Organisation for Economic Co-operation and Development

DOCUMENT CODE

For Official Use **English - Or. English**

Liaison Committee with International Non-Governmental Organisations

Rebuilding the Economy for a Better Society

Meeting with Representatives of the Trade Union Advisory Committee (TUAC) to the OECD, 27 June 2024.

Information Note: Use this area to provide a brief summary of the document or highlight any important information. This text will be displayed on the document page in O.N.E for Members and Partners.

TUAC Secretariat, tuac@tuac.org

Macroeconomic policy: New tools for a changing global economy

1. The global economy has changed profoundly. The age of the Great Moderation, when globalisation ensured low inflation and growth was moderately stable, is over. The new normal is one of increased volatility, with the climate crisis, pandemics, increased geo-political tensions and supply chain vulnerabilities causing more frequent and intense disruptions of both price stability and steady growth. These shocks will test the capacity of economies - that are already weakened by high and rising inequalities and power imbalances between workers and employers - to withstand inflationary pressures and their resilience against stagnation or even recession.

2. Recent events are a case in point: in the midst of their post-pandemic recovery, economies were hit with bottlenecks in global supply chains, an energy crisis and Russia's war of aggression against Ukraine. These shocks triggered a sudden and major surge in inflation, close to or even above 10%. At the same time, economic activity faced serious headwinds, as real wage cuts depressed household spending and businesses cut back on investment.

3. Macroeconomic policy responded in diverging ways. Central banks hiked interest rates at a pace rarely seen before, while fiscal policy mobilised resources to protect households and businesses from high inflation and energy costs.

4. As the likelihood of large supply side shocks is bound to remain high, the following lessons from the recent disruptions must be learned:

- **Fiscal policy is a powerful tool**. In contrast to the austerity-ridden, weak recovery in the aftermath of the global financial crisis, economies (such as the US) that provided large fiscal stimuli have succeeded in swiftly lifting economic activity back to a level in line with pre-pandemic growth rates.

  Fiscal policy has also proven to be a flexible tool, able to pursue several objectives at the same time. Besides stabilising demand and economic activity in the face of high inflation, fiscal policy was also deployed in several OECD economies to fight inflation directly. Price caps on energy, with public subsidies to cover the difference with market prices, prevented initial inflationary pressures from fully spilling over to the rest of the economy. In France such measures reduced inflation by 2.4 percentage points in 2022 and 2 percentage points in 2023, with its subsequent abrupt withdrawal provoking concerns for most vulnerable households (Creel, Plane, & Sampognaro, Energy shock and policy measures: the case of France, 2023). In Spain, measures to lower the cost of natural gas for electricity generation proved effective in dampening inflation while minimising fiscal cost. Together with other measures, such as adjourning indexation of housing rents, inflation was reduced by 2.2% in 2022, while GDP was boosted by 1.1%.

  By facilitating public and private investments that are urgently needed for the environmental and digital transitions, fiscal policy strengthens the supply side. In the longer term, such fiscal supply-side policy is essential to reduce dependence on fossil fuels and related shocks of "fuelflation", while raising potential growth (Krahé & Heilmann, 2023).

- **Monetary policy is not the right tool for large supply side shocks**. First, since monetary policy mainly impacts inflation in an indirect way,[1] the cost in terms of lost growth and jobs to contain inflation is prohibitive. Estimates indicate that a 100-basis point increase in policy rates brings down inflation by 1.4%, but at the cost of 2% of economic activity (Creel, Geerolf, Levasseur, Ragot, & Saraceno, 2024). Large supply shocks would therefore reduce GDP to an unacceptable degree.

  Second, monetary policy affects future, not current, inflation. It takes up to two years' time for monetary policy to work its way through the economy and get inflation down. By the time monetary

[1] Raising interest rates eventually reduces inflation by depressing aggregate demand, which reduces activity, which destroys jobs, which weakens wages, thus finally ending up in lower inflation.

policy starts to work, economies may have already digested the inflationary effect of the supply shock, either because input costs stop rising once they reach a higher level or because global markets adapt, bringing high input costs down. This is exactly what has been observed since mid-2023: inflation has fallen as rapidly as it accelerated as a result of supply side disruptions resolving. Fighting supply-side inflation with monetary policy carries the risk of triggering an avoidable recession and, as was the case in the 2010s, thrusting the economy in a protracted slump by undershooting the inflation target and pushing inflation expectations below the price stability target.

Third, depressing the economy to lower inflation also has a long-term negative impact. Traditional economic theory assumes that the cost of monetary policy (lost growth and jobs) is only temporary, and that economies spontaneously return to their natural equilibrium in the longer run. However, evidence shows that the long and short run cannot be neatly separated and that depressing economic activity, by damaging human capital, investment and innovation, harms potential future growth (Jordà, Singh, & Taylor, 2023). This is particularly concerning in light of the climate crisis: deployment of renewable energy projects is stalling on both sides of the Atlantic because of much higher financing costs.

