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Framing the Recovery: Pathways for a World in Transition

OECD countries find themselves in the third year of the COVID-19 pandemic, and while the crisis seems to be lessening, the social scars brought by the second global crisis in roughly a decade coupled with the unmitigated climate threat lead to question the resilience of the recovery.

The 2021 OECD Vision Statement recalls the trade and competition objectives of the 1961 Convention, but also highlights risks related to climate, inequality and human rights. In a context where "trade and geopolitical tensions are more prominent", the OECD reasserts itself as a "like-minded community, committed to the preservation of individual liberty, the values of democracy, the rule of law and the protection of human rights". At a time of existential challenges, the OECD must demonstrate boldness in advancing policy proposals that match its vision.

Sustainability is not achievable without inclusiveness and equality. Yet, the values reasserted in the 2021 Vision Statement extend what has been a historic bias towards open and competitive market economies, running the risk of repeating consequences of the crisis in which we find ourselves.

The current moment offers a window of opportunity - and it may only be a brief moment, to re-consider and recalibrate our social, economic and political models at once. A structural shift requires revisions of concepts and processes, in which we start seeing labour market institutions as central partners of a resilient social contract for achieving a more sustainable model, re-balancing capital and labour, building the necessary consensus for tackling climate change in an effective and timely fashion, both at the domestic and international level. This would represent the broad trade union framework for recovery and lay the pathway for a world in transition to an inclusive economy and habitable planet.

In preparation for the discussion at the Liaison Committee Meeting with the TUAC on 21 February 2022, this paper lays out the trade union views on a world in transition and calls upon the OECD to help build policy pathways out of the crisis and into an economic recovery that is inclusive and socially cohesive.

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1 A New Understanding of the Economy

The current economic scenario

The scarring effects of the COVID-19 are becoming evident, as advanced economies painfully move away from the peak of the crisis. The economic rebound of 2021 has lost momentum, due to supply chain bottlenecks, prospects of prolonged inflation and the risks posed by new virus mutations. According to the latest OECD Economic Outlook,[1] most advanced economies will return to 2019 GDP levels only by 2023. This trend is well below pre-pandemic growth projections, which implies a considerable loss in income for a large share of households.

Increasing inequality between and within countries is becoming an entrenched phenomenon in the current recovery. According to researchers from the World Bank, between 2019 and 2021 the average income of the bottom 40% of the global income distribution fell by 2.2%, compared to only 0.5% of the top 40%. Furthermore, the latter has already recovered 45% of their lost income, whereas the bottom 40% has not even started to recuperate yet.[2] Countries with adequate health systems and access to COVID-19 vaccines are seeing their economies recover faster than those without, particularly in the Global South. Sectoral differences play a role within single economies, with some sectors reopening or better adapting to the changing conditions imposed by COVID-19, whereas others, mostly contact-intensive sectors, are still facing difficulties in returning to pre-pandemic levels. While the degree of permanent structural change that COVID-19 will bring across sectors is hard to assess yet, negative long-term consequences will be considerable, particularly for workers in low-skilled jobs that were already at risk of automation before the crisis made them redundant.

The International Labour Organization[3] warns that, in developing countries, the number of adults in extreme poverty increased by 30 million individuals in 2020, while the number of extreme working poor, who despite some form of employment do not manage to exit from poverty, increased by 8 million. Predictions for 2022 point to persisting working-hour losses equivalent to 52 million full-time jobs. The ILO observes that “loss in income has further depressed aggregate demand, creating a vicious circle that underscores the need for concerted policies to expedite labour market recovery, tackle inequities and return the global economy to a path of sustainable growth.”

The need to shift from supply- to demand-side economics

While the impact of COVID-19 was harsh, it did not hit an otherwise robust economy. At the end of 2019, the OECD raised the issue of stagnating growth, at the lowest levels since the global financial crisis of 2008.[4] Figures indicated a marked decrease in manufacturing and industrial output, reflecting greater economic uncertainty linked to international trade tensions and a weakening global demand. It also warned about a considerable wage stagnation since the financial crisis, despite rising employment levels.[5] The same held true for real disposable income: inequalities in wealth and income that built up before the 2008

Global Financial Crisis were not reduced—in fact, evidence clearly showed that inequalities increased.[6] Meanwhile, private sector debt hit record levels, with corporate bond values doubling their pre-crisis levels.[7]

For long, the TUAC has challenged the continued reliance on supply-side structural reforms, from trade and investment liberalisation to a broader reliance on market forces as effective fixers of global macroeconomic imbalances and drivers of global growth. Supply-side policies have consistently collapsed in the absence of much more urgent and sustained actions in support of aggregate demand.

