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

RAISING INVESTMENT FOR SUSTAINABLE GROWTH AND JOBS

TUAC STATEMENT TO THE OECD MINISTERIAL COUNCIL MEETING

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I. Executive Summary

1 The OECD Ministerial Council is gathering at a critical time. OECD countries face interlocking economic, social and environmental challenges. The global economy is failing to recover from the aftermath of the 2008 crisis. The debate on "secular stagnation" reflects the concern that unless action is taken to raise growth and provide decent work now, OECD economies may move onto a lower growth trajectory due to unused human resources and insufficient investment. Macroeconomic policies in many developed economies have failed to support job creation. Fiscal austerity has led to weak demand in the short run. Furthermore, uncertainty about long-term fiscal sustainability has deterred private investment and perpetuated a vicious circle of weak labour demand and constrained private consumption.

2 OECD countries also face a social crisis, reflected by the rise in income inequality over the previous two decades that has continued unabated in most OECD countries since 2008. Recent OECD work[1] has shown that this is not just a social or political problem but that it also acts as a drag on growth in the medium term. In some countries, the capture of large shares of income gains by the top "one per cent" will not support purchasing power in the short term and distort markets and policy choices.

3 The environment is also at severe risk, as unless urgent and ambitious action is taken, carbon emissions will concentrate at a level, which will surpass the 2°C temperature increase threshold, putting a question mark on countries' capacities to cope with the severe impact of climate change.

4 If the OECD Ministerial Meeting's theme of "*Unlocking investment for sustainable growth – the role investment can play in unlocking stronger, fairer, inclusive and green growth by boosting productivity and employment*" is to prove relevant for the 46 million unemployed workers in the OECD alone, governments must agree on a consensus to direct policies away from austerity to a sustainable economy that generates good and green jobs, and distributes income fairly.

5 The New Approaches to Economic Challenges (NAEC) project represents a serious effort by the OECD to recognise some of the policy failures, conflicts of interest, and "group think" that contributed to the financial and economic crisis and its consequences. However, the project does not yet provide actionable solutions to the problems it identifies, especially on reversing the rise in income inequality and moving towards more inclusive growth. The findings of the NAEC process must be mainstreamed into future OECD policies and horizontal strategies by significantly changing the policy focus, methods and prescriptions. In particular, the conclusions of the NAEC work must be taken on board in the recommendations of the OECD Going for Growth and the Country Economic Surveys.

TUAC Recommendations

6 TUAC is therefore calling on Ministers to:

- Bring forward investments in public infrastructure that **create jobs and improve long-term productive potential** by supporting the transition to a low-carbon economy that can generate green and decent jobs; **(§ 7-8, 12-13)**
- Develop strategies to **raise middle and lower incomes to boost demand and purchasing power.** This will provide the confidence for firms to increase productive investment. Policies need to strengthen labour market institutions notably collective bargaining and robust minimum wages in order to reduce income inequality, and halt the increase in precarious, informal or irregular work; **(§ 9, 13)**
- Increase investments **in quality public education, promote quality apprenticeships and address the current "training gap"** through long-term strategies involving social partners at firm level and beyond to provide life-long work-based learning and training opportunities; **(§ 10-11, 13)**

1. Cingano, F. (2014), «Trends in Income Inequality and its Impact on Economic Growth», OECD Social, Employment and Migration Working Papers, No. 163, OECD Publishing, Paris.

- Define urgently their **emission reductions and climate finance contributions** to the 2015 UNFCCC agreement, in line with the overall objective of maintaining global average temperature increase below 2°C based on each country's capacity and responsibility; and commit to supporting a "Just Transition" for workers and economic sectors; (§ **14-16**)
- **Integrate "decent work" and equity into the OECD Development Strategy** and follow it up in the context of the post-2015 development agenda; promote social dialogue as a tool towards inclusive growth in developing countries, as well as capacity building and knowledge-sharing towards establishing social protection floors, education and training systems and quality public services to fight extreme poverty; ensure responsible investment and financing by committing to fair-risk sharing and accountability frameworks and support domestic resource mobilization in developing countries; (§ **17-19**)
- Mark the fifteenth anniversary of the National Contact Points (NCPs)[2] of the OECD Guidelines for Multinational Enterprises by taking action **to improve NCP performance** including: making a commitment to revise the Procedural Guidance; approving a long-term re-allocation of the budget to the OECD secretariat; accelerating the peer review programme; and strengthening policy coherence, including by introducing consequences; (§ **20-27**)
- Build on commitments made in the Ministerial Statement signed on the occasion of the OECD informal Ministerial on Responsible Business Conduct (June 2014) and the "Draft Strategy of the 'Declaration Group Plus Group'" (February 2015)[3] and take political responsibility **to raise the missing USD 2.7 million for the Rana Plaza Donors Trust Fund.** The G7 in particular has a leadership role to play ahead of the Summit in June 2015; (§ **28-29**)
- **Ensure that responsible investment becomes a central pillar of OECD work** on long term investment, address the distribution of wealth within the investment chain and the transparency and accountability of asset managers and bankers; and adopt strict rules on fair and transparent risk sharing whenever public money is used to support private finance; (§ **30-36**)
- Establish a **"Special Monitoring Process" on labour rights and reducing impunity for Colombia's OECD Accession process** that involves the Colombian trade unions, in view of Colombia's failure to implement its international commitments, together with the dangers faced by Colombian trade unionists and the severe risks to the rights of Colombian workers; (§ **37-42**)
- Deliver participatory and effective policy implementation by assessing past commitments and further strengthening the structure for social dialogue through TUAC.