- **Policy should not blindly rely on iterations of the Philips curve, correlating lower inflation with higher unemployment**; wages cannot always be blamed for inflation, nor does macroeconomic policy necessarily need to increase unemployment to get inflation down.

  This insight is not entirely new: in the decade following the financial crisis, unemployment fluctuated widely, sometimes falling below what had previously been estimated as structural unemployment levels, yet and inflation did not take off.

  Recent experience also testifies to the fact that there is no such thing as an automatic trade-off between inflation and unemployment. High inflation was not driven by a sudden increase in wages due to falling unemployment, but by profits pushing prices further up in reaction to disruptions in global supply chains: businesses, realising they were enjoying strengthened oligopolistic positions as product bottlenecks limited competition,[2] took advantage of the opportunity to increase sales prices more than the increase in (non-labour) input costs. Increased profit margins, together with falling energy prices and prices of other input costs, subsequently provided a buffer for wages to recover part of the real wage losses that were incurred without risking a wage-price spiral (OECD, 2024).

  Focusing on labour markets and wages as the root cause for inflation to guide macroeconomic policy raises several risks. Relying on estimates of structural unemployment implies a social and economic waste of human resources if employment is erroneously kept at too low a level. Stifling labour markets to prevent real wages from recovering past losses when these losses were caused by high(er) profit shares is not sustainable and reduces the credibility of central banks. Finally, confusing the process of workers shifting to better paid jobs with a general overheating of the labour market and depressing overall activity in response also harms the economy's capacity to re-allocate labour to jobs and sectors that are more productive. In the aftermath of the pandemic, vacancy rates increased, not because overall labour demand was excessive, but because frontline worker were no longer willing to put their health at risk in a poorly paid job and went instead for better jobs with better wages.

5. A new consensus, based on closer cooperation and coordination between the different instruments of macroeconomic policy, needs to be forged. For the last three decades, macroeconomic policy has been guided by a strict division of responsibilities and tasks, with each policy instrument targeting its own and

[2] A single business is reluctant to increase prices knowing that competitors may not follow, hence risking losing market shares. However, if competitors face similar price pressures arising from lack of production components, as was the case with several supply side bottlenecks during the recovery from the pandemic, the firm's price setting decisions are no longer constrained by competition (Weber & Wasner, 2023).

separate objective: Central banks have price stability as their primary objective, fiscal policy ensures debt sustainability, while structural reforms are to enhance market performance. This model is no longer fit for purpose. Large global supply-side shocks, likely to become more frequent in the coming years, require the three tools of macroeconomic policy to join forces, complement each other and share common objectives.

TUAC calls upon the OECD to lead the way in shaping a new paradigm for macroeconomic policy making, based on the following principles:

- In an age of global volatility, **monetary policy cannot achieve price stability on its own,** but requires the support of fiscal policy and price-cap regulation**.** These policies should be mobilised to prevent initial price pressures from spreading to the rest of the economy in the short term, while spearheading the investment needed to foster the green transition and make the economy more resilient in the medium-term.
- In turn, **fiscal policy should take up a broader and more significant role. This needs to be backed up by monetary policy providing the necessary fiscal space**. Fiscal space is not pre-determined but something that policy can shape and expand. Lower policy rates and targeting quantitative easing towards crucial public investment can create the fiscal space necessary to drive the green transition and build more secure supply chains.
- **Fiscal space should further be sustained by a wider, fairer and progressive tax policy agenda**. This includes implementing the OECD's Inclusive Framework on base erosion and profit shifting (BEPS), eliminating loopholes in the OECD's two-pillar approach, increasing marginal tax rates for high-income earners, taxing windfall corporate profits and financial transactions, and a global wealth tax.
- **Social dialogue should also be mobilised.** Recent experience shows that global volatility and supply-side shocks hit lower income households the most. Stronger social dialogue is needed to highlight the inequality implications of different policy choices and ensure a fairer distribution of the burden of adjustment, including by highlighting. Beyond this, coordinated collective bargaining can strengthen the credibility of the macroeconomic policy mix by increasing the predictability of wage dynamics and the implications for price stability.

<u>Questions for discussion</u>

a) What key lessons is the OECD drawing from recent shocks for future macroeconomic policy, and to what extent do these align with the vision expressed by TUAC?

b) Do governments agree on the risk of addressing supply-side shocks with demand-side measures?

c) Is it still useful to keep the discussion on debt sustainability confined to pure accountancy parameters (e.g., 60% of GDP, 3% current account deficit) in the face of large pending shocks such as climate change and the progressive loss of competitiveness in relation to emerging economies?

d) What benefits can closer coordination of monetary and fiscal policy decisions bring in a world where the global economy is more prone to experiencing unexpected shocks? What role can social dialogue play in this?

e) Beyond the BEPS project to combat MNE tax avoidance, what additional role can the OECD play in pursuing a fairer global tax agenda?