Supply-side theories assume that productivity is inadequate in the face of existing demand, therefore halting economic expansion. Thus, raising productivity, i.e. the efficient use of labour and capital to achieve higher production, is the key policy approach to secure growth, since higher production will lead to more labour and higher demand. Low productivity is regarded as a crucial issue in the OECD's 60th Anniversary Vision Statement, which warns that "[d]espite technological progress, our economies are experiencing low productivity growth".[8] Despite pointing to the fundamental challenges affecting our economies, the OECD's economic analysis keeps considering demand as an important short-term factor, while most of its policy recommendations focus on productivity as the ultimate driver of growth in the longer term.

Instead, production constraints are not the fundamental issue, but rather feeble demand for existing production capacity. This is the reverse of the conventional interpretation, where supply (and usually productivity) is regarded as inadequate in face of excess demand. Instead, supply is excessive relative to deficient demand, i.e. to low wages and purchasing power. The thinking is not new, but relegated to the margins of the mainstream economic discourse for the past fifty years. In this perspective, it is not surprising to think that the current capitalist system runs below its full capacity, dragged down by a lack of consumption that inhibits private firms from investing in the face of subdued demand expectations. Low productivity is not the cause but the symptom of chronic economic stagnation.

Thus, TUAC encourages a different view, in which the fundamental drag on the economy can only be solved by rebalancing profits and wages. The ability of capital to move freely from country to country and chase the lowest labour standards inevitably perpetuates the global race to the bottom. The new understanding should seek to end a race that is synonymous with over-production, as intended above, high private debt and speculative excess (residential property, tech bubbles, etc.), propelled by unstable and vague notions of global competitiveness, rigged by financialisation, imbalanced trade, fragmented tax and investment systems and, not least, threatened by digitalisation and climate change.

An alternative international arrangement would contain the movement of capital and support a levelling up of labour standards: an internationalism of labour rather than capital, which would ensure production and purchasing power can expand together. It would raise prosperity by internal rather than external demand; bring back full employment as a primary economic objective involving a degree of 'onshoring', as a way to level up the global system as a whole.

The engines of wage-led growth and social cohesion

The OECD's policy narrative on structural reform has improved in recent years on several aspects, including skills, job security and social protection. However, the core recommendations remain centred around the individualisation of risks and opportunities within the economy, buffered by safety nets and skills development policies that promise to fix market failures ex post.

Since the 1980s, the public discourse has centred too much upon the tension between free market competition and state intervention, failing to understand that in a context of under-consumption the true struggle lies between capital and labour. The three decades after the end of the Second World War were characterised by prolonged, stable growth, low unemployment and shared prosperity - what the OECD declares to be its policy goal today. Achieving these objectives up to the 1970s was made possible because real returns on capital were lower while the labour share of GDP across OECD economies was high. This is the polar opposite of the current situation in which interest rates are high and labour share in GDP is on the decline.

Sustained wages ensured a strong domestic demand (investment and consumption) that underpinned economic growth for a prolonged period in time. Today, domestic wages remain compressed, undermining household income and aggregate demand. Most recently, the OECD presented new important evidence about the power that firms have in keeping wages compressed, independent from skill levels and only partially linked to labour productivity.[9] According to this new study, "one-third of overall wage inequality can be explained by gaps in wage-setting practices between firms". Increased industrial concentration and profit appropriation by employers has increased firms' wage-setting power, particularly in high-tech sectors, a trend that has only accelerated with COVID-19.

Other recent publications also clearly point to a negative correlation between increasing market concentration and wage stagnation, with only a handful of super-star firms reaping the benefits of decades-long technological advancements.[10] Under this light, rises in productivity should not be expected to increase living standards for the largest share of working people, in the absence of strong corrective mechanisms and the re-appropriation of solid bargaining ground for workers.

Over the past decades, structural efforts to shift economic demand drivers by means of foreign rather than domestic consumption and investment, or worse yet, debt-fuelled consumption, have not led to satisfactory results in terms of economic growth duration and stabilisation. International trade plays a pivotal role, but cannot replace the function of domestic demand, particularly in a global environment of free capital movement and limited redistribution through wages and taxes.

For this reason, it is important to bring back quality employment and wages to the centre of policy actions. Employment protection legislation and minimum wages can be adequate tools to provide income and job security, *ex ante*. However, they need to be complemented with strengthened collective bargaining systems in order to ensure sustainable labour market health. Collective bargaining at sectoral and/or national level is a key element for setting wage floors that deliver more targeted solutions for a fairer income distribution and improved job quality.

