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

A STRONGER, CLEANER, FAIRER WORLD ECONOMY: THE OECD MUST ACT AND CHANGE FOR THE FUTURE

TUAC STATEMENT TO THE OECD MINISTERIAL COUNCIL – PARIS, 25-26 JUNE 2009

EXECUTIVE SUMMARY

1 OECD Ministers are meeting as the world economy is trapped in the worst economic crisis of our times. It has unleashed a jobs and social crisis that will deepen over the years ahead. G20 Leaders' meeting in London in April committed to take "whatever action is necessary" to "restore growth and jobs". The OECD Ministers, operating in a broader framework, must take action on jobs in the months ahead. Beyond this the OECD must revise its own analysis and actions to ensure that the policies that led to this crisis are not repeated. A new model of growth that is fairer, more environmentally sustainable and balanced between regions must emerge. This will require a paradigm shift in economic thinking at the Organisation.

2 The International Labour Organisation (ILO) estimates that unemployment is likely to increase by up to 59 million worldwide by the end of 2009. Unemployment in the G8 countries is likely to almost double over the next eighteen months. Over 200 million workers could be pushed into extreme poverty, mostly in developing and emerging countries where there are few or no social safety nets, with the result that the number of working poor may rise to 1.4 billion. The OECD economies shrank at an annual rate of 8.4 percent in the first quarter of 2009. Companies are shedding jobs at an accelerating rate in the second quarter and long-term unemployment is forecast to increase across all demographic groups. In 2010, most G20 countries are predicted to experience further reductions in GDP or stagnation, with a continuing rise in unemployment. These are the worst figures ever recorded and provide a stark contrast to recent reports of 'green shoots', the bottoming out of the recession and signs of a recovery.

3 The G8 Labour Ministers' Social Summit in March[1] recognised that "[G]ood macroeconomic policies must be linked to employment and social policies that prevent unemployment". Yet, according to an ILO review of responses to the crisis of over 40 countries and the OECD's submission to the G8 Social Summit, the fiscal stimulus

IN PARTNERSHIP WITH

1. G8 Social Summit, People First, Tackling Together the Human Dimension of the Crisis.

packages to date are not sufficiently focused on employment and social protection and only half have announced active labour market initiatives. Moreover, they have failed to tackle the lack of social protection and the dramatic decline in individual savings held in pensions.

4 There is an urgent need for OECD Ministers to tackle the deepening jobs crisis. The global trade unions are calling on OECD Ministers to introduce a coordinated and jobs-orientated international recovery and sustainable growth plan that meets the following policy challenges:

- **Jobs and Incomes:** The OECD must take immediate action to implement the G20 commitments to taking further stimulus action ensure that greater focus is placed on maintaining and creating jobs and ensuring adequate social protection. There should be an extra annual stimulus of at least 1% of GDP to be sustained for the next three years. Ministers should also implement the recommendations of the G8 'Social Summit', taking immediate steps to combat the risk of wage deflation and reverse the growth of income inequality. OECD Ministers Leaders must build on the Global Jobs Pact negotiated by the ILO. This must be taken forward by the OECD Labour Ministers at their meeting in September 2009.
- **Fixing the Financial System, Public Finance and Taxation:** OECD Ministers must ensure that the G20's announced measures to re-regulate the financial system are applied immediately. There is an urgent need to address the problem of bank insolvency through measures that assure full transparency of the 'toxic assets' and which protect the public interest. OECD Ministers must also take steps to broaden the tax base by increasing the integrity of the tax system and undertaking progressive tax reform.
- **Paradigm Shift:** OECD Governments, working with developing and the emerging economies, must press ahead with global governance reforms and support a paradigm shift in the model of economic growth and development that puts people first. G20 and G8 initiatives for a Global Charter for Sustainable Economic Activity and a Global Standard on Propriety, Integrity and Transparency could pave the way for stronger, fairer and cleaner global economic growth. The ILO's Decent Work agenda must lie at the heart of these initiatives and trade unions must have a seat at the table.
- **Development:** Members of the OECD Development Assistance Committee (DAC) must step up efforts to meet the Millennium Development Goals (MDGs), in particular with regard to education, health, including HIV-AIDS, water and gender, through investment in quality public services. They must honour the commitments that were reaffirmed by several countries at Gleneagles in 2005 to commit 0.7 percent of Gross National Income (GNI) to Official Development Assistance (ODA). Support is needed for expansionary recovery programmes in developing countries in line with the commitments made at the G20 London Summit.
- **Climate Change:** The OECD Ministerial meeting must contribute to an ambitious agreement at the Conference of the States Parties (COP) in Copenhagen in 2009. The deal must include action on Green Jobs, financing of support for developing countries and support for the 'just transition' strategies included in the negotiating text of the United Nations Framework Convention on Climate Change (UNFCCC).