Ensuring a just transition: the role of industrial policy

6. There is no doubt that the triple planetary crisis – climate change, biodiversity losses and pollution – is dramatically impacting societies and economies. By 2030, global warming alone could lead to worldwide productivity losses of between 2.2% and 3.8% of total working hours, which equate to 80 to 136 million full-time jobs (ILO, 2019). The distribution will be geographically and sectorally uneven, within and between countries (Tie-Ying & Ye, 2023).

7. In addition to the direct economic impact of climate change, transition policies for a sustainable and green economy will additionally affect workers and their communities to varying degrees. Even if the greening of the economy leads to a net positive impact on job creation, this will only materialise in the long term and not across the board, which leaves open the question of how to support workers who lose their jobs in the process.

8. The focus is often placed on active labour market policies, providing adequate skills and training, assisting displaced workers in their search for a job, complemented with social protection measures for the most affected. However, a more fundamental question is whether there will be an adequate number of *good quality* green jobs available for those who are displaced: according to OECD estimates, the proportion of green jobs in 30 countries increased by barely 2% between 2011 and 2018 (OECD, 2023).[3] Lack of investment may be a factor behind this slow growth: spending on clean energy investment needs to at least double (from 2 trillion to around 4 to 5 trillion US dollars) by 2030 if the zero-emission-by-2050 target is to be met. Governments will have to play a crucial role in driving the investment that is needed and crowding in private capital (IEA, 2021). In addition, existing monitoring has highlighted that green jobs are not necessarily quality jobs, and further tend to be characterised by low collective bargaining coverage, making improvements in working and employment conditions more difficult (European Commission; LSE Consulting, 2021).

9. Climate change is happening at a massive scale and the most marginalised groups – within and across countries - are paying the highest price. Addressing concerns about potential job and income losses, as well as the growing impact on working and living conditions across sectors and different parts of the population, is crucial if governments are to ensure the broad public support required to effectively implement climate mitigation policies (Dechezleprêtre & al., 2022). Research has found that the most important determinant for public acceptance of climate policy measures is fairness, making sure that green taxes are progressive and lower-income and vulnerable groups adequately protected (Bergquist, Nilsson, Harring, & Jagers, 2022). Denmark, for example, introduced monthly allowances financed from green taxes and paid out to low-income pensioners to sustain their consumption capacity, called ‘green cheques’ (Danish Customs and Tax Administration, 2024). Ensuring a just transition requires a balancing act and must be based on social dialogue to preserve and reinforce labour rights, as well as decent living and working standards.

10. According to recent OECD analysis, countries with a more diversified economic structure, as well as those with low pre-existing levels of unemployment, fare better in terms of job reallocation to less polluting occupations (OECD, forthcoming). This indicates that mission-oriented industrial policies could generate a double dividend: steer investment and economic activity towards the goal of net-zero emissions and biodiversity protection, while creating enough green and good quality jobs to make the transition just and, therefore, politically feasible. Furthermore, beyond the jobs that will be destroyed and those that will

[3] There is not definitive consensus on the definition of ‘green jobs’. The one adopted in this instance by the OECD relies on a bottom-up approach that measures green-tasks within single occupations, notwithstanding the sector of economic activity, but does not imply conditions related to the quality of such occupations. For more details see (OECD, 2023).

be created, a vast portion of those in place will turn greener. Industrial policies that ensure sufficient and timely investments in fossil-free energy supply will be essential for the transformation to take place.

11. The OECD acknowledges that trade and foreign investment defence mechanisms may be warranted in case of unfair competition (Criscuolo, Gonne, Kitazawa, & Lalanne, 2022a). The new European Carbon Border Adjustment Mechanism (CBAM), for example, sets tariff penalties for imports of dirtier products from outside the EU to compensate for higher environmental requirements for European companies. While its technical feasibility remains to be tested, such type of instrument should not be seen as a protectionist measure but as a tool to promote fair competition on a higher-level playing field (European Commission, 2024). Some experts are cautious about such measures, worrying they might represent disguised protectionism and lead to retaliation measures; but in the longer run, a lack of industrial policy to upgrade and develop domestic green and sustainable technology can lead to technological gaps that are difficult to close, adding more pressure on governments to introduce pure trade defence mechanisms, in a global economy already characterised by increasing geopolitical tensions. A telling example is the US, which recently announced a 100% tariff on Chinese electric vehicles (Sevastopulo & White, 2024), while the EU is considering similar measures (Hanke Vela & Ngendakumana, 2024), showing how vulnerable large OECD economies are to new technologies coming from abroad. This comes after years of China having built up a competitive edge in electric automotive compartments, not only as a result of having the world's largest access to critical materials for the production of batteries, but notably because of a twenty-year-long government strategy to invest in the development, supply and demand of electric vehicles, intended to leapfrog internal combustion and hybrid engines altogether (Yang, 2023).