Employment protection legislation provides a basic guarantee of rights even for workers not covered by a collective agreement. Another potential tool for ensuring income security is a fair minimum wage, which should guarantee decent living conditions commensurate with the local needs of workers. Besides guaranteeing fair payment, a minimum wage has the major advantage that workers who are not able to unionise can profit from it, putting at least a halt to downward wage pressures. This is important due to the ever-growing number of precariously employed. In parallel, other forms of wage and labour rights compression, such as bogus self-employment schemes, must be controlled.

A significant concern for TUAC is the persistent expansion of informal and non-standard forms of employment across the OECD.[11] New platform businesses use their innovation as political clout to strip on-demand workers of their labour rights, preventing access to minimum wages, social protection, as well as bargaining and organising rights. In the European Union, such trends result from "[earlier] policy responses to globalisation [that] included labour market reforms aimed at supporting competitiveness by increasing flexibility and deregulation in the labour market. Therefore, globalisation coupled with labour market reforms were identified as key factors for the rise in non-standard and precarious employment".[12] These conditions warrant a call for a review of existing laws or consideration of new laws to protect a growing segment of precarious workers and help clarify employment relationships and rights, set minimum wages and ensure that they can organise and be represented by trade unions.

Collective bargaining remains the best, most flexible tool for securing workers' rights, a fair labour share of GDP and social solidarity. The OECD has been historically cautious about trade unions, but TUAC acknowledges a re-assessment of the relevance of collective bargaining in recent years.[13] [14] According to the OECD, “the work environment tends to be of higher quality in firms with a recognised form of employee representation”, while “co-ordinated systems – including those characterised by organised decentralisation – are linked with higher employment and lower unemployment (also for young people, women and low-skilled workers) than fully decentralised systems”.

Efforts to re-balance the bargaining and purchasing power of workers are at the basis of a broader, structural re-calibration of our economies by means of more robust domestic demand, reduction of intolerable and unsustainable inequality levels and finally a more dynamic market economy.

2 Implementing a Just Transition

Affording a green economy

The discussion on climate change and unsatisfactory levels of environmental sustainability of current production and consumption practices is not detached nor in conflict with previous considerations on under-consumption and income compression (low wages) practices.

Globalisation trends have increased pressures on climate. The race to the bottom in terms of wages and disinflationary tendencies have meant also a progressive deterioration in production standards and therefore environmental standards. The cost of going green clashes with the budget constraints faced by the bottom of the income distribution.[15] In the 2015 Paris Climate Agreement, the international community acknowledged, as emphasised by the OECD, "the imperatives of a just transition of the workforce […] in accordance with nationally defined development priorities".[16] The transition agenda should expand beyond climate change, so that investment plans and policy frameworks are geared towards addressing other transformations, including digitalisation and demographic changes.

A Just Transition agenda entails significant government spending on digital infrastructure and renewable energy, growth-prone sectors (to secure job creation) through sustainable industrial and innovation policies, active labour market and social policies that would give workers the opportunities to maintain sustainable jobs or quickly find new employment where needed. Policies developed in social dialogue with workers' representatives and trade unions are sustainable, achieving greener industries and a just transition for workers.

The imperative is to ensure quality jobs and sustain living standards. Governments should empower unions to negotiate agreements, which would ensure that the gains of productivity-enhancing digital or green processes are equally distributed between workers and investors. Involving workers in decision processes related to green investment would ensure more effective results in terms of innovation and job retention. Trade unions call for adequate, universal social protection for all workers during periods of transitions and retirement. Because of the rapid pace of change, unemployment spells will probably be longer than in the past, requiring additional resources. In addition, greater access to (strengthened) training and education programs should be facilitated.

Industrial relations and the Just Transition

In light of these considerations, it is clear that any major push towards a green economy cannot be successful without the broadest social support and a sustainable distribution of costs and benefits. Social and climate impacts are inextricably linked, as reflected in the ILO Guidelines for a Just Transition that define environmentally sustainable economies and societies as those rooted in the decent work agenda of the UN Sustainable Development Goals, covering rights at work, social dialogue, social protection and employment. When it comes to changes in the world of work, social dialogue must encompass the discussion on green transition. Thus, the OECD Guidelines for Multinational Enterprises must bridge employment and Industrial Relations (Chapter V) and the Environment (Chapter VI), ensuring the close involvement of workers and their representatives to have a seat at the table. Social dialogue and collective bargaining are essential for building committees at all levels of industry, as well as to assist governments make policies that facilitate the Just Transition globally, nationally, regionally and locally.

Just Transition measures bring environmental and social policies together, taking into account impacts on workers, their families and communities when assessing FDI's impact on carbon emissions and designing environmental policies. Decent work and quality jobs are integral to the Paris Climate Agreement.

Adverse impacts of both environmental degradation and environmental policies are often concentrated among vulnerable groups of workers and households. Public policies that place industrial relations at the centre of the transition to a greener economy can help secure public support for the shift towards low carbon investment.