2. The National Contact Points have existed since 1984, but in their current form only since 2000, under new Procedural Guidance, which strengthened their role and set out performance criteria.

3. "Closing the Funding Gap for Compensating the Victims of Rana Plaza – a Collective Strategy", The Declaration Plus Group, February 2015.

II. Investment for Inclusive Growth and Quality Jobs

"In the absence of a strong revival of domestic demand supported by a more balanced set of policies, a robust and sustained global economic recovery will remain elusive."

Eswar Prasa, Brookings Institution[4]

Economic and Employment Outlook

7 The OECD Secretary General has stated on several occasions that there can be no "end to the crisis" until unemployment returns to its pre-crisis levels. Yet, seven years into the crisis, unemployment in the OECD countries remains at around 43 million – this is 10.6 million more compared to the labour market situation in 2008. Worldwide unemployment rose by 5 million people in 2014 bringing the total figure to almost 202 million. We are faced with a 61 million global "jobs gap" that is estimated to rise to 80 million in 2018 on current policies[5]. The employment rate (employment-to-population ratio) declined significantly after the financial crisis in developed economies and remains – with the exception of Japan – below the pre-crisis level. The overall decline is explained by weak labour demand and lower labour force participation. A case in point is the United States, where the labour force participation rate is near its lowest level in the past 10 years. The duration of unemployment has been abnormally prolonged in many economies, bringing long-term unemployment rates to record highs, including among youth. In the OECD area, one third of unemployed individuals had been out of work for 12 months or more in the last quarter of 2013. This equals 16.7 million people, or twice as many as before the financial crisis. Even in countries, where unemployment rates have improved or stayed low, long-term unemployment remains persistently high. Young women and men are particularly scarred – worldwide, 75 million people under 25 were unemployed in 2014. In industrialised economies, more than one third of them have been out of a job for six months or longer. It lies in the responsibility of governments to ensure their integration into sustainable employment.

8 The current unemployment levels and the lack of any recovery in productive investment are a testimony of the negative impacts of austerity on demand and overall growth. The global economy has only been kept afloat by Central Banks through monetary expansion working in the opposite direction of fiscal austerity. After reducing its growth forecasts eight times since 2010, the OECD is now predicting some acceleration in growth – which, however, is primarily due to the reduction of oil prices since mid-2014. At the same time, the IMF growth forecasts warn of increased financial and geopolitical risks. Lower oil prices may only have a short term effect on demand – whilst also reducing the incentive for firms to invest in alternative and low-carbon energy sources such as renewables, which are essential in the medium term for a just transition to a climate neutral economy. Lower prices for fossil fuels may also lead to a slowdown in investment in energy efficiency. It is also important to note that some commodity exporting countries are negatively affected by lower prices – displaying the need to diversify markets away from over-reliance on commodity trade and to introduce social safety nets for affected communities.

Supporting Low and Middle Incomes to Raise Demand and Reduce Inequality

9 The strategy of suppressing wages across OECD countries in order to raise profits and supposedly private investment and growth has failed. The investment share has declined, whilst the profit share has increased. "Unlocking investment" goes hand in hand with creating demand for future products – this requires raising the wage share and reducing income inequality, specifically of low and medium income households. As noted above, the OECD has shown that rising income inequality reduces growth in the medium term.[6] At the same time, there is no evidence that labour market deregulation leads to higher growth. Recent work by the IMF

4. At the release of the "Brookings-Financial Times Tracking Index" quoted in the Financial Times, 13 April 2015.

5. ILO World Employment and Social Outlook 2015, Figure 1.2, January 2015, Geneva.

6. Cingano, F. (2014), op.cit.

reconfirmed the important role played by minimum wages and strong trade unions in achieving more equal income distribution. The research results[7] *"confirm that the decline in unionization is strongly associated with the rise of income shares at the top"*. The World Bank's World Development Report (WDR) 2013 similarly noted that inequality decreases during periods, when union membership is increasing, and rises when union membership is in decline. The WDR also found that higher minimum wages and certain employment protection regulations are associated with lower inequality. The OECD should therefore shift its structural policy recommendations featured in Going for Growth and the Country Economic Surveys to reflect this new evidence. They should support the expansion of collective bargaining and trade union coverage in the workforce.

