

Meeting of the Council at Ministerial Level, 3-4 June 2026

TUAC Statement to the 2026 OECD Ministerial Council Meeting

A Workers' Agenda for Industrial Policy

JT03587561

1 Introduction

1. Across the OECD, governments are deploying industrial policy to reshape their economies in response to climate change, digital transformation and geopolitical instability. This presents a significant opportunity – to invest in quality job creation, raise living standards and build the foundations for resilient and sustainable growth. Well-designed industrial policy, grounded in social dialogue and strong labour market institutions, can help deliver stable employment, rising wages, and a genuine voice for workers in the transitions reshaping industries and communities.

2. This opportunity arises against a difficult backdrop. Decades of free capital flows weakened labour market institutions, and stagnating wages have eroded the economic foundations of democratic societies. What followed is now familiar: rising inequality, declining trust in institutions, and political instability. Workers have borne these costs most heavily, and longest. The international frameworks that protect workers' rights – including the International Labour Organization (ILO) – are themselves now under direct political attack. Industrial policy pursued in isolation or designed to gain export advantage through suppressed wages and weak domestic demand rather than shared prosperity, will not deliver the resilient economies that OECD Members' populations seek.

3. The major transitions now underway – green, digital and demographic – will reshape industries and labour markets at scale. Without deliberate policy choices to anticipate and shape those transitions for the public good, and especially to protect and empower workers, they risk leaving millions behind. Industrial policy will only deliver shared prosperity if designed with workers' participation and with their interests at its core: conditionalities that ensure public investment creates quality jobs, strong collective bargaining and social dialogue, universal social protection, and regulatory frameworks that protect rather than undermine workers' rights.

4. This requires action on two fronts. Workers need economic security – living wages that keep pace with productivity, strong collective bargaining, a just transition that leaves no one behind, decent working conditions, and liveable pensions. And they need a level playing field – where the movement of capital is governed by fair rules, corporate accountability is enforced, taxation is fair, and the digital and green transitions are shaped in workers' interests. Trade unions stand ready to work with governments that choose this path.

2 Economic Security: Where Resilience Begins

5. For decades, the promise of globalisation was that open markets would benefit everyone. The reality has been different. Capital, as well as trade liberalisation, enabled production to move freely to the lowest-cost locations, while workers remain rooted in their communities and face significant barriers when they do seek to move. Rather than rebuilding countervailing power for workers, the policy response dismantled it further. Workers were urged to accept "flexibility" – weaker protections, stagnant wages, and the transfer of risk from employers to individuals. The result has been a fall in aggregate demand, a two-tier labour market of secure insiders and precarious outsiders, rising inequality, and hollowed-out communities in regions left behind by deindustrialisation.

6. The consequences are well documented. According to the International Labour Organization, the global share of income going to workers has fallen by 1.6 percentage points since 2004, equivalent to a loss of USD 2.4 trillion in 2024 alone¹. In OECD countries, average real wage growth declined from 1.6 percent annually in the late 1990s, to 1 percent in the 2000s, to just 0.8 percent in the decade before the pandemic. These burdens have fallen most heavily on those with the least bargaining power: women, young workers, migrants, and workers in precarious employment. Wage stagnation is not only a distributional problem – it is a macroeconomic one. When wages stagnate, domestic consumption falters. Countries turn to export-led growth models to compensate for weak internal demand, offloading the problem onto partner economies and fuelling a race to the bottom in labour costs. As more countries pursue the same strategy, competition intensifies and labour costs are restrained further, in a vicious cycle of low wages, weak demand and rising trade imbalances. The December 2025 OECD Economic Outlook notes that persistent current account surpluses in countries like China, Germany and Japan reflect precisely this pattern: strong exports coupled with weak domestic demand². The result is mounting pressure for trade restrictions. But tariffs treat the symptom rather than the cause, leaving untouched the distributional issues that drive them.

7. The political consequences of this economic insecurity are equally serious. The OECD's 2025 Government at a Glance report confirms that people's primary concerns are economic: 59 percent identify inflation as a top issue, while a third cite poverty and inequality. Trust in government is significantly lower among those with financial concerns than among those without, and lower still among those who identify as belonging to a discriminated group. Perhaps most damaging, 43 percent believe their government would accept corporate demands even when harmful to society³. Populist and far-right movements have exploited these legitimate grievances, advancing policies that undermine democratic institutions while offering no real solutions. The growing hostility toward multilateral co-operation – tariffs wielded as weapons, international commitments abandoned – is rooted in this same erosion of trust.