5 Beyond these immediate priorities, OECD Ministers must call for a thorough reassessment by the OECD of the policy recommendations that contributed to the crisis so as to learn the lessons for the future. When crises have occurred in the past, the OECD has been at the centre of the analysis and shifts in thinking that have led to policy changes. This most serious crisis of modern times must be matched by the most serious rethinking of policy. This must take a different direction from that portrayed in the current 'exit' strategies. Such a model for a "stronger, cleaner, fairer world economy" should encompass a new balance between growth and distribution, the economy and the environment, industrialised and developing countries,

finance and real economy, and public governance and markets. TUAC is ready to engage in such an endeavour.

MOVING TO RECOVERY AND MORE SUSTAINABLE GROWTH IN JOBS AND INCOMES

> "There is an urgent need for a far more coherent and internationally co-ordinated jobs-orientated recovery strategy than that which has been put on the table so far"

6 Staggering falls in GDP were recorded in the final quarter of 2008 and the first quarter of 2009. The outlook for 2009 remains bleak with the most recent OECD forecasts[2] indicating that GDP will fall by 4.3 percent in 2009 across the OECD as a whole and by 2 percent globally. In 2010, most countries are projected to experience further reductions in GDP or stagnation. These are the worst forecasts ever made by the OECD. The contagion has spread to emerging and developing economies where growth has now stalled and GDP per capita is falling. The IMF identified 26 low-income developing countries in Africa, Asia, the Americas and Eastern Europe as being "highly vulnerable" to the adverse effects of the global recession in 2009[3]. These data provide a stark contrast to recent reports of 'green shoots', the bottoming out of the recession and signs of a recovery – a few months of tentative stock market recovery does not amount to an economic recovery.

7 The collapse in world trade is driving the global recession, with countries dependent on export markets experiencing the largest falls in GDP. This is essentially due to the decline in global demand, rather than the introduction of trade restrictions. Any attempt to reduce wages to maintain competitiveness runs the risk of further reducing global demand and contributing to general deflation and must be resisted. The correct response is effective coordinated international action aimed at expanding demand – not 'beggar thy neighbour policies'.

8 Labour markets are at the vortex of the crisis. Unemployment has continued to surge in the first months of 2009 and rates are projected to rise to double figures for the OECD as a whole by the end of the year, and to remain at this level during 2010 and 2011. Youth, in particular, are being hit with youth unemployment rates of over 20 percent in many OECD countries and the likelihood that a cohort of young people leaving schools and colleges this summer risks being condemned to economic inactivity. Companies are continuing to cut jobs in the second quarter of 2009 signalling a lack of business confidence and the prospect that long-term unemployment will increase across all demographic groups. Lessons from past financial crises show that labour markets lag behind economic recovery and significant increases in, particularly long-term, unemployment are extremely difficult to reverse. This points to the risk of prolonged labour market recession. The ILO estimates that unemployment could increase by up to 59 million worldwide by the end of 2009[4]. Over 200 million workers could be pushed into extreme poverty, mostly in developing and emerging countries where there are no social safety nets, meaning that the number of working poor, earning below 2 USD per day for each family member, may rise to 1.4 billion. This will disproportionately affect women, who constitute 60 percent of the world's poor.