Box 1. Strengthening Collective Bargaining

Collective bargaining has a pivotal role to play in managing change. It has served as a key democratic institution, a mechanism for increasing workers' incomes, improving working conditions and reducing inequality, a means for ensuring fair employment relations and a source of workplace innovation. Yet, in recent decades, the proportion of workers covered by collective agreements has declined in many industrialized economies. The integration of national economies into global markets and the expansion of global supply chains have intensified competition and pressure for more enterprise flexibility, which has caused some firms to cut labour costs through restructuring, outsourcing and off-shoring. This has increased downward pressure on wages and working conditions, and led to a decrease in bargaining activity at the enterprise level. This decline in the extension of collective agreements and the use of opening clauses appears to have added to the erosion of the bargaining structure as well as to a decreasing coverage of workers by collective agreements.

In a number of countries, these changes were accompanied by the deregulation of labour markets and a rollback in policy support for protective labour market institutions and collective bargaining. These policies, together with the increased mobility of capital, have reduced the bargaining power of workers. In countries with deregulated labour markets and removed or weakened state support for collective bargaining - as a result of recent "labour market reforms" in European crisis countries, amongst other factors – there was a (sometimes severe) decline in collective bargaining coverage.

The time has now come to endorse collective bargaining systems as part of a comprehensive strategy to support income levels in the short term and to reduce inequality towards a more inclusive development in the medium term. The 1994 OECD Jobs Strategy should be revised by bringing its recommendations in line with the requirements of a strategy for inclusive growth.

TUAC has submitted a working paper for the Ministerial Council Meeting consultations on social dialogue.[8]

Investing in Skills, Education and Lifelong Learning

10 TUAC strongly supports increased investment in skills, education and lifelong learning. The skills agenda is a central part of trade unions activities in OECD countries as indicated in Box 2. However, there is a strong misconception that needs to be corrected: neither high unemployment, nor low productivity growth and increasing inequality can be blamed on an alleged skills mismatch. If today's labor market problems were the result of skills shortages or mismatches, we should be able to observe sectors where there are more job openings than unemployed workers seeking work. What we find instead are more unemployed workers than jobs openings across the board. The skills mismatch narrative is in a striking contrast to the reality on the ground.

11 In reality, there is not a skills gap but a training gap. In many countries, firms have scaled down investment into workforce development. A large part of the reason why firms report that they cannot find qualified workers is due to overly restrictive hiring requirements. A recent study[9], based on interviews in the US private sector, identifies root causes of the alleged skills mismatch

7. Jaumotte, F. and Buitron, C. O. (2015),, IMF "Finance & Development" , Vol. 52, No. 1.

8. "The Role of collective Bargaining as part of a comprehensive Strategy to Reduce Income Inequality", The Hague, Netherlands, on 30 April 2015.

9. Cappelli, P. (2012), "Why Good People can't get Jobs", Wharton Digital Press, Pennsylvania.

in procedures that screen out anyone without the "right" academic qualifications, job descriptions that include so many different roles that finding a suitable person is practically impossible, and employers who are not willing to hire people without specific past job titles, even if those people are otherwise perfectly eligible for the job. Policies promoting work-based learning and training must take into account contextual factors that shape approaches to skill formation and usage within a particular (skill) ecosystem, including: product market and competitive strategies of businesses, modes of engaging labour (labour hire, employment relation), the structure of jobs (job design and work organisation), level and type of skills formation as well as institutions and policy frameworks.

Box 2. Trade Union Activities on Training and Skills development

Trade union involvement in the provision of learning opportunities and training programmes covers a broad variety of activities that aim to ensure that training programmes correspond not only to the needs of the labour market but also benefit apprentices and learners. In doing so, trade unions:

- contribute to the development of professional qualifications;
- advise on and monitor the content of training, both in training institutions and at the workplace in order to ensure high quality apprenticeships and training;
- negotiate terms and conditions for apprentices and in particular their wages;
- provide guidance for apprentices through trade union representatives and Works Councils;
- and design and implement funding arrangements jointly with employers, thereby facilitating the provision of apprenticeships and training.