Particular attention must be paid to energy poverty, sustainable mobility and the upgrade or replacement of transport infrastructures. The OECD should encourage investments in sectors with both high employment creation and environmental protection potential, such as energy efficiency, renewable energy, with particular attention paid to energy poverty, sustainable mobility and the upgrade of transport infrastructure.

Energy at the crossroad: the greatest risk or reward in a "Just Transition"

Achieving green energy production is in many ways the keystone on a path to sustainable recovery. At the global level, electricity generation accounts for 40% of total CO_2 emissions.[17] In the European Union, the energy sector accounts for 75% of the EU's greenhouse gas emissions.[18] The availability of sufficient energy, reliably supplied at an affordable and predictable cost is not yet secure. Disruptions or excessive variance in energy supply and prices risk making the transition unachievable.

A broader rebalancing in supply chain distribution and exploitation is a mandatory step for a green energy transition to be accepted by all countries, including in the Global South. Job creation and access must be conditioned on businesses demonstrating respect for labour rights. This means promoting sustainable supply chain legislation and binding industrial frameworks, ensuring countries in the Global South can benefit from the raw materials and products they produce.

Transportation is a critical investment needing special attention. The IEA forecasts exponential raw material demand with production challenges to fulfilment.[19] Battery and charging supplies cannot run out, fall short or be disrupted if we have any hope of making the Just Transition. There are persisting gaps in the oversight of energy and raw material sourcing. The fact that many of these come from least developed countries makes the challenge even greater. According to the OECD, for example, "significant gaps and challenges remain in due diligence and risk mitigation of adverse impacts by companies sourcing cobalt in the Democratic Republic of Congo.[20] Investments in the supply of raw materials all the way to end-user applications must come with supplier guarantees of trade union frameworks that set minimum job standards and abolish exploitation.

There must be sufficient investment in renewable energy and in sustainable and low carbon technologies, including carbon capture. The aim should be timely retention of all work affected by the transition, providing at least one new decent job post for every job lost in the process. Investments conditioned on decent work goals are necessary to absorb any workers displaced or made redundant in sun-setting industries.[21] For example, renewable energy projects should be able to demonstrate workers earning a living wage or better, including health and pension, retention and re-employment. A way to accomplish this would be to introduce virtuous incentive mechanisms that reward capital in cases where best practice operations lead to meaningful due diligence systems with bargaining frameworks.

3 The Role of the OECD in Achieving Socially Cohesive Standards

Any systemic shift, whether to a labour-led growth model with a fundamental rebalancing between profits and wages, or a Just Transition to green production and consumption models, cannot be achieved in the absence of broad and democratic support for change. The OECD should be a central actor in this process, setting a strong example of multilateral communication and co-ordination among like-minded countries.

A crucial instrument in this vision is the OECD Declaration on International Investment and Multinational Enterprises,[22] which arises out of the founding Organisational principles of cooperative development, aiming for international peace and security. Subsequent Council Recommendations – the OECD Guidelines for Multinational Enterprises ("MNE Guidelines"), Due Diligence Guidance for Responsible Business Conduct – expanded the original concept to include cooperation between enterprises and the communities of people they affect.

The OECD Guidelines for Multinational Enterprises is more than a guide for business conduct. It provides a leading framework for constructive industrial relations capable of addressing the first impacts of business operations, the workers producing economic activity. Under this perspective, they also have a role to play in the distribution between profits and wages insofar they affect at a broad level labour standards and, consequently, labour costs.

Yet, realising the promise in the MNE Guidelines requires concerted effort by the OECD institutional stakeholders and 400 million workers in the OECD without a bargained framework for jobs and economic equality. The OECD is ideally situated to assist governments to build policy frameworks that lead to more cohesive labour market institutions with effective industrial relations mechanisms. This year offers several opportunities in the broader context of the continuing review the OECD Guidelines for Multinational Enterprise and Recommendation on the Role of Government in Promoting Responsible Business Conduct.

Bargaining coverage is an indicator of resilience

Any pathway leading to a sustainable recovery requires greater co-operation between business and labour than presently exists. The progressive erosion of labour representation and compression of wage levels and job quality (see Section 1) carries a strong risk of undermining the economic recovery. The low degree of unionisation and collective bargaining coverage, particularly in some OECD countries, combined with the potential for unknown restart restrictions and related costs creates extreme operational challenges across supply chains.

The 2019 OECD report, "Negotiating our way up"[23] can be a point of departure for assessing the bargaining conditions on the labour market. The report offers a prescient framing for the crises yet to come, introducing collective bargaining as "a key institution to promote rights at work," connecting collective bargaining and workers' voice as "unique instruments to reach balanced and tailored solutions to the challenges facing OECD labour markets."

