

TRADE UNION ADVISORY COMMITTEE
TO THE ORGANISATION FOR ECONOMIC
COOPERATION AND DEVELOPMENT
COMMISSION SYNDICALE CONSULTATIVE
AUPRÈS DE L'ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

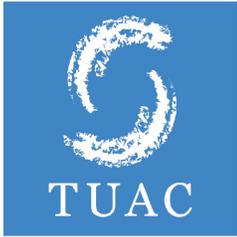
TUAC Labour Management Programme Meeting

Financialisation of the economy: regulating private equity

Paris, 12 November 2007

9.30 – 17.00

Room G, OECD Headquarters,
2 rue André-Pascal, Paris 16



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Agenda

Open session (9.30 – 13.00)

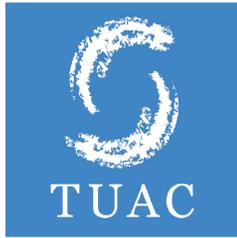
Regulating private equity and the role of parliaments

- **Item 1: Opening of session**
 - Ron Blackwell, Chief Economist, AFL-CIO
 - John Evans, General Secretary, TUAC

- **Item 2: Review of recent PE-related parliamentary initiatives**

- **Item 3: Statement by**
 - Carolyn Ervin, Directorate for Financial and Enterprise Affairs, OECD Secretariat

- **Item 4: Parliamentary panel on the regulation of private equity, including:**
 - Ieke Van Den Burg, Member of the European Parliament
 - David Smith, Majority Chief Economist, Financial Services Committee, US House of Representatives



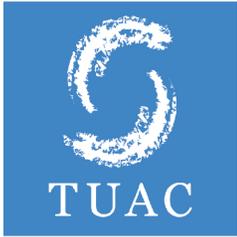
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Agenda

Closed session (14.30 - 17.00)

Stock taking and discussion on trade union strategies Outcome of morning discussions

- Item 5: Roundtable on trade union strategies & policy
- Item 6: The Global Unions Conference on Organising, December, Washington, with
 - Jim Baker, Co-ordinator, Global Unions Council
- Item 7: Wrap-up and next steps



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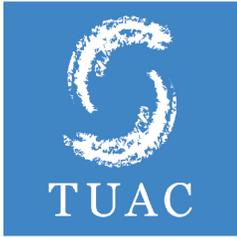
Opening

Private equity in the context of financialisation of the economy

- “a process whereby financial markets, financial institutions and financial elites gain greater influence over economic policy and economic outcomes. ... transforms the functioning of economic system at both the macro and micro levels”

