Trade Union
Advisory Committee
to the OECD
Commission
syndicale consultative
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Statement to the OECD Ministerial Council Meeting

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Introduction

The TUAC welcomes the opportunity to contribute to the OECD Ministerial Council Meeting (MCM) on 31 May and 1 June 2021. The MCM comes at a particularly important point in time for both the OECD and for the world economy. We are amidst a global economic and social crisis, prompted by the COVID-19 pandemic, while the OECD has a transition in leadership and is drafting a new vision statement. Thanks to its multidisciplinary nature, the OECD can offer comprehensive policy responses to the crisis and guidance for recovery.

Ministers are asked three questions on the occasion of the MCM: (i) What are the lessons learned from over one year of response to the COVID-19 pandemic? (ii) What are your priorities to "build back better"? and (iii) What shared values are inspiring policies on crisis response and recovery? In what follows, we offer a trade union perspective to each of these questions.

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The lessons from the pandemic

Every global crisis comes with hard lessons. The COVID-19 pandemic is no exception with the realisation that health and social protection are public goods; a re-focussing on economic and jobs security; the exposure and under-valuation of otherwise essential workers; the central role of government in coordinating the economy; the need for more balanced trade and investment systems; and the lack of regulation of digitalisation.

Government leadership in supporting the economy

Following the 2008 crisis, governments learned the hard way of the necessity for strong and quick monetary and fiscal intervention, in the face of major macroeconomic shocks. A too quick turn to pro-cyclical austerity measures did not only fail to reduce public debt volumes, but depressed economic growth and affected job quality in the years to come. The role of fiscal policy during COVID-19 is essential to caution the negative impact of the pandemic and related lockdown measures on employment and GDP. Governments proved that public intervention is pivotal in limiting the negative impact on growth and in preserving businesses' and households' incomes and confidence. In the coming phase, guiding the recovery, public intervention will be crucial in sustaining demand and jobs, and in encouraging private investment.

However, public support for the private sector should not come without conditions. There should be strings attached with respect to responsible business conduct, employment protection and broader social justice goals. Public support also represents an opportunity to shift towards low-carbon economies and shaping nascent industries in a way that guarantees resilient and sustainable growth.

Health and social protection as public goods

The COVID-19 pandemic should also be a wake-up call regarding the importance of well-functioning public health systems, the care economy and the need for adequate social protection – including unemployment protection, paid sick leave and access to healthcare. Many public health systems lacked capacity and preparedness when the pandemic broke out. Past cuts in public investment and in benefits and the progressive erosion of labour market institutions have led, over time, to a rising share of households and workers with limited access to health and social protection. Many OECD governments found themselves forced to extend or introduce exceptional social support measures during COVID-19 in order to reach all citizens and workers in need, showing the inadequacy of existing schemes.

Ensuring trade can contribute to economic sovereignty

The pandemic has shed a new light on the unbalanced trade system combining a decades-long trade and investment liberalisation agenda that does not reflect social fairness and responsible business conduct practices and a resurgence of state unilateralism through export control and short-termist protectionism. Rather than defusing market risks and promoting economic diversification, the trade agenda has led to increasing market concentration and amplified "winner-takes-all" outcomes, short-term competitive pressures and, for some essential services and products, an unsustainable dependency on a handful of producing countries. The COVID-19 crisis is offering an opportunity to engage a renewed discussion on global supply chains, economic sovereignty, including reshoring of production activities, balancing market openings with broader policy goals of resilience, inclusiveness and sustainability.

People want economic security

The COVID-19 crisis did not hit otherwise robust, sustainable and socially just economies. Citizens in OECD countries feel financially insecure, because they often perceive their employment position to be precarious. Half of OECD regions had not recovered to pre-2008 unemployment levels before the pandemic broke. If people cannot plan their future with some sense of security, they lose hope for a better life and trust in public institutions. The 2021 edition of the OECD "Risks that Matter" survey finds that *"67% of respondents across 25 OECD countries are concerned about their household's finances, social and economic well-being over the next year or two*". It is imperative to respond to their concerns, starting with a reversal in labour policy trends, strengthening employment protection and labour market institutions, and putting workers at the centre of the policy agenda, rather than considering them only as a replaceable production input.

