

TUAC 2020 MINISTERIAL COUNCIL MEETING STATEMENT

A ROADMAP FOR FAIR AND SUSTAINABLE RECOVERY THAT PEOPLE CAN TRUST

PARIS, 26 OCTOBER 2020

The Trade Union Advisory Committee to the OECD (TUAC) welcomes the focus of the OECD Ministerial Council Meeting 2020 on a “strong, resilient, green and inclusive recovery”, in the face of the economic and social consequences of the COVID-19 pandemic.

The TUAC calls upon the 2020 MCM to agree on a roadmap for a fair and sustainable recovery that inspires trust and confidence in the ability of our governments to deliver shared prosperity.

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The Crisis

The Covid-19 pandemic is the deepest global crisis in modern history with an unprecedented fall in global GDP and a massive increase in unemployment. These developments carry with it rising social protests and widening inequalities and as the economic consequences of the pandemic are very unevenly spread. As we painfully learned from the 2008 financial crisis, such negative developments can rapidly transform into a political crisis for democracy.

The fear of another “lost decade” for many...

Unless governments work together and take decisive action, we are facing the prospect of another lost decade for millions of working families, the youth and for the most vulnerable parts of our societies. Globally, the World Bank expects up to 60 million people to fall in extreme poverty. The OECD’s Employment Outlook 2020 identifies low-pay workers, workers in non-standard jobs, a “lost generation” of youth being among the big losers of the crisis. The crisis is also disproportionately affecting women through a variety of channels (employment precarity, employment exposure to Covid-19, work-life balance, increased domestic violence). In June 2020, the OECD Economic Outlook presented various growth scenarios. The case of a resurgence of the COVID-19 pandemic in the second half of 2020 was one scenario predicting a global GDP fall of 7.6%. Under this “double-hit” scenario, real household income is to fall back to 2013 levels, risking another lost decade. Average unemployment rate would hit the two-digits, at 10%, staying high throughout 2021.

... with a few big winners ...

Rather than being L- or W-shaped, the recovery could well end up being K-shaped, with certain sectors coping far better than others. The impact on the economy is asymmetrical. Some are particularly affected by confinement and sanitary measures (e.g. tourism, hospitality, culture and entertainment, retail, transportation), others are in a state of overheating (e.g. the health sector). Due to increased stay-at-home orders, digital businesses are the big winners of the crisis – notably online communication and ecommerce platforms. The digitalisation process is likely to accelerate, not only with opportunities, but also with a number of risks regarding systemically important digital groups and the ecosystems they operate in – marked by heavy market concentration and insufficient rules on data protection, access and sharing. With half of the world population not connected to high-speed internet, and many people and regions in the OECD area with insufficient connectivity infrastructure – public investments are needed.

... piling on many layers of crises.

The COVID-19 crisis did not hit an otherwise robust and socially just economy, and many of the key challenges that we are facing today pre-date the current emergency. Many OECD economies were already facing a combination of slow economic and employment growth, widening inequalities in outcomes and access to opportunities, and serious climate and environmental emergencies, while at the same time having to undergo a number of major and potentially disruptive transitions: digitalisation, population ageing, and decarbonisation. Upcoming OECD report reveals that half of OECD regions had not recovered to pre-2008 unemployment levels even before the pandemic broke. This has led to the progressive erosion of trust and confidence in the ability of our governments to deliver shared prosperity.

The crisis piles on existing precarity in employment, rising labour market segmentation, and mounting global inequalities, as evidenced by several OECD reports: “Divided we stand” (2011), “In It Together: Why Less Inequality Benefits All” (2015), “A Broken Social Elevator? How to Promote Social Mobility” (2018), “Under Pressure: The Squeezed Middle Class” (2019). Austerity policies and policies that have increased workers’ individual exposure to

labour market and social risks have fuelled the rise in inequalities. Let us not repeat the mistakes of the past.

It is also a crisis for multilateralism, and more broadly for international co-operation. Today's state of multilateralism appears seriously fractured. Trade wars, protectionist measures, the difficulty to reach and implement climate agreements under the UN Climate Change Conference, the rise of populism, are just a few examples of the fragmentation in political priorities and the inability of governments to reach consensus on urgent global issues.