With regard to new sources of growth and the transition towards a knowledge-based economy, education, training and skills development have become important issues for trade unions. They support not only their members but workers in general in the development, recognition and certification of their skills and competencies. The promotion of access to and participation in training, including quality apprenticeships, has become an increasingly important focal point of action for trade unions and workers representatives at the shop floor level.

Raising Investment towards more Inclusive Growth and Quality Jobs

12 A major expansion of public investment is necessary to kick-start private investment. Governments should use the opportunity of the decline in oil prices to part finance this. The OECD should encourage governments to seize the opportunity of lower oil prices by proceeding with the rapid adoption of carbon taxes to align current prices with futures prices, as well as with financing energy-efficient infrastructure investment and other needed public services. There would still be space for the income effect of lower oil prices to feed through to household demand adding to the growth momentum.

13 There is an urgent economic and social need to shift strategies. A modelling exercise prepared for TUAC and ITUC in the context of the "Labour 20" (L20) evaluated the impact of a policy mix of public investment and coordinated wage increases[10]. It showed that such a scenario could create up to 5.8 percentage points more growth in G20 countries in the next five years. By financing productive investments, such a strategy also increases economies' longer-run sustainable growth potential.

TUAC Recommendations

- Take urgent measures to increase aggregate demand to lift growth, set investment targets in national growth and jobs plans and assess their long-term impact on living standards;
- Bring forward public investments in infrastructure that create jobs and improve long-term productive potential by supporting the transition to a low-carbon economy that

10. Onaran, O. (2014), "The case for a coordinated policy mix of wage-led recovery and public investment in G20", L20 Working Paper 2014, University of Greenwich, United Kingdom/ Paris, France.

can generate green and decent jobs while ensuring social protection and quality public services;

- Encourage and implement well-set minimum wages in the light of national contexts and strengthen collective bargaining coverage as a central government policy objective;
- Reduce precarious employment and promote inclusive labour markets by boosting activity rates of vulnerable groups, notably women, young people and minority ethnic communities, including through investment in the care economy enabling child care, aged care, health services and public education systems;
- Support youth employment by introducing youth guarantees and comprehensive youth strategies, including by scaling up quality vocational training and apprenticeships;
- Shift to targeted policies that lead to skills development and innovation by ensuring access for all to quality public education and training systems towards developing a broadly shared "knowledge based capital".

Investing in the Low Carbon Economy

14 Current emission pathways are leading to 57 gigatonnes (Gt) of CO_2 equivalent emissions by 2020, whereas they should not go beyond 44Gt in order to remain under the global average temperature rise of 2°C. This objective is not only important for the environment. Thousands of lives and jobs have already been lost as a consequence of climate-aggravated events. In the United States, hurricane Sandy left 150,000 workers displaced and employment was reduced by 11,000 workers in New Jersey alone in 2012 as a result. In Bangladesh, Cyclone Sidr disrupted several thousand small businesses and adversely affected 567,000 jobs in 2007. Typhoon Hagupit that hit the Philippines in December 2014 affected around 800,000 workers, with their sources of livelihood damaged or displaced overnight. Despite these worrying signs, policy makers are still lagging behind on defining ambitious climate measures.

15 This policy stalemate must come to an end. TUAC joins the trade union movement in its call for an industrial transformation which will create job opportunities in climate-sound sectors, and for the deployment of Just Transition strategies to accompany workers and communities in the transition towards a zero carbon economy.

Box 3. Trade Union expectations for COP21

The Paris Climate conference can play an important role in stimulating climate action, and supporting governments in their efforts to tackle carbon emissions. For this, it must achieve at least three ambitions.

A Fair framework

It must establish a framework for international climate action that is fair in the distribution of efforts (particularly when it comes to emission reductions and financing) and set an objective for long-term climate action to reduce greenhouse gas emissions so that the likelihood for the temperature increasing by more than 2°C is reduced. In this regard, many have called for zero carbon emissions.

Doing more

It must establish a process for requesting increased efforts from governments that are not meeting their responsibilities and capacities with regard to emission and financing targets in order to put the system on track towards the 2°C target between 2015 and 2020, when the agreement is expected to enter into force. It also needs to stimulate stronger action in the short term, so that the potential for job creation in the low carbon economy is fully grasped.

Just Transition

It must commit to developing Just Transition policies so that workers are accompanied in the transformation needed in all sectors and jobs towards new decent work opportunities, social protection and new skills, as well as other policies. International action, while key, will never suffice to address climate change. Trade unions are therefore calling on all countries to use social dialogue to build a long term plan for decarbonizing the economy while also securing jobs.