The report considers two key characteristics of the labour bargaining system and the workforce: first, the predominant level where collective bargaining takes place, and second, the number of workers covered by collective agreements (if the latter are even considered).

Building on that, the TUAC determines three levels of systemic bargaining resilience based on the reported approaches to collective bargaining and workers' voice present in OECD labour markets (Annex 3.A):

1. **Most resilient**: countries with a high level of collective bargaining coverage taking place predominantly at a sectoral or national level;
2. **Moderately resilient**: countries with sectoral and/or company level bargaining and mid-range collective bargaining coverage;
3. **Least resilient**: countries where bargaining takes place at the company level only, with limited capacity for balanced, tailored *pathways for a world in transition.*

FDI and collective bargaining as an indicator of good corporate governance

Looking at the interplay between national and international level, more can be done by the OECD to help governments support internationally agreed principles that can ensure, *inter alia*, minimum labour standards in foreign business operations. International agreements implement corporate governance approaches to sustainability across territories.

For OECD governments, policies can be developed to boost positive FDI impacts on job quality and skills development. The FDI Qualities work being developed by the Investment Committee with support from the OECD Development Assistance and Finance Directorate consistently rely on the positive correlation between inward FDI core labour standards, including freedom of association, collective bargaining, abolition of forced and child labour and the eliminations of discrimination at work.[24]

The OECD also acknowledges the importance of collective bargaining as a way to ensure that all workers and companies benefit from workplace transformations, complementing government efforts to "make labour markets more adaptable and secure."[25] Benefits of making such inclusive transformations were associated with higher wages and improved working conditions. Bargained, consensus-based approaches should remain central to OECD policy recommendations, homogenising the objectives for FDI and RBC.

Government investment and procurement can connect financial objectives with collective bargaining

Governments can apply their market influence through both public investment and procurement to promote successful social dialogue, enabling industrial relations that are more constructive as a keystone on the path to recovery. The TUAC encourages OECD governments to shape virtuous bargaining frameworks, maximising social and environmental impact through the action of the National Contact Points, whose role should be more prominently featured across government policies.

The RBC Centre work on financial transactions and procurement are leading initiatives for connecting social and financial objectives, as are projects for responsibly sourced infrastructure investment in many OECD countries. Particular work can be anticipated on infrastructure where the OECD can use its position to bridge competing approaches among member governments, ensuring a level "social playing field" as part of the level economic playing field in future infrastructure transactions. The priority for TUAC will be to ensure that innovative policies for investment and procurement mainstream the underlying standards contained in the MNE Guidelines and RBC Due Diligence Recommendations.

Internationally, design trade and investment agreements that balance stakeholders' interests

Trade agreements and their subsequent impact on labour markets do not happen in a bubble. There are important implications and trade-offs between international trade, taxation and investment agreements that drive companies' decisions affecting workers in both receiving and sending economies. Securing international respect for human rights and labour standards should be mandatory in any trade negotiation, with enforceable provisions demonstrating compliance with the ILO Core Conventions, the United Nations Guiding Principles on Business and Human Rights (UNGPs), the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises and the related OECD Due Diligence Guidance.

Labour chapters need enforcement procedures and proportionate sanctions. Investor-state dispute settlements are not the right instruments for enforcement because in case conflicts do arise, grievance mechanisms and remedies must be accessible to all, not just foreign investors. Labour chapters in investment agreements should benefit from appropriate dispute settlement mechanisms between states, ensuring early warning mechanisms, access for injured parties and – importantly – enforceable sanctions, which could for instance take the form of escalating penalties. The US-Mexico-Canada agreements offers an interesting precedent in this regard.

