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TUAC Statement to the 2022 OECD Ministerial Council Meeting

An Inclusive Transition to the Future We Want

Trade unions are a fundamental component of democratic systems, and essential in ensuring social justice and better perspectives for workers as the basis for fairer, more democratic and stronger societies. The future we want must be characterised by reduced levels of inequality, more inclusive societies, green and digital technologies that improve living standards, sustained employment levels and above all decent work for all. To achieve these ambitious goals, it is crucial to acknowledge the centrality of labour to the economic system as the most important driver of aggregate demand and productivity, and work towards an economic system that encourages investment in the real economy rather than in financial markets.

This statement reflects the position of TUAC on key topics of the 2022 Ministerial Council Meeting, including economic and employment policy; the war in Ukraine; democracy; digitalisation; Just Transition; trade, investment and tax policy.

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Introduction

1. The preparation of the 2022 OECD Ministerial Council Meeting (MCM), scheduled on 9-10 June with the title "The Future We Want: Better Policies for the Next Generation and a Sustainable Transition", takes place in the midst of military conflict in Ukraine.

2. The Russian invasion of Ukraine is only the latest emergency in what has been a series of global shocking events occurring with increasing regularity over the past fifteen years, ever since the Global Financial Crisis (GFC) of 2008, moving fast forward to the global COVID-19 pandemic, the climate emergency and now the armed conflict in Europe. This makes the 2022 MCM all the more difficult and significant, in providing a perspective that goes beyond the fog of war differentiating clearly between the short-term emergency and long-term challenges that OECD countries face.

3. The consequences of the Ukrainian war lay bare before us: humanitarian crisis, skyrocketing food and energy prices, growing poverty and risk of famine in least developed countries and widespread social and economic instability all over the world. We are witness to yet another strike against collectively stated intentions for globalisation and multilateralism.

4. OECD economies falling short of objectives in all three dimensions of sustained, sustainable and inclusive growth are progressively eroding people's trust and confidence in public institutions, undermining the foundations of our democracies. Precariousness in living standards, a shrinking middle class and growing inequalities are among the most important explanatory variables of this condition. Loss of hope in a better future risks turning into lack of trust in democratic institutions, particularly for young individuals and vulnerable groups who have painfully endured a fragile labour market since the GFC and search in vain for secure employment in the post-COVID-19 world. The OECD must contribute towards reverting this trend, supporting member and partner countries in achieving higher economic and social -including democratic- standards. Trade unions are a fundamental component of democratic systems, and essential in ensuring social justice and better perspectives for workers as the basis for fairer, more democratic and stronger societies.

5. The future we want must be characterised by reduced levels of inequality, more inclusive societies, green and digital technologies that improve living standards, sustained employment levels and above all

decent work for all. To achieve these ambitious goals, it is crucial to acknowledge the centrality of labour to the economic system as the most important driver of aggregate demand and productivity, and work towards an economic system that encourages investment in the real economy rather than in financial markets.

6. To this end, a comprehensive review of tax, trade and investment mechanisms is necessary. A framework that will not be defined by the contraposition between protectionist and market-friendly measures, but by the coherent purpose of delivering sustained growth and benefits to working people in all countries.

The war in Ukraine, its social impact and short-term mitigation measures

7. The Russian invasion of Ukraine has caused a humanitarian catastrophe on European soil of proportions not seen since the end of the Second World War. By early May 2022, more than two months into the war, the number of Ukrainian refugees seeking shelter abroad rose to more than 4 million people, while another 8 million were internally displaced. Thousands more lost their lives or were wounded. For the time being, most of the refugees are located in neighbouring countries, most notably Poland, Romania and the Republic of Moldova.

8. The European Council activated the Temporary Protection Directive, which lifts the obligation for Ukrainian refugees to apply for asylum, offering them immediate legal status and allowing joining the labour market, as well as different forms of social benefits. Such directive is a welcome effort in managing and supporting the influx of refugees from Ukraine and a change compared to recent past experiences where sadly the EU did not activate such policy instrument, including Tunisia, Libya, Syria, Iraq and Afghanistan. Still, while covering Ukrainian nationals and refugees residing in the country, the directive does not apply to asylum seekers, stateless persons and third country nationals staying legally in Ukraine, such as students. Due to mandatory conscription in Ukraine, refugees are for the vast majority women and children. The longer the war protracts and the more severe the damages to infrastructure and cities become, the higher the probability that fleeing Ukrainians will have no choice but to migrate and distribute across EU countries.