Revealing the far too undervalued essential workers

The social frailty laid bare by the pandemic forced to reflect on which jobs can be considered "essential." The professions once valued by globalisation – high-flying, highly paid corporate managers, bankers and the like – now seem not so essential. On the other hand, those workers we literally cannot live without – first responders, hospital service workers, grocers and platform delivery workers – remain undervalued, under-paid and under-protected. Real recognition of the value of "essential workers" to the economy can only be measured in a widespread recalibration of pay, employment protection, pension and health entitlements. Such recognition would also help achieving more equality as many of these workers belong to ethnic minorities, are women, or young.

Digitalisation gaps exacerbated

The crisis is exposing how far our economies have entered into the digitalisation era without sufficient regulation and policies. The opportunities are there, but the downside risks are many. Technology companies and digital platforms are gaining more customers and reach in an already highly concentrated market, while labour and data regulations and investments in connectivity are insufficient to meet the needs of the crisis. The digital divides result in affordability and connectivity issues affecting learning and labour market participation. The lack of data privacy and work intensification issues are surrounding telework. Surveillance at work is increasing through more semi- or fully-automated processes. Platform work is continuing to rise without adequate labour rights, occupational health and safety and social protection.

What "build back better" should mean

Government must take action to facilitate a sustainable recovery and indeed help "Building back better" by putting people, workers and the environment at the centre of policy action. Many of the key challenges that we are facing today pre-date the current emergency: slow economic and employment growth, widening inequalities in outcomes and access to opportunities, and serious climate and environmental emergencies, while at the same time undergoing major and potentially disruptive transitions: digitalisation, population ageing, and decarbonisation.

Resilient labour market institutions

Building back better should mean building back in a fair and more resilient way. The employment recovery must be a quality jobs recovery. Fairness and resilience have to be restored through our labour market institutions – collective bargaining and minimum wages. This means reversing past structural reforms that have individualised and transferred risks from employers to workers in an unjust and ultimately unsustainable way. The revised 2018 OECD Jobs Strategy is in the right direction as far as the aspiration and broad objectives are concerned ("Good Jobs For All"). It calls for balance between negotiated flexibility, job security and stability, flexible fiscal policy and short-time work schemes for labour market resilience, and it recognises the benefits of sector-level bargaining and the need to promote collective bargaining coverage. These recommendations are crucial in order to achieve this objective, together with tackling income and wealth inequalities. Job protection rules should provide sufficient levels of job security, ensure minimum living wages and have social partners negotiate pay levels up.

This will benefit all workers, including "vulnerable groups" – women and youth amongst them – alongside targeted and well-resourced active labour market policies and stronger anti-discrimination legislation to fight racism. Gender inequality needs to be systematically addressed, including pay and pension gaps, and women's segregation and exclusion from the labour market. The youth needs to take centre stage as well, in the transition from education to the labour market through additional training and job creation programmes. Governments should set out plans for tackling racial injustice, including better measures to monitor racial/ethnic disparities in the work place.

Better social protection, better health, education and public services

Building back better social protection and public services should reverse years of public austerity and cuts for the provision of social and health services. Providing people with social security and universal protection and with adequate quality public services for education, health and basic utilities must be a priority. Governments should abandon the "doing more with less" mantra and scale-up investment in public health systems, education and public services massively to ensure they are based on the premise of social justice and universal access.

In the short term, governments must commit to free, transparent and universal access to vaccines, testing, and treatment of Covid-19, working with World Health Organisation leadership. They should recognise Covid-19 as an occupational disease, commit to a temporary suspension of intellection property rights on vaccines at the WTO (a TRIPs waiver) and refrain from setting export controls on vaccines and medical goods. Covid-19 is a 'public good' issue and should be treated as such – with the highest levels of corporate accountability and transparency over contracts.