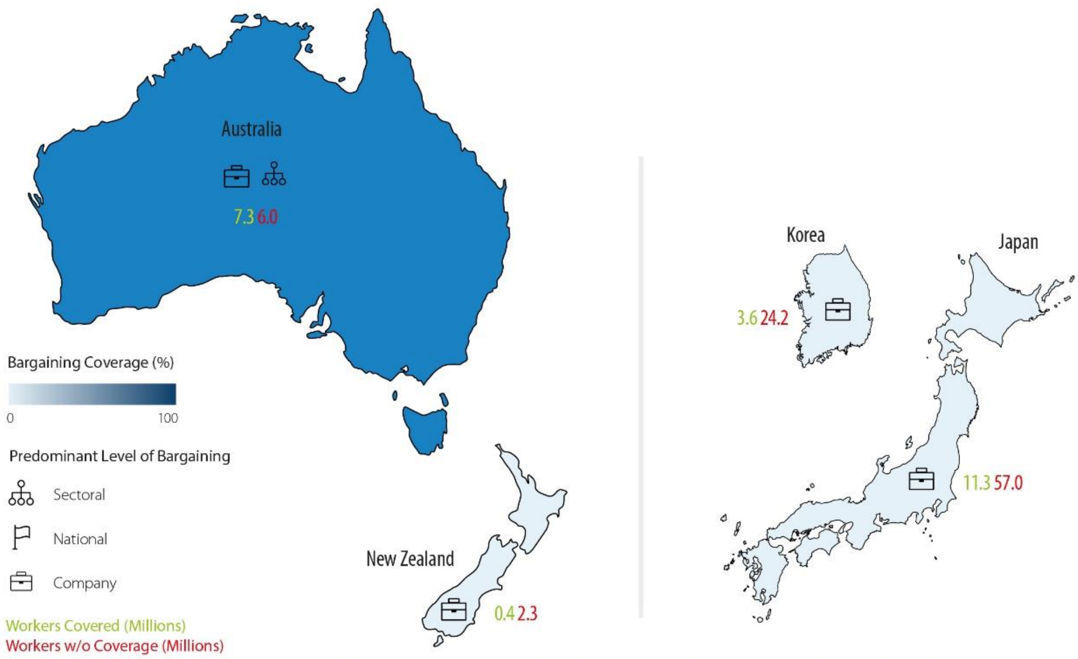
Governments, especially those predominantly reliant on company-level bargaining systems, may be able to offset lower labour market resilience by using their investment, procurement and export credit activities to implement the OECD, ILO and UN standards for responsible business. Doing so would situate the OECD Guidelines for Multinational Enterprises and NCPs within a framework for constructive industrial relations capable of building policy pathways out of crisis and into an economic recovery that is inclusive and socially cohesive.

Annex 3.A. Bargaining mechanisms and labour market resilience in the OECD

Country	Predominant Level of Bargaining	Bargaining Coverage (%)	Workers covered (million)	Workers without coverage (million)
Most Resilient: Multi-Employer Bargaining with high CB Coverage				
AUSTRIA	Sectoral	>90%	4.5	<.1
BELGIUM	Sectoral/National	>90%	4.8	<1
DENMARK	Sectoral	>80%	2	1
FINLAND	Sectoral	>80%	2.2	0.5
FRANCE	Sectoral	>90%	29.2	<1
ICELAND	Sectoral	>80%	0.2	-
ITALY	Sectoral	>80%	20.8	5.2
NETHERLANDS	Sectoral	>80%	7.1	2.0
NORWAY	Sectoral	60-70%	1.7	1.1
PORTUGAL	Sectoral	60-70%	3.9	1.4
SPAIN	Sectoral	>70%	19.1	3.7
SWEDEN	Sectoral	>90%	4.9	<1
Moderately Resilient: Multi-Employer bargaining with medium CB coverage				
AUSTRALIA	Company/Sectoral	50-60%	7.3	6.0
GERMANY	Sectoral	50-60%	24.2	19.1
GREECE	Company/Sectoral	40-50%	1.2	3.5
ISRAEL	Company/Sectoral	20-30%	1.0	3.0
LUXEMBOURG	Company/Sectoral	59%	0.2	0.1
SLOVAK REPUBLIC	Company/Sectoral	20-30%	0.7	2.1
SWITZERLAND	Sectoral	40-50%	2.8	2.1
Least Resilient: Company bargaining with low to medium CB coverage				
CANADA	Company	20-30%	5.6	14.6
CHILE	Company	10-20%	1.3	7.7
CZECH REPUBLIC	Company	40-50%	2.4	3.0
ESTONIA	Company	10-20%	0.1	0.6
HUNGARY	Company	20-30%	1.2	3.5
IRELAND	Company	40-50%	1.4	1.0
JAPAN	Company	10-20%	11.3	57.0
KOREA	Company	10-20%	3.6	24.2
LATVIA	Company	10-20%	0.1	0.8
LITHUANIA	Company	<10%	0.2	1.2
MEXICO	Company	10-20%	7.8	47.8
NEW ZEALAND	Company	10-20%	0.4	2.3
POLAND	Company	10-20%	2.6	14.6
TURKEY	Company	<10%	2.3	30.0
UNITED KINGDOM	Company	20-30%	8.8	24.9
UNITED STATES	Company	10-20%	18.8	143.3
TOTAL			**206.5**	**429.0**