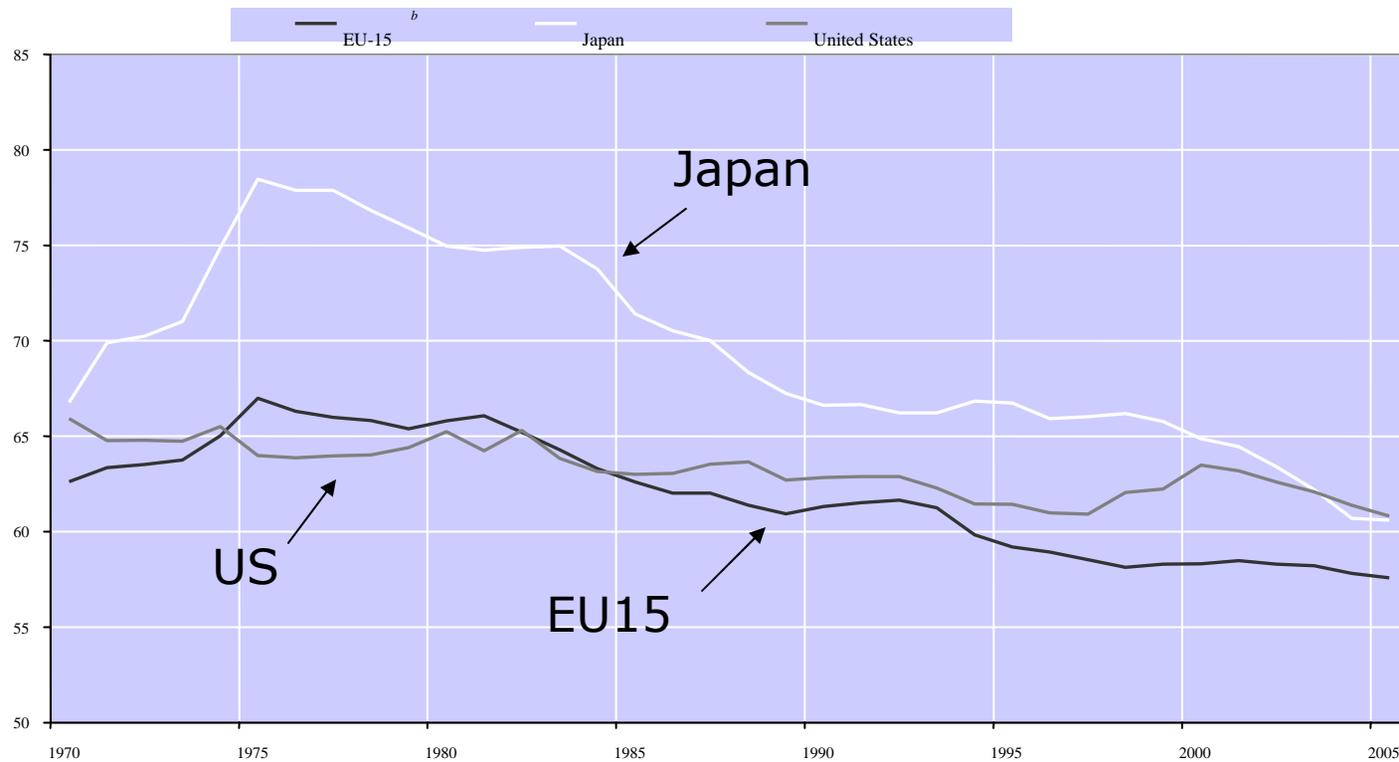
The channels of financialisation

- Changes in the structure and operation of financial markets
- Corporate behavior
- Economic policy



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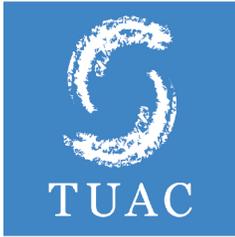
Share of wages in national income



a) Total labour compensation, including employers' social security and pension contributions and imputed labour income for self-employed persons.

b) GDP-weighted average of the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Spain, Sweden and the United Kingdom.

Source: OECD Economic Outlook database.



4-pillar regulatory framework

March 2007

Workers' rights

- information, consultation and representation within the firm
- collective bargaining

Transparency, prudential rules and risk management

- transparency and reporting
- risk management and fee structure
- prudential investment rules

Tax regulation

- tax on capital gains
- Deductibility of debt
- tax haven

Corporate governance

- Current frameworks are not adapted to PE regime
- Responsibility of the board to preserve long-term interests

November 2007

Labour and public interest

- Information & consultation
- Employment and social equity
- Public services / strategic industries

Financial sustainability

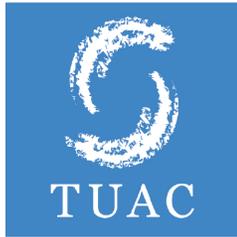
- Portfolio company & spill-over
- Protection of creditors
- Institutional investors

Taxation

- Carried interest
- Deductibility of debt
- PE firms and offshore transactions

Corporate governance

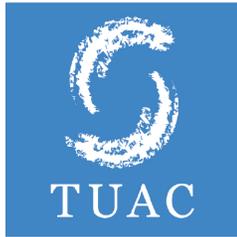
- Transparency of the portfolio company
- Prevention of conflict of interests in buy-out transactions