16 OECD Ministers are in a unique position to pave the way towards an ambitious and fair outcome of the multilateral climate negotiations in Paris this year and should:

- Ensure the rapid disbursement of contributions to the Green Climate Fund as pledged in 2014, and support the development of carbon taxation schemes and climate-sound investment bonds, as a means to provide long-term options for responsible investors;
- Support a better alignment of economic, employment and innovation strategies with climate policies, including through the promotion of investments that enable the transformation of traditional economic sectors into "greener" ones, in order to provide sustainable livelihoods and jobs for those communities depending upon them;
- Promote large-scale, people-centered and labor-intensive investment in green infrastructure, such as energy efficiency, building retrofits, renewable energies and public transport, which would also help to create new jobs that meet decent working conditions;
- Develop Just Transition strategies so that workers are accompanied in the course of the massive transformation ahead in all sectors with new decent work opportunities, social protection and skills development including training programmes for workers to accede to quality "green jobs" with a particular focus on vulnerable communities.

III. Trade, Investment and Development

The Sustainable Development Agenda

17 This year will see crucial milestones for future development strategies with the conclusion of the post-2015 Sustainable Development Goals (SDGs) and the third Financing for Development Conference (FfD). These and other ongoing processes in development cooperation would produce greater effects with better coordination, greater ambition and inclusive consultation mechanisms with non-government stakeholders. OECD members must look outwards and increase cooperation with partner countries, trade unions and other development actors, and expand productive and responsible investment and policies that lead to more equal and prosperous societies. The creation of "Decent Work" for all must be at the heart of the Sustainable Development agenda and development assistance programmes. The OECD and its members are well placed to promote measures, standards and means of implementation that serve the needs of workers and the real economy, including delivering decent work objectives, safeguarding human rights and promoting responsible investment that supports inclusive growth. This specifically concerns the role of the private sector as a development actor. When it comes to "leveraging" and "blending" of private with public financing, the rules need to be clear and lead to fair risk-sharing through well-set transparency and accountability frameworks.

18 The *OECD Development Strategy* can be strengthened further horizontally by bringing together the expertise of the DAC, the Development Cooperation Directorate, the Development Center and also OECD expertise on taxation and corruption in view of domestic resource mobilization in developing countries, on investment and of the OECD G20 Sherpa and through the Inclusive Growth agenda as set out in the *Secretary General's Strategic Orientations.* The OECD should also continue to play a central role in the Global Partnership for Development Effectiveness (GPEDC), where trade unions are also actively involved. This is particularly important when fostering development effectiveness under the principles of transparency, accountability, inclusivity and gender equality, and monitoring the implementation of past commitments. In this respect, the dialogue between trade unions and the OECD on development should be deepened. The first DAC-Trade Union meeting at the end of last year showed that addressing key issues such as inequality would benefit from more frequent exchanges towards promoting social dialogue as a tool for development effectiveness and inclusive growth.

19 OECD Ministers should:

- Support decent work creation through measures that tackle precarious, informal and unprotected work, and inequality complemented by free access to public services and social protection floors to prevent workers in developing countries from slipping beyond the poverty line;

- Encourage social dialogue at all levels as an instrument for creating inclusive partnerships and growth;
- Include strengthening labour market policies and access of low-income households to quality jobs and training as a means of implementation of the post-2015 framework;
- Continue developing multi-dimensional measures of poverty and inequality beyond GDP, and analyze changes in livelihoods and impacts of different financial and non-financial flows;
- Directly involve the full membership of the United Nations member states and non-state actors in the development of the concept of Total Official Support for Sustainable Development;
- The OECD DAC needs to ensure that its members allocate 0.7% GNI for ODA that is untied;
- Raise new sources of financing for development including through the broader introduction of financial transaction taxes, by ensuring that the deliverables of the OECD BEPS Action Plan and their implementation meet the needs of developing countries and by stopping illicit financial flows to enable domestic resource mobilization;
- Provide public investment in affordable health services, quality public education, the low carbon economy and infrastructure as ODA alone will be insufficient to meet the objectives of a post-2015 framework;
- Ensure accountability and transparency, financial inclusion and fair risk sharing in private and public-private financing schemes in developing countries towards establishing responsible investment practices;
- Reform conditionality frameworks of the International Financial Institutions by inter alia including human rights standards;
- Support a compulsory post-2015 accountability mechanism and a follow up and review process set against universally agreed labour, environmental and human rights standards under the principles of "mutual accountability", "democratic ownership", and "inclusive partnerships".

