic growth continuing to slow, it calls on centres of government and top policy makers to accelerate the pace of reforms. But will this come at the cost of social dialogue and meaningful consultations? To be successful and owned, reforms needs more than communication teams and agile centres of government. On labour and social affairs

15, rue La Pérouse – 75016 Paris – France
Tél. (33) 01 55 37 37 37 – tuac@tuac.org

matters, they require meaningful consultations and negotiations with social partners, which in turn require strong labour market institutions.

Taking a closer look at the priorities and overall recommendations of the report, we can identify a number of central and more concerning themes.

Employment & skills

While employment rates are close to pre-crisis levels in many countries (with notable exceptions, including Greece, Spain, France, Italy and Turkey), the report concedes, as in previous economic publications, that the quality of jobs has not kept up with the quantity. Especially in Europe, a significant share of new jobs are involuntary part-time or are on fixed-term contracts with limited social protection. Informality remains significant in most emerging-market economies.

The policy responses to these issues present a mixed picture. On a positive note, the report calls for scaling up investment in skills and for higher public investment in infrastructure. On employment policies however, "inclusiveness" is primarly seen as a matter of getting people into jobs, particularly disadvantaged groups such as women and immigrants, by promoting equal opportunities through skills and training. Inclusiveness is not placed in its broader context as a matter of equity and fair distribution of productivity gains. Reducing the wage-productivity gap and ensuring fairer labour market outcomes, as called for by the Jobs Strategy of the OECD, are not addressed.

To reduce market dualism, the report suggest the old recipes of the past: reducing taxes on low-income workers, reducing protection of workers on regular contracts, making minimum wages more flexible, and so on. Several country-specific recommendations go in that direction (reducing minimum wage in Chile, weakening collective bargaining in Belgium), while none of them call for increasing the minimum wage or expanding collective bargaining.

The report promotes this labour-market and wage flexibility, as well as worker mobility ("Workers need to have the incentive and opportunity to find quality employment"), and simultaneously downplays social dialogue, collective agreements and the urgent need for a Just Transition for workers. This approach is not in line with the recent policy prescriptions of the Employment Outlook Policy. In other words, coherence at the OECD remains work in progress.

Green growth

As a new feature, the 2019 edition of the Going for Growth report includes a chapter on green growth. With this inclusion, the OECD acknowledges that growth has to be environmentally sustainable and poses several policy solutions, including a shifting of the tax burden. It further highlights that addressing social challenges are indeed paying off.

It is, however, regrettable that the OECD fails to follow through and explicitly call for a rights-based “transition agenda”. A stronger link should be made to the challenges of moving workers into a low-carbon future and to a broader public investment agenda.

For the TUAC, it is vital that the interaction with productivity and employment are better addressed. It urges the OECD and governments to apply Just Transition principles in their efforts to combat climate change and environmental degradation, keeping in mind the effects of climate policies on workers, their communities and families. In this sense, the 2019 Going for Growth report unfortunately represents a missed opportunity for the OECD to set a more ambitious agenda for inclusive and sustainable growth.

Accelerating the pace of reforms – at the cost of social dialogue?

The OECD urges governments to increase the reform pace, listing France as a prime example of best practice.

It is striking that the OECD continues to urge governments to further accelerate the pace of reforms, with little consideration for meaningful social dialogue. With calls for “going faster”, OECD countries run the risk of “carpet-bombing” the political agenda with fast-moving reforms that do not allow social partners to play their important role, a strategy which is counterproductive to achieving good standards in the labour market and risks a public backlash.

The TUAC therefore urges governments and the OECD to be cautious and proceed not with hasty, poorly planned reforms but rather with timely reforms which include the substantive input of social partners and which reduce economic and social distress, provide better institutional outcomes and address climate and environmental concerns. Recent events in France would, precisely, support that view.

---

[i] http://www.oecd.org/economy/going-for-growth/

[ii] Going for Growth 2018: Between Structural Reforms and Inclusive Growth 21 March 2018 https://tuac.org/news/going-for-growth-2018-between-structural-reforms-and-inclusive-growth-2/ & Going for growth and inclusiveness? 17 March 2017 https://tuac.org/news/going-growth-inclusiveness/