Social protection, covering minimum-income, health and pensions, is not only a matter of social justice. Well-designed systems strengthen the resilience of societies in times of crisis by mitigating the negative impacts and supporting a robust and inclusive recovery. They also lead to more inclusive societies and greater labour market participation by vulnerable groups. Labour market institutions, including collective bargaining, and social partners at large have a central role to play in the design and implementation of social protection systems to meet coverage, efficiency and affordability. Globally, governments should support the creation of international financing mechanisms for universal social protection and global funding for low-income countries as currently discussed within the G20 process.

Better rules for the digital transformation

Building back better should also mean addressing the significant gaps in regulation and policy action when it comes to the digital transformation. Non-binding principles and lukewarm legislation will not achieve desirable goals. Legal and ethical standards on data access and sharing, algorithmic transparency and frontier technologies are needed. International cooperation has to address corporate concentration. In the aftermath of the 2008 financial crisis, policymakers were concerned about Systemically Important Financial Institutions. Now is the time for a similar process for "systemically important digital institutions". Closing the digital divides and deploying industrial policies can also contribute to market diversification and quality jobs creation, in line with social and green objectives.

Regarding workers' rights issues in the platform economy, a handful of legislative initiatives and legal decisions have aimed at restoring basic protections and, at times, the employment status. These initiatives need to be scaled up, including an initial presumption of employment via a legal base, a legal right to predictable pay and algorithmic transparency, the right to organise and form a union – also by revising existing competition law, and basic social protection coverage and occupational health standards.

A progressive trade and investment agenda – at last

Building globalisation better would require revisiting long-term solutions to more sustainable trade, investment and global value chains. The false dichotomy between liberal and protectionist policies, either "for" or "against" trade, should be overcome. Trade liberalisation create market opportunities for businesses, but it most often comes as an external shock and a major source of uncertainty for workers - an external shock in the form of competitive pressures that offer opportunities and benefits in the medium and long term, but it also comes with short term costs and risks. Unless there are countervailing forces at the domestic level and in-built mechanisms in trade and investment agreements, trade liberalisation leads to downwards pressure on wages, social security, and workers' rights. Unfair competition based on social dumping is pervasive. It fuels inequalities and undermines societal trust in global and national governance and in the private sector.

A first line of defence is the creation of resilient and protective labour markets that prevent a global race to the bottom in terms of labour costs and standards. Respect for human rights and labour standards should become a pre-condition for any trade and investment agreement in a manner that makes them enforceable. Monitoring, complaint and sanction mechanisms involving social partners should become part of all trade and investment agreements. The OECD Guidelines for Multinational Enterprises offer a leading framework. Beyond the inclusion of enforceable social clauses, trade and investment agreements should respect the right of government to regulate, including setting minimum floors and social protection while maintaining high environmental protection standards that fulfil the objectives of the Paris Climate Agreement and the Sustainable Development Goals.

A just transition to a low-carbon world

Building back better should accelerate rather than postpone tackling climate change in an inclusive and socially just way. Recent OECD work demonstrates the importance of bringing environmental and social policies together and taking into account policy impacts on workers, their families and communities when designing environmental policies. Just Transition measures are a crucial condition for the implementation of the ambitious climate policies we urgently need.

Without robust social conditions (involving investments, social dialogue, social protection, social justice, skills and education), there will not be enough support in society for the structural reform of our economies needed to protect the climate. The Just Transition principle is making inroads at the OECD, and can guide recovery plans with respect to climate change and environmental degradation. Taking into account profound regional, sectoral, digital and social divides, the need to have a multi-dimensional Just Transition lens becomes glaring.