¹ ILO, *World Employment and Social Outlook: September 2024 Update*, 2024.

² OECD, *Economic Outlook, Volume 2025 Issue 2*, 2025.

³ OECD, *Government at a Glance 2025*, 2025.

8. Rebuilding trust requires substantive change. Workers need to see that governments act in their interests: that wages rise with productivity, that they invest in quality job creation – through public investment, active labour market policies, and support for workers in transition – and that their voice counts in decisions that affect their working lives. Social dialogue and collective bargaining are the foundation of this agenda. Where workers have genuine voice, policy enjoys greater legitimacy and durability, and democratic institutions are strengthened. OECD research confirms that countries with stronger collective bargaining coverage achieve lower inequality, higher job quality, and greater resilience to economic shocks⁴.

9. OECD Members should act on this evidence. Governments should strengthen collective bargaining frameworks and extend coverage, including to workers in all forms of employment. They should ensure that wages keep pace with productivity through living wage policies and robust wage-setting institutions. Social protection systems must be expanded and modernised to provide genuine income security for all workers, including during transitions between jobs and sectors. And governments should scale up investment in active labour market policies and quality job creation, ensuring that public employment services are adequately resourced to support workers navigating an increasingly volatile labour market.

10. Governments have a legitimate responsibility to rebuild productive capacity in strategic sectors – clean technologies, critical raw materials, digital infrastructure, health – and to secure resilient supply chains that protect workers and communities from the disruptions that geopolitical instability and market concentration have made increasingly acute. Governments must also address carbon leakage, ensuring that decarbonisation efforts are not undermined by the relocation of production to jurisdictions with weaker environmental and labour standards. The goal is a race to the top in labour and environmental standards, not a race to the bottom.

11. For industrial policy to deliver shared prosperity, it must be grounded in core principles: social dialogue and tripartite collaboration in the design and implementation of industrial strategy; job creation and the transformation of existing jobs to keep unemployment low through structural change; a strong social safety net underpinning income security through the transition; lifelong learning and skills development to equip workers for changing labour markets; and a fair distribution of the gains – including through state ownership where the state bears the risk, and progressive taxation of successful industries.

12. The green transition is already testing these commitments, reshaping economies, regions and livelihoods. The OECD's 2024 Employment Outlook documents the stakes: workers displaced from high-emission industries face earnings losses of up to 40 percent over six years, compared to 30 percent for those displaced from other sectors. New jobs in low-emission activities often offer lower pay and weaker protections and are less likely to be covered by collective bargaining. Women face particular risks: underrepresented in the industries where transition support is concentrated, and overrepresented in the precarious, low-paid work that transition planning often overlooks. And workers are on the frontline of the triple planetary crisis more broadly: exposed to rising temperatures and extreme weather events, at risk of losing their livelihoods to biodiversity loss, and endangered by pollution and hazardous chemicals such as PFAS.

13. OECD analysis shows that collective bargaining is the most effective tool to mitigate the impact of the green transition on vulnerable workers, to adapt working processes, and to foster the skills development that new industries require⁵. TUAC urges OECD countries to actively support and engage in the Just Transition Mechanism agreed at the last Conference of the Parties (COP). Governments must urgently raise their climate ambition in line with the Paris Agreement and establish tripartite just transition

⁴ See, inter alia, OECD, *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work*, 2019.

⁵ OECD, *Employment Outlook 2024: The Net-Zero Transition and the Labour Market*, 2024.

mechanisms at national and sectoral levels to design and monitor the implementation of mitigation and adaptation policies through social dialogue. Canada's 2024 Sustainable Jobs Act, which established a tripartite Partnership Council and mandatory action plans, and Spain's negotiated agreement between government, unions and industry to manage the coal phase-out, demonstrate that tripartite approaches to just transition deliver in practice. OECD Members must scale up investments in clean energy and the decarbonisation of industries and step up support for developing countries through increased climate finance and official development assistance. Debt burdens that prevent low- and middle-income countries from investing in decent work and clean industries must be urgently addressed.