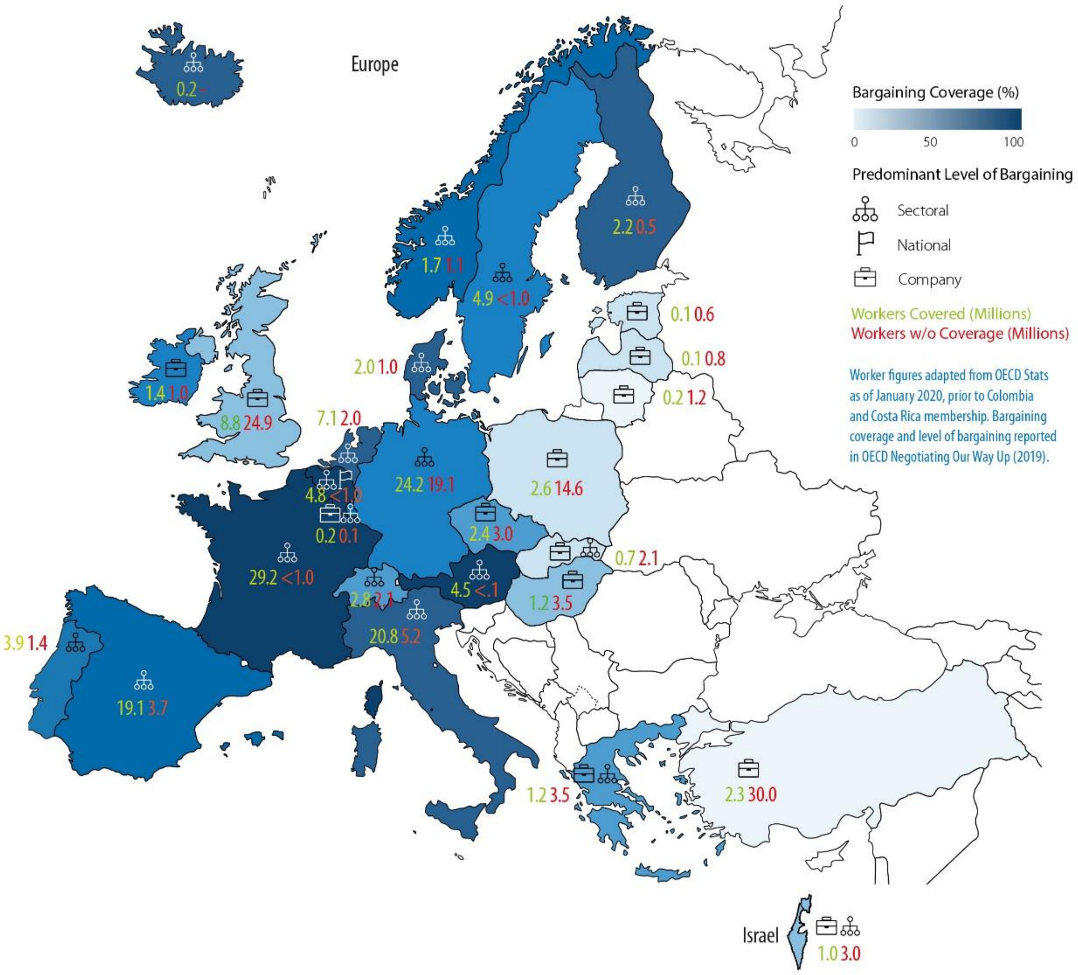
Source: Worker figures adapted from OECD Stats as of January 2020, prior to Colombia and Costa Rica membership; Bargaining coverage and Predominant level of bargaining as reported in OECD (2019), *Negotiating Our Way Up*.

Annex Figure 3.A.1. OECD Labour Market Resilience: Australia, Japan, Korea and New Zealand.