9. Yet, evidence shows that being immigrant and woman represents a disadvantage in joining the labour market. The employment probability gap between natives and immigrants in the EU is large, at 10%, and rises even to 14% for women (up to 22% in Germany). Even when employment can be found, immigrant women suffer substantial wage gaps compared to native workers. In Europe, 35% of immigrant women are in the bottom decile of income distribution, working in low-pay, low-skill occupations such as cleaners and domestic helpers, even those who hold higher education levels. National policies to include refugees in domestic labour markets have to reflect these circumstances in order to ensure that immigrants do not only enter labour markets but also have access to decent work and living standards, avoiding the exploitation of immigrant workers for purposes of social dumping.

10. National trade unions, particularly in EU and countries neighbouring Ukraine, have actively stepped in to help refugees. Trade unions from Austria, Bulgaria, the Czech Republic, Estonia, Finland, Germany, Hungary, Italy, Latvia, Lithuania, Moldova, Poland, the Slovak Republic, Sweden and more have deployed a wide range of responses to support Ukrainians at home and abroad, from providing humanitarian aid to offering free accommodation to refugees in the receiving countries, as well as providing timely counselling services on labour and social policies.

11. Governments should provide further support by strengthening active labour market policies and social support measures for migrants, stepping up funding and resources for public employment agencies and other public services and postponing fiscal consolidation in light of the current uncertain scenario, the same way this was done at the peak of COVID-19.

12. The war in Ukraine will undermine global growth in 2022, at a time when the world economy is still struggling with the negative impact of consecutive waves of COVID-19, with related lockdowns and disruption to social and economic life. According to most recent OECD data, economic growth in the 12 months following the start of the war will shrink by 1% across member countries and as much as 1.4% in the Euro area. Inflation, on the other hand, will be 2% higher in the OECD area than what was forecasted before the Russian-Ukrainian war, up to 2.5% higher globally. Energy costs drive most notably the rise in prices, with Russia accounting for 19% and 11% of global gas and oil exports, respectively. Commodity markets are under stress because Ukraine and Russia are among the largest global agricultural exporters (wheat, maize, rapeseed, sunflower seeds and sunflower oil), with Russia being also a key exporter of fertilizers.

13. Disruptions to global supply chains for basic food commodities are a threat, both due to the difficulties for Ukrainian producers to plug into world trade channels while the country fights the invasion, as well as because of heightened trade uncertainty and volatility in a context of global sanctions and retaliation measures by Russia.

14. Developing countries, particularly in Africa, are highly dependent on Russian and Ukrainian wheat, the two countries accounting for 32% and 12% respectively of total wheat imports in Africa in the period 2018-2020. Certain countries are particularly exposed, such as Somalia, which used to import 100% of its wheat from Ukraine and Russia, but also Egypt (80%), Sudan (75%), the Democratic Republic of the Congo (close to 70%) and others. In the current condition, famine poses a serious threat to many of the least developed countries, leading to intense competition for basic needs, expanding the humanitarian crisis and the risk of sustained migration flows, particularly towards Europe. Solutions in support of countries highly dependent on Russian/Ukrainian exports will require intense sacrifice and cooperation if advanced economies want to prevent widening impacts from the war in Ukraine, but also efforts by Sub-Saharan countries, with support from international institutions and partners, in raising profitable wheat production.

15. In general, the Ukrainian crisis risks exacerbating further the delay in reaching UN Sustainable Development Goals (SDGs) by 2030. To this end, governments and international institutions should also step up efforts for stronger collective bargaining and social protection, as recalled in the Statement by Global Unions to the Spring Meetings of the IMF and World Bank in April 2022. This includes strengthening respect for fundamental workers' rights; an adequate minimum wage, statutory or negotiated; maximum limits on working time; and introducing a universal social protection fund for least developed countries, as advanced by the French Presidency of the G7 in 2019.

16. Very similar concerns emerged on 5 May 2022 at the annual forum between trade unions and the OECD's Development Assistance Committee (DAC), where OECD DAC members showed their support for social protection and the role that trade unions play in securing effective social protection systems and adequate labour standards. OECD governments urgently need to step up efforts and contributions towards this goal, in order to prevent a global social and humanitarian catastrophe in the developing world.