A roadmap for recovery

The TUAC calls upon the OECD and its Member Countries, to make best use of this high-level process in delivering a policy roadmap to create trust in recovery plans in response to the Covid-19 crisis.

Maintain and expand protection schemes for workers and for the most vulnerable

Many OECD governments took decisive action in March-April 2020 – through retention schemes – to prevent a surge in unemployment including among the most vulnerable parts of society. Six months after, OECD economies are still in crisis-mode. It is essential to maintain and expand the measures taken to protect workers and their families. A large proportion of our societies is at risk of falling rapidly into poverty. This needs an urgent and massive response by governments:

- Protect workers, including those at the frontlines, through the highest safety and support measures and personal protective equipment, involving trade unions and social dialogue to set protocols and legal foundations;
- Uphold and extend measures to preserve existing employment, including job guarantees, job retention, short-time working and other wage / income compensation schemes and to secure return to work with adequate health and safety standards;
- Provide adequate income replacement and extend paid sick- and pay-leave entitlements to all workers, students and apprentices, via universal coverage, irrespective of their employment status in the formal and informal economy;
- Focus on supporting low-income, vulnerable workers in precarious employment, women, migrants and refugees, younger workers including the “NEETs” (Not in Education, Employment or Training) and workers with disabilities;
- Provide adult-learning opportunities, including by allowing for paid training leave and more diversified training offers, and strengthen career guidance services through investment in public employment agencies and services; and
- Ensure that telework delivers on the benefit side (reducing transport-related stress and increasing work-life balance) and is regulated and steered via collective bargaining to prevent over-time work, preserve well-being and productivity.

Scale-up and expand our health systems

The COVID-19 pandemic has shown the crucial need for universal access to a well-funded public health care system. The dire situations across OECD countries amplified by the pandemic demonstrates the consequences of years of public austerity measures in OECD countries with health care workers facing harsh and dangerous working conditions whilst patients are not ensured adequate access to necessary care. This calls on an immediate response by governments:

- Scale-up all necessary provisions for access to diagnostics and treatment, mass testing, as well as funding for epidemiological research, vaccination and relief medicine;

- Scale up investment in public health systems and public services massively and ensure that public services are based on the premise of social justice and universal access;
- Improve occupational health and safety of health care workers including access to adequate personal protective equipment (PPE), training and extended sick leave entitlements;
- Improve the overall working conditions and thus retention of workers in the care sector based on social dialogue and expanded collective bargaining; and
- Ensure that new measures to track the pandemic spread or to monitor workers are in line with international (regional) and national data privacy and protection standards, that they are based on consent, are proportional and restricted in time.

Engage massive and sustained support to the economy...

This is not the time to repeat the mistakes of the 2008-2020 and start engaging a retreat and falling back into the “austerity trap”. Governments must maintain and deepen massive, sustained support to the economy, including fiscal packages and support for [FO] wages and businesses. Public debt ratio of the median OECD economy is expected to reach an average 87% of GDP across the OECD by the end of 2021. Accommodated by expansionary monetary policy and in the absence of excessive inflationary pressures, such debt will remain sustainable. On the contrary, an early rush to reduce public debt levels by means of austerity measures would be counterproductive, stalling GDP growth and aggregate demand and further inflating the debt ratio, as it happened in the 2010s.

It is hence crucial to focus on the “quality” rather than “quantity” of debt and investment, including by investing in quality jobs, green and digital transformations, public health and education systems. In doing so, governments should work with social partners and take into account:

- The size of firms affected by COVID-19 with SMEs particularly vulnerable and less resilient to economic downturns;
- The imperative need for Just Transitions towards climate- and digital-proof economies, through investment in skills development and education, social dialogue and collective agreements, and through public investment via transition funds and industrial policies; and
- The investments needed to transition to low-carbon economies and sustainable infrastructure.

... but with conditions on employment and social justice.

Governments are providing massive tax deferrals, debt moratoria and state loan guarantees to businesses to sustain corporate liquidity. There should be strings attached to ensure budget and fiscal economic justice. The condition for state support for businesses should insist on:

- The protection of jobs and fair wages (established through collective bargaining) and worksite representation of workers (through either works councils, unions or elected health and safety committees);
- the implementation of strict corporate governance and tax standards, including a ban on the use of tax havens and suspension of dividend payments;
- compliance with OECD Responsible Business Conduct instruments to develop preconditions for state support, including strengthening the common approaches in export credits; and
- Public accountability and transparency over the monitoring and ex-post impact assessment.