Changing direction on tax reform

Building back better would definitely concern the international corporate tax architecture, whose foundations rest largely upon concepts developed in the 1930s. The much-awaited OECD-hosted G20 agreement on digitalisation has the ambition to close the gap between tax rules and the disruptive business models of the digital economy ("Pillar 1") and to help resolve the old issue of mutually harming tax competition through the creation of minimum taxation rate ("Pillar 2"). Reaching an ambitious agreement under Pillar 2 should be treated as a priority, since it would limit tax competition between countries and help raise tax revenues. To be effective, the minimum rate should be set at 25%, in line with the effective tax rate observed across OECD economies. Discussions on Pillar 1 seems less advanced, although reports suggest improvements in addressing complexity. Given the importance of reaching an agreement on a minimum tax floor, a decoupling of the two Pillars is warranted.

While these efforts are worth supporting and encouraging, a fundamental reform of international taxation rules is still needed to address the misallocation of investments and the massive concentration of corporate and household wealth. The toolbox includes shifting to corporate unitary taxation principles, global excess profit taxation and taxation that help redress for market failures on the environment and short-term financial speculation. More broadly it is essential to ensure far more progressivity in tax systems in the face of mounting levels of inequality especially at the top of the income and wealth distribution. It would uphold the redistributive justice principle and provide the right incentives to incentivise investment in the real economy, into low carbon and sustainable projects.

Rethinking our model of growth

Finally, building back better requires rethinking our model of growth at its core. Despite two systemic global crises slightly over ten years apart – the Global Financial Crisis of 2008 and the COVID-19 Crisis in 2020 – our understanding of the global economy has not necessarily improved. At the time of the creation of the OECD, 60 years ago, our economies were characterised by prolonged, stable growth, low unemployment and shared prosperity. Income inequalities were low, real returns on capital were moderate, the labour share in GDP was high and solvent domestic demand underpinned economic growth for a prolonged period in time. Today, it is time to refocus on more sustainable, wage-led domestic demand growth models. The

OECD has an important role in spearheading the discussion on new growth models, both because of its multidisciplinary nature and the willingness to discuss alternative approaches to the economy and measuring progress.

Shared values for a sustainable recovery

As the OECD is devising a new Vision Statement on the occasion of its 60th anniversary, it is timely to reflect on the “shared values” that should bind OECD members. In 2020 the TUAC was vocal on the need for the OECD to support the principles of multilateralism and people-centred policy-making, ensure social justice is at its core and to be uncompromising on democracy, the rule of law, including human rights and labour rights as defined by the ILO.

Multilateralism

Multilateralism and governments’ willingness to cooperate on a set common standards and to pool resources for shared global public goals should remain a cornerstone of the OECD’s work. Today, the state of multilateralism appears more than fractured. Wars and geopolitical tensions, nationalism and short-term protectionism, the difficulty to implement climate agreements under the UN Climate Change Conference, are just a few examples of the fragmentation in political priorities and the inability of governments to reach consensus on urgent global issues.

The OECD is a good venue to come to a consensus on policies and regulations needed for recovery and in the face of major transitions.

Democracy and human rights

There can be no compromise at the OECD on fundamental values of a pluralist democracy based on the rule of law, efficient and impartial judiciary, full observance and the respect of human rights – which include all four core labour standards. This is true for OECD members but also for all countries that aspire to become a member through the accession process.

Democracy also has implications in the world of work. Social dialogue, through collective bargaining and worker representation at firm and sector-wide levels are essential components of democratic participation and a vibrant civil society.

Redistributive justice

The crisis piles on mounting global inequalities. Today, the top 1% of the global income distribution seizes 20% of global GDP and captured 27% of total income growth between 1980 and 2016. According to OECD estimates, the rise in income inequality in OECD countries between 1985 and 2005 has cost, on average, 4.7% percentage points of growth between 1990 and 2010. The social injustice and the economic consequences of rising inequalities are documented by several OECD flagship 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).

The principle of redistributive justice should be at the heart of the OECD, one in which the design of growth models envisions a fair distribution of risk and rewards, and a redistribution towards social cohesion.