17. As for OECD countries, while the risk of full-fledged shortages in agriculture is not likely, pressures on global supply chains and rising energy costs pose a definitive threat to macroeconomic stability. Risks associated with persistent dependency on Russian oil and, especially, gas exports are apparent as the Russian regime weaponises its energy supply conditions as a countervailing force against international sanctions. According to OECD estimates, a 20% drop in energy imports would cost 1% of the GDP of the twenty-two EU members that are also part of the OECD. The immediate impacts potentially become gale-force winds reducing consumption, with higher energy prices spilling over from most energy-intensive to other sectors and a worrisome reduction in already strained households' purchasing power.

18. While it is too early to say if sustained inflation is here to stay, a wide set of policies is required in order to make sure that costs are equally distributed, keeping in mind that real wages for a large share of workers in OECD countries have been stagnating for years, already increasing social divides and

weakening the middle class. Differentiating energy sources and providers, not to mention the need to accelerate energy efficiency and green technologies becomes an even more urgent priority. Solutions to offset the rise in prices should also be put on the table, including targeted income support and price discounts for low-income individuals and households.

How to re-build trust, defending democracy and youth: the trade union perspective

19. The erosion of public confidence in governments and institutions is a factor of concern in many OECD countries, undermining the fabric of our democracies. Increasingly, people consider governments unresponsive to their needs, which paves the way to the rise of populist movements that promise to deliver through simplistic, often counterproductive policies, while at the same time exacerbating the radicalisation and polarisation of the political spectrum.

20. Working on public perception by improving the channels of communication and better including citizens in public policy discourse can only improve the situation but will hardly solve the underlying issues. There is a strong correlation between distrust in public governance and socioeconomic inequalities. Vulnerable groups, in particular women, youth and low-income groups report higher than average scepticism towards their governments, highlighting that the system works for the elite and the upper middle class but forgets large groups with weaker political voice.

21. Social discontent is too easily channelled by populist leaders for their own political advantage. Yet, this fact alone should not lead to discredit social malaise as a pure matter of mistaken perception. Its roots are sown to the persistent erosion of economic certainty and sense of precariousness that has been building for many years. The dismantling of labour market institutions has led to income polarisation, functional income distribution concentration in favour of profits, and progressive substitution of stable, open-ended contract in favour of non-standard forms of employment as a false substitute for stable and secure labour contracts. Instead of benefitting from globalisation, the middle-class has been shrinking in many OECD countries, while dwindling savings force people into debt so they can sustain standards of life that were taken for granted by the previous generation.

22. It is imperative to respond to their concerns, starting with a reversal of labour policy reforms that led to dual labour markets, including by strengthening employment protection and labour market institutions. Workers have to be at the centre of the policy agenda, and the employment recovery must be a quality jobs recovery.

23. Beyond the immediate response to the crisis, fairness and resilience have to be restored through labour market institutions – collective bargaining and living wages. This means reversing past structural reforms that have individualised and transferred risks from employers to workers in an unjust and ultimately unsustainable way. Evidence shows that higher degree of collective bargaining reduces income inequality. The OECD Jobs Strategy calls for balance between negotiated flexibility, job security and stability, flexible fiscal policy and short-time work schemes for labour market resilience, and it underscores the benefits of sector-level bargaining and the need to promote collective bargaining coverage.

24. This approach deserves renewed attention. Where it exists, it has proven to extend benefits to all workers, including “vulnerable groups” – women, migrants and refugees, as well as youth – alongside targeted and well-resourced active labour market policies and stronger anti-discrimination legislation, including via better enforcement and transparency regulations. Governments should set out plans for tackling racial injustice, establishing effective monitoring capacity to address racial and ethnic disparities in the workplace and sanctions for employers with a proven discriminatory track record. Gender inequality needs to be systematically addressed, including pay and pension gaps, unpaid work and women’s segregation and exclusion from the labour market.