Promoting Responsible Business Conduct

20 Recent tragedies in Bangladesh, Cambodia and Pakistan have exposed appalling working conditions experienced by workers in parts of Global Supply Chains (GSCs), together with violations of workers' human rights. The OECD must act to strengthen the implementation of the *OECD Guidelines for Multinational Enterprises so that they provide a useful tool for workers around the world to defend their rights and improve living and working conditions.*

a) Strengthen the National Contact Points

21 2015 marks the fifteenth anniversary of the National Contact Points (NCPs)[11] of the OECD Guidelines. While some NCPs meet their responsibilities under the Guidelines, many more function poorly or do not function at all. After fifteen years, this is unacceptable.

22 TUAC recognises the recent positive steps taken by the OECD, including the work plan to improve NCP performance, initiatives for holding failing NCPs to account, and the commitment to publish a 15-Year "Stock-taking" report, which will address shortcomings as well as achievements.

23 However, if the OECD is to be viewed as a global leader in Responsible Business Conduct,

11. The National Contact Points have existed since 1984, but in their current form only since 2000, under Procedural Guidance that was agreed that strengthened their role and set out performance criteria.

much more needs to be done. TUAC is calling on the OECD to:

- Undertake a limited revision of the Procedural Guidance of the OECD Guidelines, so as to strengthen the rules that govern the functioning of NCPs;
- Approve a long-term re-allocation of the budget to the OECD secretariat, to support a programme of work aimed at strengthening NCPs;
- Strengthen and accelerate the programme of peer review under the OECD Guidelines. An appropriate peer review schedule would be 3 country reviews per year (only 3 reviews have been undertaken since 2011). All peer reviews should be coordinated by the OECD Secretariat in order to provide for quality, consistency and comparability:
  - Under the German Presidency, the G7 is prioritising decent work in supply chains. Improving G7 NCPs would make a significant contribution to this agenda. TUAC calls on G7 governments to agree and resource a G7-led peer review programme.
- Undertake a review of policy coherence at national level to examine the extent to which other public policies (trade and investment agreements, private sector development, public procurement, and export credits) strengthen or undermine compliance with the OECD Guidelines. The G7 should take the lead by making commitments on "consequences" at the upcoming Summit, in line with its current agenda:
  - An example of recent "best practice" is provided by Canada and its policy of withdrawing "economic diplomacy" from companies that refuse NCP (or other) dispute resolution processes (see Box 3).
- Put in place strong measures to address the problem of adhering governments that fail to meet their binding obligations to establish an *effective NCP, including:*
  - OECD fact-finding missions triggered by agreed "red flags" (e.g., no staff, no contact details, no website, failure to report, poor quality reports, non-attendance at OECD meetings, failure to follow the guidance on cases);
  - Reports on failing NCPs submitted to the OECD Council;
  - A shadow reporting system that invites national trade unions, employers and NGOs to submit reports on the performance of NCPs – as used by the UN Treaty Bodies.
- Institutionalise joint meetings between the Working Party for Responsible Business Conduct and NCPs so that independent NCPs are always at the table, so as to support lesson learning and policy coherence.

Box 4. Canada: Recent Best Practice in Strengthening the OECD Guidelines

In 2014, Canada made a policy commitment to withdraw "economic diplomacy" from companies that refuse NCP-led (and other) dispute resolution processes. The Canadian NCP applied this policy in a case submitted by a Canadian NGO regarding the mining activities of a Canadian multinational enterprise in a non-adhering country. In its Final Statement the Canadian NCP stated that the refusal of the company to participate in the NCP process would be taken into consideration should it apply for "enhanced advocacy support from the Trade Commissioner Service and/or Export Development Canada (EDC) financial services…" The NCP also found that "[I]n the absence of receipt of information from the Company on its operations… and based on the information provided by the Notifier, it is the prima facie assessment of the NCP that the Company has not demonstrated that it is operating in a manner that can be considered to be consistent with the voluntary OECD Guidelines for Multinational Enterprises."

b) Facilitating Wider Adherence to the OECD Guidelines for Multinational Enterprises

24 TUAC will not support proposals to give non-Members the option of adhering to the Guidelines without adhering to the Investment Declaration *until and unless there is a significant improvement in the performance of existing NCPs, together with sufficient checks and balances for assessing new NCPs.*

25 As discussed above, fifteen years on from the 2000 Review of the OECD Guidelines, the overall performance of NCPs is uneven and in all too many cases below the standard required. Extending the network of NCPs before first achieving a significant improvement in the existing stock of NCPs, would severely undermine the credibility of the OECD Guidelines – and the OECD.