3 Levelling the Playing Field

14. A genuine level playing field requires governments to act on multiple fronts: ensuring public investment delivers quality jobs, advancing quality regulation, enforcing corporate accountability across supply chains, ensuring fair taxation, and shaping the digital transition in workers' interests.

15. Governments should strategically use procurement and local value-creation requirements to support quality employment and sustainable industrial ecosystems. Public investment must come with labour conditionalities – procurement standards, collective bargaining requirements, prevailing wage provisions and job creation commitments – to ensure public money delivers public benefit. The OECD 2018 Jobs Strategy confirms that countries which strengthen employment protections and collective bargaining alongside promoting job quality and inclusiveness perform better than those focused predominantly on market flexibility⁶. Most recent OECD evidence points out that countries with higher collective bargaining coverage and trade union density are also associated with lower risks of illicit trade, demonstrating that collective bargaining is a pillar of international fair competition and the rule of law⁷. Job security enables skills development, supports productivity, and provides the stable demand that drives business investment.

16. Quality regulation, supported by dedicated regulatory authorities, is equally essential. Well-designed regulatory policy serves workers, citizens, consumers and the environment, while providing the predictability and stability that employers and investors need. As TUAC argued at the December 2025 Liaison Committee Meeting, rules are investments in shared prosperity, not mere "burdens". Yet a wave of deregulation is sweeping OECD countries, from attempts to narrow the ambition of the EU Corporate Sustainability Due Diligence Directive to the wholesale rollback of labour market and environmental protections in the United States. Whether called 'simplification', 'better regulation' or 'burden reduction', the substance is the same: a coordinated push, driven by well-resourced business lobbying, to dismantle corporate sustainability obligations, environmental safeguards and workplace protections simultaneously.

17. Labour standards, occupational health and safety rules, environmental protections and corporate accountability frameworks are not red tape – they are hard-won safeguards, often established in response to catastrophic failures that cost lives and livelihoods. Research across 26 high-income OECD countries finds no positive relationship between deregulation and economic growth. The OECD's own 2025 Regulatory Policy Outlook recognises that well-designed regulation is essential to achieving the green transition – and that weakening these frameworks undermines it. Governments should reject the false premise that protection and prosperity are in tension: robust regulation of labour, environmental and corporate conduct standards is critical infrastructure for sustainable and equitable growth, not an obstacle to it.

18. Corporate accountability does not stop at national borders. This year marks the 50th anniversary of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct – yet after half a

⁶ OECD, *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*, 2018.

⁷ OECD/EUIPO, *From Fakes to Forced Labour: Evidence of Correlation between Illicit Trade in Counterfeits and Labour Exploitation*, 2026.

century, the problem is not the principles of corporate responsibility, which are well-established, but their enforcement. The revised 2023 Guidelines clarify that companies' responsibility to respect workers' rights, including collective bargaining and freedom of association, extends throughout their supply chains – where women and migrant workers are disproportionately concentrated and disproportionately vulnerable.

19. TUAC calls on governments to resource National Contact Points adequately and to give them a mandate to act on non-compliance. This should include sharing information with other government agencies, excluding non-complying companies from public procurement and government financial support, determining the outcome of specific instances, and following up on recommendations to comply with the Guidelines. Governments should lead by example through their own procurement and investment practices, and ensure the Guidelines are implemented through enforcement of national labour legislation and collective agreements. Companies must involve workers and their unions in due diligence processes and engage constructively in collective bargaining to enforce labour rights and strengthen supply chain resilience and sustainability. Worker representation on company boards can further strengthen corporate accountability and ensure that workers' interests are reflected in strategic decisions.

20. The responsible sourcing of critical minerals is essential to the resilience and sustainability of the green and digital transitions. In 2025, G7 Leaders adopted a Critical Minerals Action Plan, followed by a roadmap committing to standards-based markets grounded in internationally recognised human rights and fundamental principles and rights at work, including safe, fair and ethical working conditions. OECD Members should build on these commitments by working towards fitness criteria for sustainability initiatives that genuinely uphold all fundamental principles and rights at work and promote decent work throughout mineral supply chains. These criteria should be grounded in relevant ILO standards and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, with National Contact Points playing an active role in implementation. National tripartite platforms should be established to oversee and monitor these commitments.