25. Challenges faced by youth need to take a central place in policies, but not inadvertently create an opening for elder worker abuse, creating a false sense of inter-generational conflict. This can be achieved through additional training and job creation programmes and much better protections and income support against financial insecurity. Effective active labour market policies can importantly contribute to better matching young individuals to the labour market, but employers must provide good quality, well paid jobs in order for young individuals' investment in their personal education to make sense. The 2021 TUAC Statement on Youth highlighted a number of solutions that improve young people's condition in labour markets, including better representation and social dialogue, stronger income and housing support measures, affordable higher education and vocational education training, living wages and equal treatment in all types of jobs. Contrary to what happened after the GFC, avoiding long scarring effects of the current crisis on young individuals will be paramount to guarantee adequate living standards in the years to come, as well as access to social benefits and pensions at a later stage. Only if reassured that their place in society is not lost, young people will be able to contribute to economic development and the democratic progress of our societies.

A new economic paradigm: boosting aggregate demand through stronger labour

26. Subdued GDP growth has been a political conundrum for most OECD governments for the past three decades, even more so since the GFC. Decreased output reflected greater economic uncertainty, with increasing trade tensions, health crisis and disruptions to global supply chains. Yet, on a long-term basis, the causes lay in the considerable wage stagnation even at times of sustained employment levels, resulting in drops of real disposable income and rising inequalities in wealth and income, as well as the build-up of unsustainable private debt to offset the decrease in consumption levels.

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

28. The public response to the COVID-19 crisis has been sensibly different from the one that followed the GFC, privileging expansionary fiscal measures to build the recovery. However, mainstream economic theory is still rooted in models that tend to confine the role of demand as a short-term factor in pushing economic growth, whereas structural supply-side policies are seen crucial elements in the long term to push productivity. This framework undervalues the importance of business demand expectations, constructed on recent and current sale trends, in their investment decisions.

29. Strong demand has not just an immediate impact on growth, but drives productivity expansion in the longer-term, by raising business confidence. Feeble demand for existing production capacity should be considered the key obstacle to economic growth. 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 growth is not the cause but the symptom of chronic economic stagnation.

30. TUAC advocates a different view, most recently at the OECD Liaison Committee Meeting in February 2022, arguing that the fundamental drag on the economy can be solved only by rebalancing the distribution between profits and wages. Current OECD evidence on firm wage-setting power that does not reflect the skills and marginal productivity of individual workers, as well as on the troublesome consequences of labour market monopsony in OECD countries, are elements that contribute to the idea of low wages that drag down consumption. The ability of capital to move freely from country to country and chase the lowest labour standards, exponentially enforced by the digitalisation of the economy, inevitably perpetuates this global race to the bottom. Strengthening labour institutions and rewarding workers with their fair share would go a long way towards solving the issue of under-consumption, 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.

31. 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 and living legal or collectively bargained minimum wages are key elements for setting wage floors that deliver more targeted solutions for a fairer income distribution and improved job quality.

32. A significant concern for TUAC is the persistent expansion of informal and non-standard forms of employment across the OECD. New platform businesses use their innovation as pretext to strip on-demand workers of their labour rights, preventing access to minimum wages, social protection, as well as bargaining and organising rights. These conditions warrant a call for a better enforcement of existing laws or consideration of new laws to protect a growing segment of precarious workers and help clarify employment relationships and rights, ensure decent wages and the right to organise and be represented by trade unions.

33. 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.

The challenge of digitalisation

34. Technological change and the digital transformation are shaping both methods of production and labour relations. Significant gaps in regulation of digital transformation persist. OECD countries have the chance to set themselves apart from other political and economic regimes, safeguarding workers' and citizens' privacy and human rights. Legal and ethical standards on data access and sharing, algorithmic transparency and frontier technologies are needed. The OECD must include considerations on the impact on decent work and workers' rights in its on-going initiatives related to digitalisation. If left aside, the repercussions will be vast on job quality, well-being and productivity.

35. To achieve more competition in the digital economy, it will be crucial to put in place adequate enforcement that takes account of data value and network effects and to review and use industrial policy to narrow digital divides and contribute to market diversification and creation of quality jobs, in line with social and green objectives.

36. Regarding workers' rights issues in the platform economy, a handful of legislative initiatives and court decisions have aimed at restoring basic protections and, at times, their employment status. These initiatives need to become systemic by making sure that national labour legislation is effectively applied to workers, including platform workers, fighting bogus self-employment and intended misclassification of workers, including through the funding and implementation of more effective labour inspections. This is aligned with the need for a legal presumption of employment as affirmed by G20 Employment Ministers in June 2021, a legal right to predictable pay and algorithmic transparency, the right to organise and form a union – also by revising existing competition law, as well as social protection coverage and occupational health and safety standards.