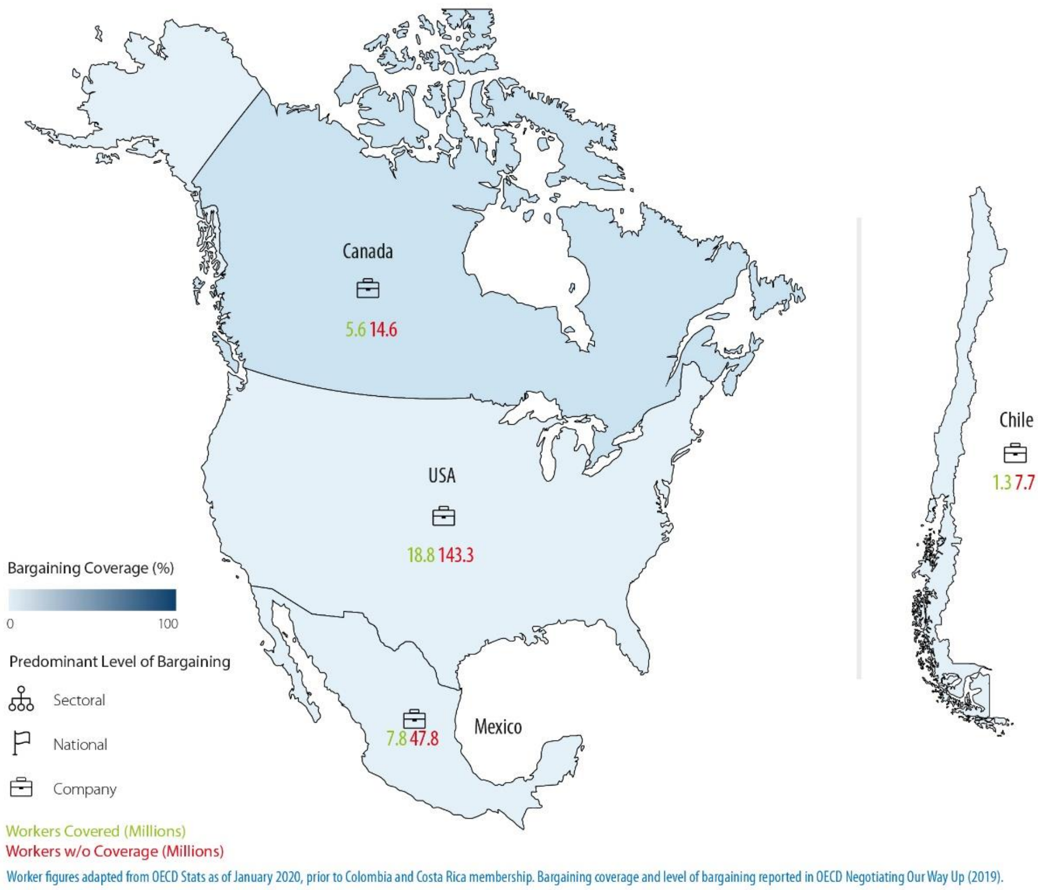


Worker figures adapted from OECD Stats as of January 2020, prior to Colombia and Costa Rica membership. Bargaining coverage and level of bargaining reported in OECD Negotiating Our Way Up (2019).

Annex Figure 3.A.2. OECD Labour Market Resilience: Europe and Israel.



Annex Figure 3.A.3. OECD Labour Market Resilience: Canada, Chile, Mexico and United States.



4 Questions for the Liaison Committee

I. A New Understanding of the Economy

1. The vision of the OECD for the next decade is to pursue “sustainable economic growth and employment”. Yet, we assist at a rising trend in the share of precarious and non-standard forms of employment, stagnant wages and increasing inequality levels. What structural macroeconomic measures does the OECD consider necessary in order to improve labour market opportunities and outcomes for workers?
2. What policies can governments implement to incentivise competition based on innovation and investment rather than compression of labour costs?
3. In a context of technological progress and rising market concentration, what policies would be required to ensure that rises in productivity are not merely seized by firms as profits, but shared with workers (higher wages) and consumers (lower prices and better quality products/services)?

II: Implementing a Just Transition

1. How can we ensure that workers have a proper voice in shaping the policies needed to face climate change?
2. At what point in the climate crisis does social dialogue become obligatory and not voluntary for businesses with multinational impacts?
3. Transportation energy demand is projected to exceed supply of raw materials and production, yet is necessary for the just transition. Investments in infrastructure are certain to be labour intensive through lengthy supply chains. How are governments mitigating the industrial risks and creating a conducive environment for better wages, working conditions and social protection?

III: The Role of the OECD in Achieving Socially Cohesive Standards

1. In the absence of strong labour market institutions, what other government instruments can be used to recalibrate FDI in a manner that produces more socially constructive industrial relations?
2. Social cohesion is a central objective for the Declaration on Investment and the OECD Guidelines for Multinational Enterprises offer businesses a framework to deliver that objective. Yet businesses face strong headwinds when they invest in foreign markets. Are there policy areas that could better utilise these instruments as a way to communicate government expectations to businesses?

[1] OECD (2021), *OECD Economic Outlook, Volume 2021 Issue 2*, OECD Publishing, Paris, https://doi.org/10.1787/66c5ac2c-en.

[2] Sánchez-Páramo, C. et al. (2021), *COVID-19 leaves a legacy of rising poverty and widening inequality*, World Bank Blogs, 7 October (last accessed on 31 January 2022), https://blogs.worldbank.org/developmenttalk/covid-19-leaves-legacy-rising-poverty-and-widening-inequality.

[3] ILO (2022), World Employment and Social Outlook Trends 2022, ILO Publishing, Geneva, https://www.ilo.org/global/research/global-reports/weso/trends2022/WCMS_834081/lang--en/index.htm.

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