The responsibility of OECD countries vis-à-vis the developing world

The severity of the global crisis prompted by the COVID-19 pandemic calls for a strong and urgent response. In this regard, OECD Governments have a responsibility to support developing countries and avoid increasing poverty. They should actively support a strong debt relief and suspension programme, and work with non-OECD members, including China, to that end. Beyond that, the OECD should call for:

- The issuance of Special Drawing Rights;
- The creation of a Global Social Protection Fund;
- Debt relief and suspension, as well as investments for the SDGs;
- Inclusion of social partners in the design and implementation of response programmes;
- Stepping up Official Development Assistance; and
- Ensuring private sector investments in development are in line with the international development effectiveness principles as well as the OECD Guidelines for Multinational Enterprises and the Sustainable Development Goals.

The policy matters ahead of us

There can be no return to business as usual. The OECD has a role to provide policy guidance on the growth and regulatory model for the imminent future in light of the Covid-19 crisis.

Support and expand labour market institutions

Compared with the post-2008 crisis, labour market institutions – collective bargaining and minimum wages – have lower coverage and are less protective, leaving gaps for many workers facing the crisis today. Much of the “recovery” in employment levels and competitiveness over the past decade spurred from the degradation of labour rights and the compression of wages. Job quality and adequate remuneration have been falling due to the weakening of employment protection and collective bargaining (coverage in OECD countries has dropped from 38% in 1998 to 32% in 2017), leading to increasingly insecure labour markets with limited job security and the rise of non-standard forms of work. The recognition that co-ordinated collective bargaining systems result in better employment, a better integration of the gender dimension and of vulnerable groups and less wage inequality than fully decentralised systems, was lost. Yet, OECD evidence confirms its importance yet again.

In its policy response to the crisis, the OECD must tackle labour market segmentation and inequalities ex-ante with the goal of achieving fair labour market outcomes and quality jobs –amongst other by applying its revised Jobs Strategy, including by

- Strengthening labour market institutions and other collective protection schemes related to health and pensions;
- Closing regulatory gaps allowing for precarious non-standard work and lowered job security; and
- Streamlining the gender dimension (precarity, unpaid work, work-life balance).

Tax justice

The failures of our tax systems to cope with globalisation were already apparent prior to the crisis and in fact is a recurrent issue over the past decades. Much has been accomplished since the 2008 crisis. However, more needs to be done in order to curb under-taxation of businesses, to stop the tax race to the bottom and to ensure fair taxation for all, including for developing countries.

The OECD should aim to:

- ensure progressivity in tax reforms by rebalancing tax revenues between wealth income and consumption taxation, and by re-engaging a discussion on innovative forms, including the financial transaction tax;
- achieve a robust and ambitious agreement on Base Erosion and Profit Shifting and the digitalisation of the economy and end the mutually destructive corporate tax race to the bottom with the immediate introduction of global minimum tax rate within the current OECD average rate of 20-25%; and
- Continue working on an in-depth and lasting reform of the international tax architecture, based on unitary taxation and enhanced tax transparency.

A reset of our trade and investment system, with RBC at its core.

Rather than spreading market risks and promoting economic diversification, the trade liberalisation agenda seems to create just the opposite: concentration of market power in a few hands, unfair competition leading to a regulatory race to the bottom, on social, environmental and tax matters.

The labour movement stands for a new progressive trade and investment agenda that shifts away from the old model of the late 1990s and the preferential treatment of foreign investors. This agenda would shift towards effective policy coherence with human rights and labour, environmental and integrity standards, while preserving the right to regulate, to implement proactive industrial policy and secure access to strategic assets and services and to defend against unfair competition.

The OECD should review the discussion on global value chains and the trade and investment agreement systems including by promoting the OECD Responsible Business Conduct agenda, including accountability of National Contact Points of the OECD Guidelines for MNEs, mandatory due diligence and supporting demand for verified outcomes from due diligence.