37. Finally, attention should be put on the negotiations at WTO level on trade-related aspects of electronic commerce, involving at present 86 countries. These negotiations, aimed at regulating trade of goods and services bought on the internet, go practically way beyond, touching on sensitive issues such as data governance and cross-border data and finance flows, removal of governments' rights to localise data within their borders, removal of obligation to disclose source codes and much more. This affects citizens' privacy rights, democratic data governance and the future of work, without involving social

partners nor civil society in the discussion. The WTO is not the right forum for such a comprehensive agreement to take place. Human, social and trade union rights must be taken into account by governments in framing the global digital infrastructure. To this end, inclusive, comprehensive and transparent negotiations outside the WTO are warranted.

A Just Transition towards a carbon neutral economy

38. Stepping up action against climate change is an urgent priority. OECD members must step up their efforts towards net zero emissions no later than 2050 and to halve their collective emissions by 2030. In demonstrating their commitment, members should have Just Transition plans and measures in order to reach these reductions in a fair and equitable way. Such measures are essential both for the implementation of ambitious climate policies, as well as for the transition of workers into new quality jobs. Direct government support will be key to achieve the needed critical mass for green investment, including crowding-in private finance, but it will require strict and explicit conditionalities on the respect of labour rights and the creation/retention of quality jobs.

39. OECD work on the “inequalities-environment nexus” 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. The 2022 MCM Key Issues Paper acknowledges, “building social support is essential for a resilient and just transition”. Yet, the cost of going green clashes with the budget constraints faced by the bottom of the income distribution. In the 2015 Paris Climate Agreement, the international community mentioned, as emphasised by the OECD, “the imperatives of a just transition of the workforce […] in accordance with nationally defined development priorities”. Without robust social obligations (involving public investments into infrastructure, support and training systems, social dialogue, and universal social protection), there will be no social justice and hence dwindling support in society for the structural reform of our economies needed to protect the climate and environment. The Just Transition principles constitute a contemporary update to the founding principles of the OECD, and must be its guide, not an appendix to recovery plans. To this end, the impact of the war in Ukraine on energy markets should not lead to a temporary freezing or relaxing of commitments by OECD governments towards the green transition, for example by reviving or prolonging dependence on carbon intensive energy sources.

40. Just Transition measures must be based on tripartite negotiations with business and workers organisations and governments as defined in the ILO Just Transition Guidelines. This entails socially determined public investments and industrial policies for transition funding with mandates securing that green jobs be decent jobs. Achieving these objectives requires guaranteed labour rights with a priority placed on those that enable negotiated collective agreements.

41. The scale of the current crisis needs to be matched with an unprecedented ambition in terms of finance mobilised for ensuring the achievement of the UN SDGs as well as a Just Transition to a low-carbon economy. The 2009 Copenhagen COP15 commitment by developed countries to provide annually by 2020 USD 100 billion to developing countries has not been met even though two years passed since the envisaged deadline. OECD Governments and development partners have a special responsibility to support developing countries and avoid increasing poverty. Members of the Development Assistance Committee must uphold international commitments to reach 0.7% of their GNI in development cooperation budgets. Further to this, the OECD should contribute to a set of criteria to engage the private sector when considering green finance, which ensures an aligning of the financial system with sustainable development, public control and ownership and involvement of the social partners and stakeholders.

Tax, trade and investment policy

42. It is essential to ensure progress and fairness 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 invest in the real economy as support for low carbon and sustainable projects. In recent years, the OECD embarked on a gradual shift towards a more balanced tax policy aimed at decreasing inequality levels. For its part, the IMF has also been calling for increasing wealth taxation in response to rising wealth inequality, as well as the need to consider tax policy in the context of inclusive growth after COVID-19.

43. Tax fairness is also about curbing aggressive tax planning and insufficient taxation of new business models. The OECD-hosted and G20-mandated Inclusive Framework on Base erosion and profit shifting (IF BEPS) is delivering a reform of corporate tax rules based on two pillars, aimed to address the under-taxation of large businesses and curb the global tax competition race to the bottom. Pillar Two, which has been concluded and is being adapted to national laws, seeks to ensure that large multinational enterprises (MNEs) pay a minimum level of tax on the income arising in each country of operation. Countries would impose a top-up effective tax on undertaxed profits, up to 15%. Trade unions warned that this could risk locking in a maximum, rather than minimum corporate tax rate standard for many countries. Therefore, the implementation process must leave sufficient guarantees for progressive countries to display more ambition, ultimately paving the way for a stronger and fairer reform at multilateral level.