9 Given the spectre of a persistent jobs crisis there is an urgent need for a far more coherent and internationally co-ordinated jobs-orientated recovery strategy than that which has been put on the table so far. The global trade union movement is gravely concerned that fiscal stimulus packages to date are inadequate in size, imbalanced geographically, insufficiently focused on labour issues and are being implemented too slowly[5]. According to an ILO review of responses to the crisis in over 40 countries and an OECD submission to the G8 Social Summit, the fiscal stimulus meas-

2. OECD Economic Outlook Interim Report March 2009.

3. IMF, The Implications of the Global Financial Crisis for Low-Income Countries, 2009.

4. ILO Global Employment Trends Update, May 2009.

5. ILO-IILS (Ed), the Financial and Economic Crisis: A Decent Work Response, Geneva 2009, p. 8.

ures do not sufficiently focus on employment and social protection and only half of the countries examined have announced active labour market initiatives. Moreover, they have failed to tackle the lack of social protection and the dramatic decline in individual wealth held in pensions. The effects of the crisis are being felt most by those whose pensions fall under un-protected 'defined contribution' schemes that provide no pension security at the age of retirement[6].

10 OECD countries should undertake an extra annual stimulus of at least 1% of GDP to be sustained for the next three years. Recovery packages must be targeted so as to have the biggest impact on growth and employment. Governments should bring forward infrastructure investment programmes that stimulate demand growth in the short term and raise productivity growth throughout the real economy in the medium term. Measures should be introduced to support the purchasing power of low income earners in particular, including single earner households, which are predominantly female-headed. In a large number of the OECD member countries, fifty percent or more of the unemployed do not receive unemployment benefits (though non-recipients may be entitled to social assistance benefits), whereas in many developing countries the majority of those losing their jobs are not eligible for unemployment benefits. Putting more money into the pockets and purses of people on low incomes will boost the economy.

11 A key priority must be to keep people at work, workforces together and workers in activity. Active labour market initiatives have a crucial role to play. Programmes must be implemented to reduce the risk of unemployment and wage losses, as well as to provide income support through, in particular, increases in short-time working.

12 Prior to the crisis, income inequality had risen. Increases in wages had fallen behind wider growth rates in productivity in two-thirds of the industrialised countries that make up the OECD[7] and the share of wages in national income had fallen in all countries for which there are data. In developing nations, even before the advent of the 2007-2008 food price crisis and the current crisis, the World Bank noted that in 46 out of 59 countries examined, inequality had increased over the previous decade. The economic crisis is now threatening to exacerbate these existing inequalities.

13 The conclusions of the 2009 G8 meeting on Labour and Employment, which met in Rome in March 2009 to address the 'human dimension' of the crisis and in which the OECD as well as BIAC and TUAC had central roles, emphasised the need for macroeconomic policies to be "flanked by social and employment policies that avert unemployment and the risk of social exclusion and make for rapid re-entry into the job market". They highlighted the need for strong social dialogue pointing to the value of greater worker participation in the economic restructuring process.

14 We call on OECD Governments to take action to undertake further fiscal stimulus to support employment and:

- Ensure that recovery measures maximise job creation and include active labour market policies.
- Provide adequate social security and labour protection so as to protect the most vulnerable and aid recovery.
- Invest in human capital development through education and training.
- Address the employment and social impacts of the global crisis, engage in meaningful social dialogue with the social partners and take steps to protect rights at this time of increasing vulnerability.

15 In addition, the OECD should:

- Take immediate steps to ensure that the recovery measures are adequate for maintaining and protecting jobs and providing social protection.

6. OECD Private Pensions Outlook 2008.

7. "Growing Unequal", OECD October 2008.