12. Yet, industrial policy should not be used as a tool to shield or even boost external competitiveness, but rather as a propeller of domestic demand for sustainable goods and green innovation. For this, continued commitment of governments to implement long-term climate policy measures that create demand for the products of the green industry is necessary. Export-led growth models leave countries vulnerable to shifts in foreign demand, which can become permanent when companies fail to adequately invest in technology and instead maintain competitiveness by cutting production costs, including labour. Recent models of endogenous growth show that companies are particularly responsive to rises in demand when deciding to invest in R&D and innovation (Ignaszak & Sedláček, Productivity, Demand and Growth, 2021). Low domestic demand in this way represents an important constraint to green industrial development.

13. A growing number of OECD countries are actively embarking on industrial policy. Notable examples are the US Bipartisan Infrastructure Law in 2021 (The White House, 2022), followed by the CHIPS and Science Act (US Congress, 2022) and the Inflation Reduction Act (IRA) (The White House, 2023) in 2022. Together, these three programmes allocate roughly USD 1.1 trillion to boost infrastructure development, semiconductors, electric vehicles and other critical industry manufacturing; promote onshoring to secure supply chains; provide incentives for R&D; and investment in clean energy. Concerns were raised that such actions would trigger a race to the bottom in terms of mirroring subsidies and protectionist measures. The EU has indeed followed suit by approving in 2023 the Net-Zero Industry Act (European Commission, 2023), part of the broader EU Green Deal Industrial Plan, with a similar aim of promoting net-zero technology development and production; the declared goal by 2030 is for the EU to be able to supply 40% of its clean energy technology needs from within. Other countries, including Japan and Korea, have rolled out comparable programmes or strategies in recent years (METI, 2021) (MEF, 2020).

14. Beyond geopolitical concerns, industrial policy should pursue the dual goal of technological advancement and quality job creation, improving productivity and economic complexity, while minimising the risk of displacement and job loss. This can be done in different ways. In the case of the US programmes, the direct impact on job creation is estimated to be around 9 million jobs in ten years, paying a 10% higher median wage than the US median (National Skills Coalition, 2023). This is achieved through the introduction of specific mechanisms that reward contractors and subcontractors that pay prevailing

wage rates,[4] and by providing financial incentives and tax credits that are up to five times larger for companies that set their wages at least at a comparable level. Such indirect forms of social conditionality help foster the creation of good quality jobs, compared to sectors lacking pro-active government intervention.

15. The OECD has highlighted the importance of involving all stakeholders to ensure the successful design and implementation of industrial policies (Criscuolo, Gonne, Kitazawa, & Lalanne, 2022b). This is not a new approach: amid the challenges and needs of the Second World War, the US established the National War Labor Board, a tripartite construction whose aim was to minimise industrial conflict at a time when production needed massive and constant scaling up (Department of Labor, 1943). In return for foregoing the right to strike for the duration of the conflict, and freezing wage rise demands to avoid price increases, workers were granted maintenance of membership. This secured minimum unionisation levels in industries involved in the war production effort; equal pay between men, women, and workers of colour; and a number of benefits, from annual leave and sick days to health and pension coverage. In parallel to the broader need to build up industrial capacity, collective bargaining coverage and quality of jobs in the US saw a massive improvement, laying the foundation for the boost in middle-class wellbeing in the post-war economic boom. Today, trade unions demand stronger social conditionalities when public resources and investment are at stake, both in terms of respecting collective bargaining rights and in ensuring that policies address job quality and skills (Moller-Nielsen, 2024). In the case of the European Union, a labour-oriented industrial policy could also help to achieve the goal of higher collective bargaining coverage, as set by the Directive on adequate minimum wages (European Council, 2022). Creating industrial boards and councils in which social partners can influence the setup and functioning of industrial policy is also important to guarantee that workers are represented in decisions that affect job creation and quality of employment in the long term, and to deliver a just transition in line with the tripartite guidelines adopted at the International Labour Organization in 2015 (ILO, 2016). France has nineteen 'Supply chain strategic committees' that provide an example of such tripartite industrial structures (Conseil national de l'industrie, 2023).

16. The OECD could help map different types of governance mechanisms, to better inform governments about ways to include social partners in the process and foster social dialogue, thus ensuring a fair and just transition for all. Governments, on their part, must adequately plan industrial policy to avoid disputes arising later, with the risk of notably delaying climate action and disrupting the just transition. This requires:

- Steering fiscal and monetary policy in line with the long-term goals of a just transition, ensuring coherence and adequate fiscal space to support aggregate demand and crowd in private investment to meet industrial policy objectives.
- Involving social partners both in defining the aim of industrial policy and implementing industrial plans, to make sure that workers' demands are addressed.
- Ensuring that public support does not simply translate into privatising profits and socialising losses: social conditionalities must be attached to public direct and indirect support, most notably in terms of remuneration, stable employment contracts, skilling and re-skilling opportunities, effective social dialogue and strengthened collective bargaining.

[4] Defined as standard wage rates for a specifical type of work/area and paid for federally funded projects.