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*: addressed in public hearings
**: formal recommendations
***: legislative reform proposal

Country	UK	Aus.	USA	Ger.	DK	EU	Ned.
Labour and public interest							
Workers' rights to information & consultation	**		*	**			**
Impact on employment and/or inequality	*	*	*				
Protection of public services and/or strategic industries		*		***			
Financial sustainability						*	
Impact on the portfolio company	**	*	*	*			*
Spill-over effects on PLCs and the credit markets	**	*					
Protection of creditors	**	*	*			*	
Institutional investors' investment policy	*		*				
Taxation							
Carried interest	**	*	***	***			
Deductibility of debt	**	**		*	***		
Tax regime of PE firms			***	***			
Offshore transactions	**	**	*		*	**	
Corporate governance							
Transparency of the portfolio company	*	*					
Prevention of conflict of interests and market integrity	**	*		***		**	***



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Common features

The lack of reliable and comprehensive information and data

- un-regulated nature of the industry and opacity of firms and funds
- dilemma: no regulation > no information, no information > no regulation

The fear of over-regulation and hence, losing competitive advantage

- regulatory discussions on PE has not been conducted in a sufficiently informed and comprehensive manner.

Call for regulatory impact assessment

- Disentangle the role of various sources of regulation
- British Inquiry : "how much of the profit can be attributed to financial engineering compared with value extraction and creation"



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4-pillar regulatory framework

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- **Employment and social equity**
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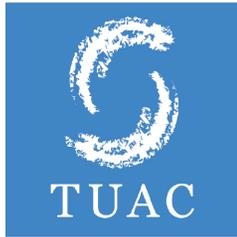
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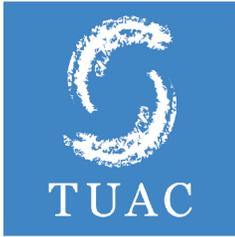
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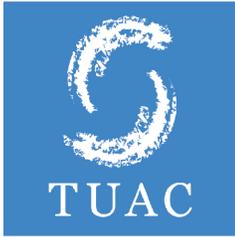
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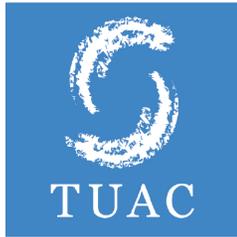
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Private equity is a 'horizontal' issue

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Workers' rights to information & consultation	**		*	**
Impact on employment and/or inequality	*	*	*	
Protection of public services and/or strategic industries		*		***
Financial sustainability				
Impact on the portfolio company	**	*	*	*
Spill-over effects on PLCs and the credit markets	**	*		
Protection of creditors	**	*	*	
Institutional investors' investment policy	*		*	
Taxation				
Carried interest	**	*	***	***
Deductibility of debt	**	**		*
Tax regime of PE firms			***	***
Offshore transactions	**	**	*	
Corporate governance				
Transparency of the portfolio company	*	*		
Prevention of conflict of interests and market integrity	**	*		***

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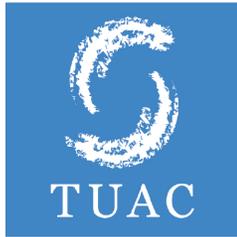
CMF SGCG

IPPC

WPPP

CFA

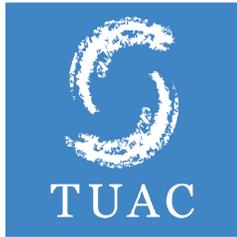
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Issues for discussion

- Do the four policy issues identified in March remain the central priorities?
- What overall lessons can be drawn from the acceleration of parliamentary hearings?
- Has financial instability of recent months changed the regulatory debate?
- How can issues of competition between jurisdictions be resolved?
- Is the appropriate level of regulation regional or supranational (G8, OECD, IMF, FSF)?
- What should be done to increase data collection and information on private equity?
- What should be our reaction to the private equity industries' attitudes to voluntary codes?



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4-pillar regulatory framework

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