- Provide support for the ILO Global Jobs Pact and, going beyond this, revise and update its Memorandum of Understanding with the ILO on addressing the employment impacts of the crisis.
- Develop 'green economy' investments that can shift the world economy on to a low-carbon growth path and create good jobs by launching the 'Green New Deal' called for by the United Nations Environment Programme (UNEP).
- Combat the risk of wage deflation and reverse the growth of income inequality by extending the coverage of collective bargaining and strengthening wage setting institutions so as to establish a decent floor in labour markets.
- Discourage companies from making workers redundant by helping businesses affected by temporary credit difficulties through, for example, support for short-time working schemes that address temporary slumps in sales by reducing the number of hours, rather than the number of workers.
- Focus on groups most affected by the crisis and take steps to eliminate the gender pay gap.
- Provide income support, in particular through expanded unemployment benefit schemes. Options include: increasing benefit levels; extending benefit duration; expanded coverage; and the introduction of temporary and short-term income compensation for workers not eligible for unemployment benefit. The design of unemployment benefit schemes should exclude the possibility of employers being able to influence whether or when such payments are made.
- Ensure full respect of national and international standards on workers' rights regarding termination of employment.
- Address the problem of precarious work, which is affecting increasing numbers of workers and particularly women. Priority must be given to creating decent and skilled jobs, enhancing functional flexibility and giving workers a voice in managing change.
- Assure migrant workers the full respect of the same rights as other citizens.
- Address the pension fund crisis by ensuring that employers take their fair share of the pension risk, strengthening existing guarantee schemes and reforming pension fund investment regulation.

"Ministers must press ahead with the re-regulation of financial markets such that they are restored to their legitimate role of providing credit for the real economy, rather than spawning a global financial casino. Commitments made at the G20 London Summit have yet to be implemented at the national level."

FIXING THE FINANCIAL SYSTEM, PUBLIC FINANCES AND TAX

16 The policies of deregulation that led to the financialisation of the global economy have resulted in the devastation of the real economy and the jobs and livelihoods of millions of workers around the world. OECD Ministers must press ahead with the re-regulation of financial markets such that they are restored to their legitimate role of providing credit for the real economy, rather than spawning a global financial casino. Whilst the commitments made at the G20 London Summit represent some progress, they have yet to be implemented at the national level. Moreover, these commitments fail to cover crucial areas such as pension regulation, household consumer protection and social finance. The Global Unions action plan has still to be acted on (see *Box 1*).

17 The bailout of the banks has cost between three to ten times as much of taxpayers' money as the stimulus packages. Yet, to date they have delivered poor results – credit markets are still not functioning adequately and there is considerable uncertainty over the level of risks borne by taxpayers and their access to the financial benefits once recovery is on track. Governments have tackled the problem of bank insolvency largely by transferring toxic assets to government entities, rather than by taking an equity stake. This approach fails to enforce full transparency and loss recognition by the assisted banks, relying as it does on the willingness of the banks to cooperate by opening their books. The Global Unions stand by their call for the nationalising of weak banks as the best way to restore confidence, provide fair risk-sharing and ensure that taxpayers benefit from any gains once solvency is restored.

18 The bailout plans come at a heavy price. The OECD and the IMF are predicting large public sector deficits across industrialised countries by early 2011, as a result of the bailouts and the stimulus packages. Governments must take step to protect and expand their tax revenue base to deliver fair and sustainable economic recovery for working families. This requires a break with the policies of the past whereby direct taxation rates have been cut whilst indirect taxation – inherently more regressive – has increased. Over the past decade, throughout the OECD, levels of VAT have increased, affecting lower income households disproportionably. Since 2000, tax on capital gains and inheritance have been scaled down or even abolished and the top rates for personal and corporate income tax have declined. Reductions in the level of corporate income tax have fuelled the growth in dividends paid to shareholders, which has by far outpaced the growth in corporate profits.

19 The global tax system must serve to strengthen rather than weaken financial stability and accountability. The G20 decision to tackle tax evasion and avoidance by accelerating the OECD's work on international cooperation on tax havens is a step forward. However, there is a need to go much further. The OECD's approach to information exchange is too limited, relying on requests for information rather than automatic exchange. Moreover, the financial crisis has revealed the extent of tax arbitrage, which has fuelled the growth in the shadow financial system: un-regulated structured products, hedge funds, debt securitisation and off-balance sheet transactions. Tax biases that favour debt together with regulatory arbitrage have combined to artificially reduce financing costs for investments, such as private equity, which otherwise simply would not have been sustainable.