Questions for discussion

a) Is your government implementing or considering implementing comprehensive industrial policies? What are the goals these policies seek to achieve?

b) Does your country have clear and dedicated governance structures to coordinate and execute industrial policies?

c) Does your government involve trade unions in, and if so, at what stage of the process?

d) Given differences in national contexts, can or should the OECD issue one-size-fits-all recommendations when it comes to the role of industrial policy?

e) What is the OECD's position with respect to the role that social partners should play in defining the priorities, policies and tools of industrial policy?

OECD accession at a time of global fragmentation

17. TUAC is concerned that the OECD does not put enough emphasis on labour rights in the ongoing accession process although the roadmaps include several labour-related principles: (1) "the full respect of labour rights and thorough exercise of individual and collective labour rights, including through effective labour inspection, with a particular emphasis on fundamental labour rights including the ILO Fundamental Principles and Rights at Work"; (2) "policies to promote social dialogue, and ensuring that industrial relations systems are in line with the 2018 Jobs Strategy of the OECD"; and (3) "evidence of commitment and effective measures to promote Responsible Business Conduct". The accession roadmap also requires countries to promote responsible business conduct and the respect of human rights, as well as employment and industrial relations. It furthermore refers to an "effectively functioning and adequately resourced National Contact Point (NCP) for the Guidelines for Multinational Enterprises."

18. The OECD should ensure that candidate countries adhere to and effectively implement these labour standards, and that fundamental labour rights, strong social dialogue systems and the promotion of responsible business conduct are given due attention in the accession discussions and processes.

19. TUAC has collected information from trade unions in the accession countries concerning these issues. It is clear that many challenges lie ahead, and some countries need to significantly strengthen and enforce labour rights.

Fundamental labour rights

20. The main obstacles in these various country reports relate to:

- **Excessive legal thresholds to allow for a trade union**. In Peru, a minimum of 20 to 50 members is required to create a union, with businesses circumventing this legal requirement by splitting their economic activity into several micro-enterprises. The overall result is the absence of unions in micro and small enterprises. In Romania, even though the threshold has recently been reduced from 15 to 10 workers, it still excludes unionisation in 90% of all companies. As for Croatia, the criteria to decide trade union representation is not identical for all public service workers, while sector-level employer organisations are not required to prove how representative they are.
- **Corporate malpractice.** Union-busting is widespread in Peru, with employers resorting to the dismissal of trade union leaders and key members, harassment, discrimination, and lockouts. An additional obstacle is the high incidence of precarious employment contracts (70% fixed term contracts and up to one-month "transitional service contracts" in the public sector); this job insecurity exposes workers to employer retaliation when joining a union.

  The threat of termination of temporary contracts in case of unionisation or collective bargaining is also an issue in Indonesia, with the Omnibus Law allowing a continuous renewal of short-term contracts (three months up to one year) and outsourcing. Moreover, employers can take advantage of the criminal law to have trade unionists arrested and detained, as the criminal code contains provisions on "instigation" and "unpleasant acts" against the employer. The Omnibus law grants significant powers to the police in declaring legitimate trade union activities criminal acts, including the right to organise strikes, which can be penalised with prison sentences of up to four years.

  In Brazil, retaliatory action against unionised workers and union leaders by management is reported, taking the form of dismissals, non-promotion, or lack of career advancement. In some cases, there is even harm to physical integrity, including the assassination of trade union leaders in some rural areas.

  With some exceptions, most employers in Romania are also reported to aggressively discriminate against trade union leaders and members, in the form of reprisals against workers trying to organise. Union-avoiding strategies by employers are also reported by Croatian trade unions.

- **Restrictions on collective bargaining.** With the adoption of the Omnibus Law in 2020, outsourced workers in Indonesia are no longer entitled to collective bargaining. Indonesia also restricts free and voluntary collective bargaining by imposing an unrealistic deadline of 30 days for negotiations to be concluded, after which bargaining must be submitted to the statutory mediation and arbitration process.
- **Restrictions on union membership or collective bargaining in the public sector.** In Croatia, the right to bargain collectively is legally restricted when it concerns financially weaker local and regional government units. In Bulgaria, sectoral-level legislative acts formally block collective bargaining from taking place among civil servants. In Peru, pay is excluded from the scope of negotiation in public administration, while the government has extensive power to intervene in the bargaining process (ending strikes, unilaterally imposing minimum service requirements, outlawing certain forms of strike action). It is not clear whether civil servants have a right to collective bargaining in Indonesia, as there is no legislation to implement this.

State of social dialogue and inclusive collective bargaining systems

- **State of social dialogue.** Collective bargaining coverage rates, a key indicator of the state of social dialogue, differ widely between the different accession countries, from 3.7% and 5% in Indonesia and Peru respectively, to 20% and 28% in Romania and Bulgaria. The latter remains far below the 80% target of the European Directive on adequate minimum wages. In Indonesia, low coverage is also reported as a problem on the employer side, with only a minority of businesses affiliated to employer associations. Social conflict is reported as frequently taking place due to a poor understanding of the value and benefits of sound industrial relations.