26 Before de-linking the OECD Guidelines from the Investment Declaration, the OECD should:

- Revise rules for handling cases so that the home NCP is always involved in cases, in cooperation with the host country NCP (Para. 23, Commentary on Procedural Guidance);
- Make peer reviews of *existing* NCPs mandatory;
- Introduce rigorous, transparent and participatory ex ante review processes to assess potential adherents to the Guidelines.

c) Improve Policy Coherence at the OECD

27 Improve policy coherence between the work of the OECD on Responsible Business Conduct and other relevant work, in particular the broader investment agenda, including ensuring prominence of the Chapter on Responsible Business Conduct in OECD efforts to promote the revised *Policy Framework for Investment (PFI):*

- TUAC is concerned that the OECD did not put sustainable development at the heart of its revision of the PFI. The stated lens for the revision was the "investment climate" and the "investor", which is a step backwards in terms of the current policy agenda. While the text was improved during the drafting process, nonetheless, the starting point should have been sustainable development and making the PFI consistent with the *UN Guiding Principles on Business and Human Rights (UNGPs)* (the State Duty to Protect) and the OECD Guidelines for Multinational Enterprises. This is a missed opportunity.

d) Compensation for the Victims of Rana Plaza

28 The 24th April 2015 marked the two-year anniversary of the collapse of the Rana Plaza building in Dhaka, Bangladesh killing 1,138 workers and injuring over 2,000 more. Despite extensive efforts made in recent months by home governments, the ILO, trade unions and NGOs, at the time of writing, there is still USD 2.7 million missing from the Rana Plaza Donors Trust Fund – a Fund established with the agreement of *all stakeholders to deliver compensation to the victims.*

29 TUAC considers it essential that the commitment made to compensate the victims of Rana Plaza is honoured in full and without further delay. Building on the *Ministerial Statement signed on the occasion of the OECD informal Ministerial on Responsible Business Conduct* (June 2014) and the *"Draft Strategy of the 'Declaration Group Plus Group"'* (February 2015)[12], TUAC is calling on Ministers and, in particular, the G7 ahead of the Summit in June to:

- Show leadership and take political responsibility to close the remaining USD 2.7 million gap in the Rana Plaza Donors Trust Fund.

Enhancing Governance and Accountability of the Investment Chain

30 The lengthening of the "investment chain" between asset owners (pension funds, insurance companies, sovereign wealth funds) and investee companies, and the multiplicity and plurality of intermediaries and asset managers are creating serious complications for policymakers to ensure proper market transparency and accountability. The OECD has implemented a number of initiatives that relate to investment chain issues which to a large extent have been implemented in parallel, with little coordination between them. The lack of coherence is aggravated by the disappointing outcome of the review of the *Principles Corporate Governance* which is a pivotal

12. "Closing the Funding Gap for Compensating the Victims of Rana Plaza – a Collective Strategy", The Declaration Plus Group, February 2015.

instrument in the discussion on investment chain[13].

31 The OECD should engage a far more comprehensive approach to the governance and the accountability of the investment chain as whole – from the ultimate owners of capital, including workers' pension funds, to the invested companies. In doing so, it should bring more attention to corporate and financial short-termism, which, in turn, would require the OECD to bring upfront a number of policy priorities in relation to responsible investment, remuneration and accountability of executives and financial intermediaries, and risk sharing whenever public money is used to support private finance.

32 The OECD does not have a plan to promote long term and responsible investment in the financial sector. The *High Level Principles on Long Term Investment,* like the *Principles of corporate governance*, to a large extent ignore the otherwise widespread practice of integrating environmental, social and governance (ESG) criteria– despite these becoming gradually the norm as seen by the visibility and growing use of the *UN Principles for Responsible investment,* and the rising interest of investors for the MNE Guidelines.

33 Little attention is paid to the distribution of wealth and of compensation within the investment chain and its impact on income inequality but also on investment allocation. While the OECD acknowledges that executive compensation, including bonuses and stock options, has been a driving force in the phenomenal growth of top income shares[14], it is largely silent on the dangers of excessive executive compensation for the long term interest of the company. Excessive shareholder remuneration through dividends and "share buyback" programmes hinder the company's capacity to reinvest retained earnings to sustain economic growth.

34 Concerns about the remuneration of financial intermediaries, including asset managers, are also poorly dealt with at the OECD. Badly designed remuneration schemes not only increase the cost of capital and reduce investment returns of ultimate asset owners – including workers' pension funds – they also fuel short-termism and income inequality. Given their pivotal role in the investment chain, asset managers and other financial intermediaries should be subject to strict standards of transparency and accountability.

35 Public support to private finance can have a role in promoting long term investment strategies as long as it creates the right environment for responsible investment practices and fair distribution of wealth and remuneration. The OECD should, however, not fall into blind enthusiasm for "blending" or "leveraging" private finance with public money. Strict transparency rules and fair risk-sharing arrangements should prevail to prevent situations where gains are privatized, while losses are socialised. In particular, the labour movement has serious concerns about Public-Private Partnerships schemes for financing infrastructure and services, because of the complexity of the contractual arrangements (as compared to traditional public procurement), the unequal and uncertain distribution of risks between government and private investors and because of the threats to public services.