20 We call on OECD Ministers to:

- Show ambition with regard to the re-regulation of the financial market and take measures to return the financial sector to its primary and proper role of serving the investment needs of the real economy. Ensure that the commitments made at the G20, together with the Global Unions' eight point plan for re-regulating financial markets are implemented (see *Box 1*).
- Provide for full public accountability and transparency in the design and implementation of the bailout of the banking sector so as to ensure immediate and comprehensive loss recognition by banks and ensure fair risk-sharing by taking equity stake in the weak banks including, where needed, nationalisation.

BOX 1
GLOBAL UNIONS' 8-POINT ACTION PLAN FOR FINANCIAL REFORM

1. Clamp down on the 'shadow' financial economy (e.g., private pools of capital and structured products);

2. End tax and regulatory havens and create new international taxation mechanisms;

3. Ensure fair and sustainable access to international finance for developing countries;

4. Reform the private banking business model to prevent asset bubbles and reduce leverage risks;

5. Control executive, shareholder and other financial intermediary remuneration;

6. Protect working families against predatory lending;

7. Consolidate and enhance the public accountability, mandate and resources of supervisory authorities;

8. Restructure and diversify the banking sector with the nationalisation of insolvent banks.

Source: Global Unions London Declaration - Statement to the London G20 Summit www.tuac.org/en/public/e-docs/00/00/04/58/document_doc.phtml

- Take the necessary measures to protect and increase tax revenues, including broadening the tax base and undertaking progressive taxation reform that strengthens rather than weakens household solvent demand and meets social objectives.
- Undertake measures aimed at promoting financial accountability and transparency in the tax system, including action to curb tax arbitrage between jurisdictions and to intensify cooperation on tax havens by developing support for automatic systems of information exchange.
- Tackle tax biases that favour debt and fuel growth of the shadow financial system.
- Adjust the tax regime to meet the new global challenges including international taxation on short-term financial transactions in order to finance public debt incurred as a result of the crisis and, where feasible, contribute to increasing development assistance.

A STRONGER, CLEANER, FAIRER WORLD ECONOMY WILL REQUIRE A PARADIGM SHIFT IN THINKING

21 The crisis has turned the spotlight on the extent of the deficits that exist in both the global governance architecture and the conduct of international business and has highlighted the need for a paradigm shift in the underlying economic development model. It has also provided a window of opportunity to put in place a governance structure that can stabilise and humanise global markets so as to produce a new model of economic development that is more sustainable, balanced and fair than that produced by the past twenty years of market fundamentalism. We therefore share the OECD's stated objective: "For a stronger, cleaner, fairer world economy". Moreover, the collapse in the financial system and the ensuing economic turmoil has brought into sharp relief the need to reform institutions, whose activities affect the lives of millions of workers around the world. These include not only the Bretton Woods Institutions (the World Bank and the IMF), but also lesser known, highly opaque and influential institutions, like the Financial Stability Board (FSB), which have been given a significant role by the G20. This must also set in train new thinking at the OECD.

> "The implementation of the Charter and of the Global Standard could send a strong political message. However, their impact will depend on the effectiveness of existing instruments, the buy-in from governments and the adoption of a rigorous monitoring mechanism."

22 Although more representative than the G8, the G20 still excludes most developing countries and is heavily weighted towards financial issues, its partners being the IMF and the FSB. A product of a Finance Ministers' process, the FSB lacks the broader perspective and the required transparency and accountability mechanisms to counter the systemic risks in global financial markets. Some progress has been made at the G20 London Summit with the ILO being given an explicit mandate to assess the impact on employment of government policies to date. However, there is a need to go much further with the creation of a formal G20 Working Group on 'Addressing the Employment Impact of the Crisis', with the assistance of the ILO. There must be a real reform of the FSB – beyond the change in name, capacity and membership agreed at the G20 Summit in London.