  While several accession countries (Romania, Bulgaria, Croatia, Peru) have a specific institutional structure at the national or regional level where social dialogue, including tripartite social dialogue, can take place in a structured way, trade unions report major shortcomings. Social dialogue is often largely nominal, with social partners consulted or informed only after laws have already been drawn up, and with insufficient time to negotiate a proper and joint position. In Peru, unions report that their views, expressed via social dialogue councils, are often ignored by the government. Social dialogue in these councils has also stopped in the context of recent social turmoil. While trade unions are represented in the tripartite council in Indonesia, its functioning is not strong enough to adequately resolve labour issues. In Brazil, social dialogue systems to steer employment and income were dismantled under the previous government, and trade unions demanded their re-introduction in 2023.
- **Inclusive collective bargaining systems.** Governments in accession countries are failing to promote the extension of sector agreements, despite union membership and collective bargaining coverage also being low due to legal obstacles and union-avoidance strategies. Croatian trade unions report that, while legal conditions to extend a sector level agreement are not only overly strict, but no institution has also had the authority to implement this process since the labour law reform of 2014. In the private sector in Peru, priority is given to enterprise level bargaining, which constitutes the default option if parties do not agree at which level to conduct bargaining. Extension of a sector agreement is practically impossible in Bulgaria, because of exceedingly high thresholds (supermajority, restrictive public interest criteria) or the power of veto held by employers. While the December 2022 labour law reform of Romania re-introduced the possibility of extending sector agreements, the condition remains that members of the employer organisation must employ at least 35% of all workers in the sector, which is a stricter threshold than the 20% required for bargaining at the national intersectoral level.
- **Gender gaps and informality.** Gender pay-gaps decreased only slightly in Bulgaria (from 13.2% in 2011 to 12.2% more recently) and have risen substantially in Croatia (from 8.7% in 2014 to

11.2%). Gender pay-gaps of 27.4%, 30% and up to 50% are reported in Peru, Brazil, and Indonesia respectively.

Informality remains a serious problem, especially in Peru (73% of all workers in 2019) and Indonesia (60%), while trade unions in Croatia report that the informal economy accounts for between 7% and 35% of GDP. Informality is increasing in Brazil, reaching 39%, with working conditions often bordering on slavery.

Responsible Business Conduct

21. Trade unions in Romania report that the NCP lacks resources, does not involve trade unions (yet has business associations as members) and is overall failing to take up its mandate of promoting awareness and uptake of the OECD MNE Guidelines. Croatian trade unions also highlight limited meetings and a lack of commitment from the NCP to assist businesses and trade unions to resolve issues. In Peru, the NCP is based in the Ministry of the Economy and is reported to be biased, with a tendency to see labour rights as obstacles to foreign investment. In Indonesia, which has yet to adhere to the MNE Guidelines, many cases of misconduct by MNEs are left unaddressed. In Brazil, trade unions report not being involved with or in contact with the NCP and are unaware of its activities.

Key trade union demands for the OECD accession process

22. TUAC and trade unions in the accession countries call on the OECD to make the following recommendations to the candidate countries:[5]

- **Bulgaria:** Adopt a new strategy to extend sector-level agreements and review the national minimum wage setting strategy to ensure a minimum wage higher than 50% of the average wage.
- **Romania:** Reform labour law to address excessive labour market flexibility and precarious work as well as safeguarding trade union representatives from dismissal and retaliation. A close follow-up of the December 2022 labour law reform should be implemented, to monitor whether the reduced threshold for a trade union to bargain at company level does indeed result in collective bargaining agreements being concluded by independent trade unions (rather than employer-dominated associations of workers).
- **Croatia:** Make labour law deviations strictly conditional on social partners' acceptance in a sector-level collective agreement and introduce better legal protection for union representatives.
- **Peru:** Introduce multi-employer collective bargaining and labour clauses in public procurement, excluding businesses that violate fundamental labour rights. Promote the principle of bargaining in good faith.
- **Indonesia:** Review the Omnibus Law, ensuring the participation and consultation of trade unions in this process. More generally, bring the unions to the table and involve and include them in all policy processes impacting labour markets and workers.
- **Brazil:** Introduce tripartite structures to encourage social dialogue and to promote the application of the MNE Guidelines and a culture of social responsibility in companies.

[5] The full set of key demands can be consulted in the specific TUAC country reports.

Questions for discussion:

a) How is the OECD monitoring the respect of fundamental labour rights principles and inclusive collective bargaining in the accession process?

b) How can the OECD better involve TUAC in the reviews and the committee discussions?

c) Research on the ‘future of collective bargaining’ conducted by the OECD (OECD, 2019) highlighted the upgrading of the role of social dialogue and collective bargaining in achieving a fairer sharing of the benefits of growth. How can these new insights feed into the country reviews?

d) In line with OECD research (OECD, 2019), precarious and insecure employment arrangements a serious obstacle to building strong social dialogue and large collective bargaining coverage. How can the OECD, as part of the accession process, put a special focus on the promotion of more secure jobs and stable employment relationships?