36 The OECD should engage a far more comprehensive approach to the governance and the accountability of the investment chain than what is currently implemented through separate projects and initiatives. In doing so, the OECD should:

- Consider responsible investment as a central pillar of its work on long term investment;
- Address the distribution of financial wealth within the investment chain and the transparency and accountability of asset managers and bankers; and
- Adopt strict rules on fair and transparent risk sharing whenever public money is used to support private finance.

13. High Level Principles on Long Term Investment (LTI) by Institutional Investors, application of the MNE Guidelines to the financial sector, review of the Principles of Corporate Governance, parts of the OECD BEPS Action Plan and, more recently, launch of a project on "Trust and Business".

14. OECD (2014), "Top Incomes and Taxation in OECD Countries: Was the crisis a game changer?": http://www.oecd.org/social/OECD2014-FocusOnTopIncomes.pdf

IV. OECD Membership and Workers' Human Rights

37 At previous Ministerial Council Meetings, and most recently at the Liaison Committee in December 2014, TUAC has raised concerns over the Accession of Colombia to the OECD. Colombia continues to be the most dangerous country in the world to be a trade unionist. So far in 2015, two trade unionists have been assassinated. In 2014, 20 trade unionists were assassinated with a further 210 receiving death threats. While the number of assassinations has declined in recent years, trade union leaders are targeted with greater frequency. From 1 January 1977 until 31 March 2015, there were a total of 13,827 cases of violence against trade unionists, including 3,067 assassinations. The total impunity rate for these crimes is estimated to be 96.7%.[15]

38 All members of the OECD share a commitment to the fundamental values of democracy, rule of law and human rights, which serve as the foundation of the like-mindedness of OECD members. These fundamental values were re-instated in the Roadmap for the Accession of Colombia to the OECD. The Roadmap also, exceptionally, provides that the Employment, Labour and Social Affairs Committee reviews Colombia's *"policies to ensure the full respect of labour rights, with a particular focus on the rights and safety of trade union representatives"*. It gives the Public Governance Committee (GOV), the mandate to review whether Colombia has *"[...] sound structure of government... accompanied by coherent enforcement frameworks and effective justice institutions"*.

39 Representatives of the three Colombian trade union confederations – the Central Unitaria de Trabajadores de Colombia, (CUT), the Confederación General del Trabajo (CGT) and the Confederación de Trabajores de Colombia (CTC) – attended a TUAC meeting on Colombia's Accession to the OECD in March 2015, at the OECD in Paris. They underlined Colombia's long and poor track record of failing to meet its international obligations on labour rights and tackling impunity, whether ratified ILO Conventions or commitments made under Free Trade Agreements (FTAs) with Canada, the European Union or the US.

40 Their analysis is confirmed by a recent report on the implementation of the US-Colombia Labour Action Plan (LAP)[16]. Despite claims to the contrary, Colombia has implemented just 50% of the commitments made under the LAP. Indeed in April 2015, the US Government announced that a labour attaché would be stationed at the US Embassy in Bogotá specifically for the purpose of working on outstanding issues of the LAP.[17]

41 Colombia's poor track record in meeting its international commitments on labour rights and reducing impunity should be of deep concern to the OECD. The OECD risks considerable reputational damage – indeed wholesale opposition – if it approves Colombia's progress '*behind closed doors*'. TUAC has strongly welcomed the steps taken to date – in particular by the OECD Directorate for Employment, Labour and Social Affairs (DELSA) – to involve the Colombian trade unions in its review process. It is essential that this continues.

42 Given Colombia's poor track record, the extreme nature of the dangers that continue to face trade unionists in Colombia and the severe risks to the rights of Colombian workers, TUAC calls on the OECD Council to:

- Establish a "Special Monitoring Process" for Colombia, which is *transparent* and *participatory* and involves the Colombian trade unions. The creation of such a Special Monitoring Process on labour rights has precedent at the OECD, with the Accession of the Republic of Korea.

15. Figures provided by the Escuela Nacional Sindical (ENS): http://www.ens.org.co/index.shtml

16. Report on the First Four Years of the Implementation of the Labour Action Plan, ENS, 7 April 2015.

17. Tradewinds (2015), "The Colombian Labor Action Plan at Four Years: Progress and Continuing Challenges", https://ustr.gov/about-us/policy-offices/press-office/blog/2015/april/colombian-labor-action-plan-four-years-progress

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