23 The crisis has provided the catalyst for two G20 and G8 initiatives aimed at balancing future economic development with sound public and private governance. The G20's Charter for Sustainable Economic Activity is comprehensive in scope and as such should incorporate the full range of economic, financial, development, environmental and social instruments, including labour standards. The G8's Global Standard of Common Principles of Propriety, Integrity and Transparency – which is likely to be a building block of an enforceable chapter in the broader Charter – focuses primarily on instruments that govern private sector conduct. The effective implementation of these instruments could send a strong political message on the political priority given to the social and labour dimension of governance and development and provide a sustainable framework within which to strengthen inter-institutional cooperation and overall policy coherence. However, their impact will depend to a

large extent on increasing the effectiveness of existing instruments, achieving buy-in from governments and on the adoption of a rigorous monitoring mechanism.

24 More fundamentally, the crisis points to the need for a paradigm shift in the economic development model such that people and the public interest are put first. Not only is the advent of the crisis testimony to the failed policies of the existing model, but the 'exit strategy' currently under consideration by the IMF and the OECD, mirrors the past policies of privatisation, public expenditure cuts, wage flexibility and deregulation, in a more brutal form. The IMF and OECD's response to the predicted large public sector deficits in the longer term is to curb public spending, proposing cuts in health and pensions and increasing the role of the private sector. They are likely to remain committed to their past recommendations for more regressive tax systems that harm working people first and foremost[8]. This exit scenario thereby re-casts the causes of the crisis – blind and irresponsible faith in private businesses and markets – as the solution with the result that citizens and taxpayers would twice meet the costs of the crisis: first in the initial financing of the bailouts and stimulus packages and then by bearing the cost of reduced collective rights to welfare and social security. It contains no recognition of the inequitable impacts of these past policies, which are now fuelling the crisis. It also ignores the contribution that quality public services and social protection make to social cohesion and equity, which alongside effective and ethical administration, are the cornerstones of healthy democratic societies. This must change in the wake of the crisis.

25 Moving beyond the crisis it is essential that the new governance system for the global economy prevents the build up of insurmountable imbalances in trade and capital flows that have contributed to the current crisis. Work must begin by developing a reserve currency system that better reflects economic fundamentals. It will require a reformed system of trade and investment that places development and the creation of Decent Work at its core.

26 We call on OECD Governments to:

- Move ahead with reform of the global institutions. Trade unions need to play a full part in the new governance and advisory structures to international organisations, using their institutional links to the OECD as a model. The ILO also needs to be assigned a central role.
- Incorporate the Decent Work agenda of the ILO into the Charter for Sustainable Economic Activity – rights at work, employment and income opportunities, social protection and social security and social dialogue and tripartism – and ensure that the Global Standard on Propriety, Integrity and Transparency, within the Charter, includes the OECD Guidelines for Multinational Enterprises.
- Ensure that the Charter for Sustainable Economic Activity and the Global Standard on Propriety, Integrity and Transparency are enforced through a rigorous, participatory and transparent monitoring and enforcement mechanism.
- Take action to strengthen the content and implementation of existing instruments, which will form the building blocks of the new frameworks for the better governance of markets:
  - Improve the functioning of the National Contact Points (NCPs) of the OECD Guidelines for Multinational Enterprises by adopting a rigorous peer review process.
  - Support the United Nations Convention against Corruption (UNCAC) by adopting a review mechanism at the third Conference of States Parties (COSP) in Doha in November 2009. Germany, Italy and Japan should ratify UNCAC immediately.
- Take action to ensure global coherence and a pro-development outcome to

8. Going for Growth, OECD, 2009.

trade negotiations, at the same time as making progress on the enforcement of the protection of fundamental workers' rights.

MEETING PROMISES ON DEVELOPMENT

27 The crisis that started in the developed countries has now spread to the developing world. Contractions in trade volumes, falling export prices, reduced net private capital flows and Foreign Direct Investment (FDI) and declining remittances are combining to exacerbate the poverty impacts of the food and the energy crisis. The most affected are the rural and urban poor, landless farmers, female-headed households, women workers and those recently made unemployed. The job losses of migrant workers, who are the most vulnerable, will reinforce these deflationary effects through declining remittances.