21. Corporate accountability also extends to tax. Fair competition requires tackling tax evasion and addressing the tax arbitrage that allows multinational enterprises and wealthy individuals to escape their obligations. TUAC supports the effective implementation of the OECD/G20 global minimum tax and calls on governments to uphold it as a floor, not a ceiling, for corporate taxation, and to resist the carve-outs and exemptions that erode its coherence and legitimacy. OECD Members must also champion broader multilateral efforts to raise tax standards globally, and lead by example in doing so. Governments should pursue progressive wealth taxation to address the growing concentration of gains at the top.

22. The digital transition poses its own challenges to a level playing field. The advancement of AI risks entrenching and deepening inequalities with growing evidence of its damaging impact on jobs going well beyond mere displacement. Recent studies show that it is primarily high-income workers who may benefit from AI-driven rises in capital returns and associated wage premiums, while discriminatory bias in AI systems compounds existing labour market inequalities, particularly for women, migrants and older workers. The ILO *Employment and Social Trends 2026* documents emerging evidence that generative AI adoption is reducing entry-level hiring, with serious implications for young people's prospects⁸.

23. AI also poses serious risks to workers' rights and working conditions – including occupational safety and health, surveillance, threats to privacy, and psychosocial stress due to work intensification – that demand urgent regulatory action from OECD Members. Working conditions within the AI industry itself, including across data labelling and content moderation supply chains, remain deeply problematic; and the significant environmental footprint of AI infrastructure – energy and water consumption as well as reliance on critical minerals – demands urgent attention.

⁸ ILO, *Employment and Social Trends 2026*, 2026.

24. Governments must act urgently to steer AI's trajectory to ensure its benefits are broadly and equitably shared and to prevent and mitigate its risks to workers. Companies should be required to invest in workforce upskilling and reskilling, and displaced workers should be supported through social protection and occupational transitions. Comprehensive regulatory frameworks, accompanied by enforcement mechanisms, are necessary to safeguard human rights and protect workers against the range of risks posed by AI adoption. These should include a requirement for employers to inform, consult and negotiate with workers and their unions on decisions regarding AI development and deployment in the workplace. Governments must also strengthen data protection frameworks to give workers meaningful control over how their personal data is collected and used.

25. As the OECD has highlighted, social dialogue, and particularly collective bargaining, is crucial to ensure AI enhances, rather than weakens, job quality and that both workers and companies benefit from its adoption. It is up to governments to shape AI development and deployment to realise the potential opportunities while mitigating the risks – and trade unions must be at the table when they do so. This is true not only for the digital transition, but for industrial policy more broadly: it will only deliver shared prosperity if workers have a genuine voice in the decisions that affect them.

References

- ILO (2024), *World Employment and Social Outlook: September 2024 Update*, International Labour Office, Geneva, <https://www.ilo.org/publications/flagship-reports/world-employment-and-social-outlook-september-2024-update>.
- ILO (2026), *Employment and Social Trends 2026*, International Labour Office, Geneva, <https://www.ilo.org/publications/flagship-reports/employment-and-social-trends-2026>.
- OECD (2018), *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264308817-en>.
- OECD (2019), *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work*, OECD Publishing, Paris, <https://doi.org/10.1787/1fd2da34-en>.
- OECD (2024), *OECD Employment Outlook 2024: The Net-Zero Transition and the Labour Market*, OECD Publishing, Paris, <https://doi.org/10.1787/ac8b3538-en>.
- OECD (2025), *Government at a Glance 2025*, OECD Publishing, Paris, <https://doi.org/10.1787/0efd0bcd-en>.
- OECD (2025), *OECD Economic Outlook, Volume 2025 Issue 2: Resilient Growth but with Increasing Fragilities*, OECD Publishing, Paris, <https://doi.org/10.1787/9f653ca1-en>.
- OECD/EUIPO (2026), *From Fakes to Forced Labour: Evidence of Correlation between Illicit Trade in Counterfeits and Labour Exploitation*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/540dc43e-en>.