Tackle imbalances and regulatory gaps for a more just digitalisation

The current crisis demonstrated regulatory gaps and imbalances when it comes to the digital transformation. The OECD has shown its ability for substantive evidence gathering and for a horizontal policy approach in this realm. It is time however to get serious about protecting the privacy of workers and consumers, connectivity across regions and for all households, human-centered design of new technologies. The OECD should aim at:

- regulating digital processes and data-driven business models in line with data privacy standards and human-centred principles by moving towards ambitious legal and regulatory frameworks and protocols on transparency, accountability and proportionality;
- addressing issues surrounding surveillance, control and dependency issues in the platform economy by testing the employment status and addressing labour market monopsonies and ensuring a level playing field between completely digitalized and other businesses; and
- investing in public R&D and broadband connectivity across regions, digital equipment of educational institutions and lower-income households, and support responsible digital firms.

Address market concentration

Rising market and industry concentration predates the crisis, but is likely to accentuate further with digitalisation. It is a matter not limited to consumers' interests

only, it harms the economy and contributes to deepening inequalities. Where a few firms dominate the labour market, employers are able to lower wages and degrade working conditions without losing their workforce. Any analysis of labour economics history shows that this repeatedly results in wage stagnation and lower levels of employment. The OECD should:

Acknowledge the existence of oligopolies and the means to address and tackle excessive market concentration, including anti-trust measures, and assess their impact not only on consumer rights but also on employment and inequality; and

Enhance freedom of association and collective bargaining as a tool to address excessive corporate power.

Quality public services and quality government

The austerity measures that preceded the crisis have proven to be the principle causes for public sector and public services being “under pressure”, as well as “suffering from low trust levels”. The figures are there to support the evidence – austerity measures have been choking public services little by little across OECD economies, and hence eroding people’s right to fair and equal access to quality public services thus failing to ensure an adequate level of preparedness before the COVID-19 crisis.

The OECD should move away from the “doing more with less” mantra, and come to terms with the reality of under-funded public services. It should promote a Quality Universal Public Service agenda. Only skilled, well-trained public employees, with decent working and living conditions and with access to adequate resources, can sustainably deliver innovative ways to bring quality public services to society. Social dialogue is a central condition for ensuring respectful treatment of public sector employees – including their fundamental right to collective bargaining.

The OECD should:

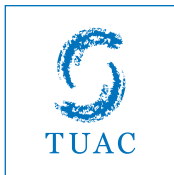
- Recognise that social dialogue is a central condition for ensuring respectful treatment of public sector employees—including their fundamental right to collective bargaining;
- Promote decent working and living conditions for public employees with access to adequate resources as a way to sustainably deliver innovative ways to bring quality public services to society; and
- Ensure well-functioning public sectors by abandoning the excessive focus on austerity and agility and instead acknowledge the importance of well-funded and well-resourced public sectors in providing equal and fair access to public services.

The future of the OECD

In the longer term, the TUAC calls upon the OECD vision to be guided by the following principles:

- Support the principles of multilateralism and people-centred policy-making;
- Be uncompromising on democracy, rule of law, including human rights and labour rights as defined by the ILO, including mechanisms for member states to be held to account for OECD norms and values;¹
- Ensure policy coherence across the Organisation, the value of which is more than the sum of its committees and working groups and lies in its capacity to address policy challenges horizontally from diverse fields of expertise; and
- Consolidate the recent “acquis” on inclusive labour market reforms and social dialogue, including the revised Jobs Strategy and recent Employment Outlook reports, in close cooperation with the ILO as the authoritative international organisation on labour and employment matters.

1. Having regard to past OECD Ministerial Council Meeting Statements, including: in 1990, stating that “the basic values which are common to the OECD countries” are “pluralistic democracy, respect for human rights, and a competitive market economy”; in 2007, stating that the Organisation’s mission is “promoting peace, stability, prosperity and democratic values through sound economic policies and good governance”; and in 2011, for the 50th anniversary of the Organisation, stating that “OECD Members form a community of nations committed to the values of democracy based on the rule of law and human rights, and adherence to open and transparent market economy principles” and that the “Organisation’s essential mission is to promote stronger, cleaner, fairer economic growth and to raise employment and living standards”, relying to do so “by identifying key economic, social and environmental policy challenges and designing policies to improve the well-being of people around the world”.



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