28 The effects of the crisis are at best likely to further delay achieving the MDGs and, at worst, reverse the poverty reduction gains of the last decade. Progress at the 2008 midpoint[9], showed that the overarching goal of reducing absolute poverty by half by 2015 was within reach, while the target for sub-Saharan Africa of halving the proportion of people living on less than 1US$ a day was not. Today it seems unlikely that either will be attained. For millions, jobs provide little relief from poverty due to low pay[10], with the working poor making up over half of sub-Saharan Africa's workers.

> "More than ever OECD countries have a responsibility to meet past commitments to development."

29 More than ever OECD countries have a responsibility to meet past commitments to development. Nevertheless, the OECD estimates that DAC members are "still at least 20 percent short overall of their global ODA commitments, even after most of these have been reducing in line with lower donor growth"[11]. In 2008, ODA reached its highest level yet at 0.3 percent of GNI, compared to 0.26 percent in 2004. However, meeting the Gleneagles commitments of 0.7 percent of GNI made by many G8 countries will require a 10 percent increase in aid in real terms from 2008 to 2010 – an increase of US$20 billion from the 2008 level. Growth rates in net ODA to Africa have fallen from 5 percent in the period up to 2007, to 3 percent in 2008. Meeting the Gleneagles target for Africa will require an increase in net ODA of 25 percent between now and 2010 – or an increase of US$20 billion[12].

30 Furthermore, the International Financial Institutions (IFIs) continue to impose economic policy conditionality that forces developing countries into operating pro-cyclical fiscal policies – despite commitments made at the G20 London Summit in April to ensure that IFI financing would be 'counter-cyclical' and statements of the IMF leadership on the need for coordinated global stimulus through public sector investment.

31 Developing a new model of economic development requires investment in quality public services – including education, health, sanitation and water, law and security – and in social protection for all. Now is the time to invest in people, in their education and health, and in care for the very young and the aged. Given the accelerating job losses, there is a clear rationale for investing in education and training to support the transfer of workers into sectors where there is a need for more jobs. In the health/care sectors, the World Health Organisation (WHO) estimates the need for an additional 4.2 million jobs worldwide. In education, an estimated eighteen million new teachers must be trained to meet the goal of providing quality education for all primary age children by the year 2015. Millions more teachers and instructors are needed for vocational education and training for skills that underpin the real economy and for retraining of working people as economies restructure.

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9. The Millennium Development Goals Report, United Nations, 2008.

10. Ibid., p. 9.

11. Global Development Challenges at a Time of Crisis, OECD, May.

12. Ibid.

32 There is a need for immediate, ambitious and coordinated action if we are to avoid a 'development emergency'. We call on OECD Ministers to undertake the following:

- Increase ODA to meet the targets of spending 0.7 percent of GNI on ODA and introduce 'mechanisms to monitor progress on promises', as agreed at Gleneagles, ensuring that any move to measure other financial flows in a 'whole of country' approach does not deflect from measuring these commitments. Ensure that there is no re-tying or tying of aid in existing or new development programmes.
- Support reform of the conditionality framework such that the International Financial Institutions (IFIs) remove harmful economic policy conditionality and support expansionary recovery programmes in developing countries in line with commitments made at the G20 London Summit.
- Ensure that the IFIs expand their debt relief initiatives.
- Keep food security on the agenda and work to build longer term agricultural resilience so that people can afford basic staples and have secure and sustainable access to food.
- Place decent work at the heart of development assistance and support measures to tackle indecent, informal and unprotected work, particularly focusing on women, while reversing the trend in increasing precariousness of employment within the formal economy and support partner countries' ratification and enforcement of core ILO Conventions.

CLIMATE CHANGE: A 'JUST TRANSITION' FOR AN AMBITIOUS AND FAIR CLIMATE CHANGE DEAL IN COPENHAGEN

33 OECD Ministers must ensure that the urgent measures needed to tackle climate change are not delayed or derailed by this crisis. Rather, governments must use the coordinated global fiscal response to the crisis to move ahead with the 'green economy agenda', thus preparing the ground for an ambitious climate agreement this year in Copenhagen.