44. Considering the extraordinary circumstances of COVID-19 and the war in Ukraine and the expected financial commitments that governments are asked to take, some countries have already taken autonomous steps towards introducing excess corporate profit taxes. This would apply in particular to specific sectors such as pharmaceuticals, retail, digital and energy, in order to redistribute resources and finance response measures to the crisis, as well as improve public finances with the aim to partly offset rises in public debt levels.

45. Pillar One targets MNEs in order to relocate clearly defined “residual profits” to market jurisdictions where goods or services are used or consumed. The impact of such agreement risks being marginal, even to the point of questioning whether total tax remits would match in some countries national digital taxation that the implementation of Pillar One would replace. Furthermore, there seems to lack a critical mass of countries that would transform Pillar One in an international agreement by end of this year, as envisaged. The framework is still far from addressing the under-taxation of MNEs at large, particularly in a digitalised economy. The OECD should work further towards a systemic reform of transfer pricing rules, on the basis of fair apportionment factors, including employment, assets and sales.

46. The revision of international rules and agreements to make the global economic system fair is not limited to tax policy. International trade and investment conditions create market opportunities for businesses, but they also comes as an external competitive shock and a major source of uncertainty for workers and smaller enterprises. Unless there are countervailing balances at the domestic level and in-built mechanisms in trade and investment agreements, it leads to downwards pressure on wages, job and social security, as well as workers’ rights. Unfair competition based on social dumping fuels inequalities and undermines societal trust in global and national governance and in the private sector.

47. A first line of defence is the establishment of resilient and protective labour market frameworks in order to prevent a global race to the bottom in terms of labour costs and standards. Another line of defence coincides with the respect for human rights and labour standards, which should become a pre-condition for any trade and investment agreement in a manner that makes them enforceable. There should not be a question between protectionism and open market competition, but current trade and investment mechanisms reflect the relative imbalance between capital and labour, further perpetuating the downward spiral in income and workers’ right, both in developed and developing countries.

48. The question should not be opting between protectionist and open market solutions, but rather incentivising virtuous economic impact by ensuring that labour is adequately compensated, no matter whether at home or abroad. Therefore, monitoring, grievance and sanction mechanisms involving social partners should become part of all trade and investment agreements.

49. The OECD Guidelines for Multinational Enterprises, the Role of Government in Responsible Business, as well as G20/OECD Principles of Corporate Governance offer a compendium framework to support positive impacts while ensuring labour quality and workers' rights in the future. National Contact Points (NCPs) are frequently undervalued as part of an effective corporate governance framework. Their ability to contribute to the framework depends on satisfying institutional obligations to maintain relations with trade unions and other stakeholders.

50. This year offers several opportunities to assert the OECD leadership on responsible corporate governance. TUAC welcomes the comprehensive work being conducted by the OECD on the Final Stocktaking Report on the MNE Guidelines, along with the Recommendation on the Role of Government in Promoting Responsible Business Conduct ("Role of Government in RBC"), Recommendation on FDI Qualities for Sustainable Development ("FDI Qualities"), the review of the G20/OECD Principles of Corporate Government ("G20/OECD Principles"), all of which have the possibility of improving the outcome of the 2023 RBC Ministerial.

51. TUAC sees the MNE Guidelines Stocktaking report as balanced, objective and representative of workers' state of affairs. Trade unions stress there being wide consensus across stakeholders and governments about the NCPs falling short of their envisioned potential and an overall lack of trust in a mechanism needing restoration. Part II should be updated and the secretariat proposals and opportunities should be fully resourced. With that in mind, TUAC would support a statement from the MCM to continue the work of the Investment Committee and Working Party on Responsible Business. TUAC specifically endorses the instruction for the OECD committees to "provide practical support and guidance to Adherents in the implementation of the Recommendation." This offers a real opportunity for governments to shape policies that elaborate RBC expectations to the private sector businesses and trade unions.

52. Finally, investor-state dispute settlements have shown in some instances that rules designed to streamline proceedings can be counterproductive because they introduce new issues for resolution and potentially additional steps to resolving a case. Therefore, beyond the inclusion of enforceable social clauses, trade and investment agreements should respect the right of governments 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 SDGs.