References

Bergquist, M., Nilsson, A., Harring, N., & Jagers, S. (2022). Meta-analyses of fifteen determinants of public opinion about climate change taxes and laws. *Nature Climate Change, 12*, 235-240. doi:https://doi.org/10.1038/s41558-022-01297-6

Conseil national de l'industrie. (2023, April 27). *Découvrez les 19 CSF*. Retrieved May 31, 2024, from Conseil national de l'industrie: https://www.conseil-national-industrie.gouv.fr/decouvrez-19-csf

Creel, J., Geerolf, F., Levasseur, S., Ragot, X., & Saraceno, F. (2024). Towards a New Paradigm – the Inflation Shock as a Catalyst? *Forum For a New Economy Working Papers. 4.* Berlin: Forum for a New Economy. Retrieved from https://newforum.org/wp-content/uploads/2024/03/FNE-WP04-2024.pdf#msdynttrid=jfhVOn9e1hU6vpAf7XFVAc46rPPhpvlab37pLL7KojQ

Creel, J., Plane, M., & Sampognaro, R. (2023). Energy shock and policy measures: the case of France. In B. Galgóczi (Ed.), *Response measures to the energy crisis: policy targeting and climate trade-offs.* The European Trade Union Institute. Retrieved from https://www.etui.org/publications/response-measures-energy-crisis-policy-targeting-and-climate-trade-offs

Criscuolo, C., Gonne, N., Kitazawa, K., & Lalanne, G. (2022a). Are industrial policy instruments effective? : A review of the evidence in OECD countries. *OECD Science, Technology and Industry Policy Papers, 128*. doi:https://doi.org/10.1787/57b3dae2-en

Criscuolo, C., Gonne, N., Kitazawa, K., & Lalanne, G. (2022b). *An industrial policy framework for OECD countries: Old debates, new perspectives.* Paris: OECD Publishing. doi:https://doi.org/10.1787/0002217c-en

Danish Customs and Tax Administration. (2024). *Tax Rates*. Retrieved May 30, 2024, from https://skat.dk/en-us/help/tax-rates

Dechezleprêtre, A., & al., a. (2022). Fighting climate change: International attitudes toward climate policies. *OECD Economics Department Working Papers, 1714*. doi:https://doi.org/10.1787/3406f29a-en

Department of Labor. (1943). *Maintenance-of-Membership Awards of National War Labor Board.* Bulletin no. 753, US Department of Labor, Washington. Retrieved from https://fraser.stlouisfed.org/files/docs/publications/bls/bls_0753_1943.pdf

EBRD. (2023). *Transition Report 2023-24: Transitions big and small.* Retrieved from https://www.ebrd.com/news/publications/transition-report/transition-report-202324.html

EEA. (2024). *European Climate Risk Assessment.* 01/2024. Retrieved from https://www.eea.europa.eu/publications/european-climate-risk-assessment

European Commission. (2023). *The Net-Zero Industry Act: Accelerating the transition to climate neutrality*. Retrieved from European Commission: https://single-market-economy.ec.europa.eu/industry/sustainability/net-zero-industry-act_en

European Commission. (2024). *Carbon Border Adjustment Mechanism*. Retrieved from Taxation and Customs Union: https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

European Commission; LSE Consulting. (2021). *Social Situation Monitor: Quality of Green Jobs.* Retrieved from https://op.europa.eu/en/publication-detail/-/publication/c72181fb-61ec-11eb-aeb5-01aa75ed71a1

European Council. (2022). Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union1. *PE/28/2022/REV/1*. Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32022L2041

Hanke Vela, J., & Ngendakumana, P. E. (2024, May 2). EU probe into Chinese electric vehicles is 'advancing,' Commission says. *Politico*. Retrieved from https://www.politico.eu/article/probe-into-chinese-subsidies-for-evs-advancing-eu-says/

IEA. (2021). *Net Zero by 2050: A Roadmap for the Global Energy Sector.* Paris: OECD Publishing. doi:https://doi.org/10.1787/c8328405-en

Ignaszak, M., & Sedláček, P. (2021). DP16205 Productivity, Profitability and Growth. (C. Press, Ed.) *CEPR Discussion Paper No. 16205*. Retrieved from https://www.rba.gov.au/publications/workshops/research/2022/pdf/rba-workshop-2022-ignaszak-sedlacek.pdf

Ignaszak, M., & Sedláček, P. (2021). *Productivity, Demand and Growth.* Retrieved from https://www.rba.gov.au/publications/workshops/research/2022/pdf/rba-workshop-2022-ignaszak-sedlacek.pdf