34 It is now generally accepted that the overall costs of climate change in a 'business as usual' scenario would be equivalent to losing at least 5 percent of world output each year, now and forever. If a wider set of risks and impacts is taken into account, the net effects of damage could exceed 20 percent. By contrast, the costs of reducing greenhouse gas emissions to avert its worst effects, i.e., by 85 percent by the year 2050, relative to 1990 levels and 25-40 percent by 2020 in industrialised countries, could limit the costs to 1 percent of world output each year. Hence, while taking measures to combat climate change will alter economic activity and employment, failure to act will have catastrophic consequences for sustainable jobs, society and the global economy. Governments must make binding commitments to reduce emissions to meet these targets, based on the principle of common but differentiated responsibilities and according to each country's economic and social development.

35 However, governments must recognise that reaching such an agreement on climate change depends on building a broad and sustainable political consensus on goals, as well as the means of achieving them. The agreement must demonstrate that signatory governments recognise the social and economic impacts of its implementation by providing a clear strategy for addressing them. To date the employment challenges, together with the potential benefits, have remained unaddressed.

36 Furthermore, the new climate change agreement must call on governments to consult on, plan and implement a 'just transition' strategy, aimed at protecting the most vulnerable from the effects of climate change and climate change adaptation or mitigation measures. People must not be forced to choose between their livelihoods and the environment. These 'transitional' strategies must include, *inter alia*,

provision for consultation with unions, business and civil society, awareness-raising and skills-development schemes, social protection policies and economic diversification.

37 We therefore call on OECD Governments to show leadership and ambition and:

- Undertake large-scale and labour-intensive investments in green infrastructure, such as energy efficiency, buildings, renewable energies and public transport.
- Develop training and skills' development programmes for workers to accede to good quality 'green jobs'. These must target in particular vulnerable communities, such as those affected by the current economic crisis.
- Commit to ambitious short and medium term GHG emission reduction objectives.
- Promote at the international and national level a 'just transition' to a low carbon and socially-fair economy and support the position presented in the June 2009 UNFCCC negotiating text for COP15 in Copenhagen.
- Recognize the role of trade unions in building consensus and creating the right conditions for the substantial transition that has to take place.

> "Governments must use the global fiscal response to the crisis to move ahead with the 'green economy agenda', thus preparing the ground for an ambitious climate agreement this year in Copenhagen."

CONCLUSION

38 Workers around the world who are losing their jobs and incomes are the innocent victims of this crisis: a crisis precipitated by greed and incompetence in the financial sector, but which was underpinned by the policies of privatisation, inequality and labour market deregulation of preceding decades. When our economies begin to recover, the OECD Ministers must ensure that there is no return to 'business as usual'. Rather than planning 'exit strategies' that are a more brutal version of failed past policies, there is a need to establish a new model of economic development that is economically efficient, socially just and environmentally sustainable. This model must rebalance the economy: the financial and the real economy; the rights of labour and capital; the trade surplus and deficit countries; and industrialised and developing countries. Above all, it must bring to an end the policies that have generated massive inequality between and within nations over the past two decades. This requires a paradigm shift in policy-making that 'puts people first'. Trade unions and the workers we represent, however, have no confidence that this time governments and bankers will get it right. Working people must have a seat at the table. There must be full transparency, disclosure and consultation including a full report summarising actions taken by governments, as well as by the international institutions and social partners, to implement the commitments made in the key meetings ahead. TUAC and the Global Union organisations are ready to play their part in building this fairer and more sustainable future.

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COMMISSION SYNDICALE CONSULTATIVE
AUPRÈS DE L'ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

A STRONGER, CLEANER, FAIRER WORLD ECONOMY: THE OECD MUST ACT AND CHANGE FOR THE FUTURE

TUAC STATEMENT TO THE OECD MINISTERIAL COUNCIL
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