ILO. (2016). *Guidelines for a just transition towards environmentally sustainable economies and societies for all.* Retrieved from https://www.ilo.org/publications/guidelines-just-transition-towards-environmentally-sustainable-economies

ILO. (2019). *Working on a warmer planet: The impact of heat stress on labour productivity and decent work.* Geneva: International Labour Office – ILO. Retrieved from https://webapps.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_711919.pdf

IPCC. (2023). *Sections in: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth.* Geneva, Switzerland. doi:10.59327/IPCC/AR6-9789291691647

Jordà, Ò., Singh, S., & Taylor, A. (2023, September 5). *Does Monetary Policy Have Long-Run Effects?* Retrieved May 30, 2024, from Federal Reserve Bank of San Francisco: https://www.frbsf.org/research-and-insights/publications/economic-letter/2023/09/does-monetary-policy-have-long-run-effects/

Krahé, M., & Heilmann, F. (2023, November 21). *Fossil Fuel to the Fire.* Retrieved June 3, 2024, from Dezernat Zukunft, Institute for Microfinance : https://www.dezernatzukunft.org/fossil-fuel-to-the-fire/

MEF. (2020, July 14). *Government Announces Overview of Korean New Deal*. Retrieved from Ministry of Economy and Finance: https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4940

METI. (2021). *Green Growth Strategy Through Achieving Carbon Neutrality in 2050*. Retrieved from Ministry of Economy, Trade and Industry of Japan: https://www.meti.go.jp/english/policy/energy_environment/global_warming/ggs2050/index.html

Moller-Nielsen, T. (2024, February 9). Unions issue 'urgent' call for EU industrial policy to respect workers' rights. *Euractiv*. Retrieved from https://www.euractiv.com/section/competition/news/unions-issue-urgent-call-for-eu-industrial-policy-to-respect-workers-rights/

National Skills Coalition. (2023, September 18). *Executive Summary of PERI Report: Employment Impacts of New U.S. Clean Energy, Manufacturing, and Infrastructure Laws.* Retrieved from

National Skills Coalition: https://nationalskillscoalition.org/wp-content/uploads/2024/02/DataBrief_infrastructure_NSC_BGA_final.pdf

OECD. (2019). *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work.* Paris: OECD Publishing. doi:https://doi.org/10.1787/1fd2da34-en

OECD. (2023). *Effective Carbon Rates 2023: Pricing Greenhouse Gas Emissions through Taxes and Emissions Trading.* Paris: OECD Publishing. doi:https://doi.org/10.1787/b84d5b36-en

OECD. (2023). *Job Creation and Local Economic Development 2023: Bridging the Great Green Divide.* Paris: OECD Publishing. doi:https://doi.org/10.1787/21db61c1-en

OECD. (2024). *The OECD Wage Bulletin: Real wages regaining some of the lost ground.* Paris: OECD Publishing. Retrieved from https://www.oecd.org/employment/Policy-Brief-Real-wages-regaining-some-of-the-lost-ground.pdf

OECD. (forthcoming). *Employment Outlook 2024.* Paris: OECD Publishing.

Sevastopulo, D., & White, E. (2024, May 14). US sharply raises tariffs on Chinese EVs and semiconductor imports. *Financial Times*. Retrieved from https://www.ft.com/content/972cabfb-f587-4cb3-ab21-ec3380b049da

The White House. (2022, May). *A Guidebook to the Bipartisan Infrastructure Law.* Retrieved from The White House: https://www.whitehouse.gov/wp-content/uploads/2022/05/BUILDING-A-BETTER-AMERICA-V2.pdf

The White House. (2023, January). *Building a Clean Energy Economy: A Guidebook to the Inflation Reduction's Act Investments in Clean Energy and Climate Action.* Retrieved from The White House: https://www.whitehouse.gov/wp-content/uploads/2022/12/Inflation-Reduction-Act-Guidebook.pdf

Tie-Ying, L., & Ye, L. (2023). Does global warming affect unemployment? International evidence. *Economic Analysis and Policy, 80*, 991-1005. doi:https://doi.org/10.1016/j.eap.2023.09.028

US Congress. (2022). *Chips and Science Act, H.R.4346.* Retrieved from United States Congress: https://www.congress.gov/bill/117th-congress/house-bill/4346

Vijayenthiran, V. (2024, May 13). *Mercedes stopped work on the 'MB.EA-Large' EV technology platform*. Retrieved May 21, 2024, from Motor Authority: https://www.motorauthority.com/news/1143174_cruise-robotaxis-return-to-the-road-with-safety-drivers

Weber, I., & Wasner, E. (2023). Sellers' Inflation, Profits and Conflict: Why can Large Firms Hike Prices in an Emergency? *Economics Department Working Paper Series*(343). doi:https://doi.org/10.7275/cbv0-gv07

Yang, Z. (2023, February 21). *How did China come to dominate the world of electric cars?* Retrieved from MIT Technology Review: https://www.technologyreview.com/2023/02/21/1068880/how-did-china-dominate-electric-cars-policy/