ORGANISATION FOR ECONOMIC
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LIAISON COMMITTEE WITH INTERNATIONAL

NON-GOVERNMENTAL ORGANISATIONS

Summary Record
of the Liaison Committee with Representatives
of the Trade Union Advisory Committee to the OECD
at the Château de la Muette, Paris
on Monday, 2nd July, 1973, at 3,15 p.m.

PRESENT:

Liaison Committee:

Mr. van LENNEP	Chairman
Mr. HILLMAN	Australia
Mr. BOBLETER	Austria
Mr. TRAXL	"
Mr. de WARENGHEIN	France
Mr. EGAL	"
Mr. GOLDSCHMIDT	Germany
Mr. PINNA CABONI	Italy
Mr. YOSHINO	Japan
Mr. KAUFMANN	Netherlands
Mr. MARGES	"
Mr. HEATH	United Kingdom
Mr. BROWN	United States
Mr. PFEIFFER	" "

Other Member Countries Represented:

Under the provision of paragraph 7 of the Council Decision of 13th March, 1962 /C(62)45/, laying down the procedure for consultations between the OECD and international non-governmental organisations, representatives of Finland, Spain and Switzerland attended the meeting.

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PRESENT (Continued):

Trade Union Advisory Committee:

Mr.	LOWTHIAN	Chairman
Mr.	HOUTHUYS	Vice-Chairman
Mr.	BERNARD	General Secretary
Mr.	VARAGNE	Deputy General Secretary
Miss	HAYTER	TUAC Secretariat

Mr.	SCHMIDT	OGB	Austria
Mr.	BRACONIER	SPIE	Belgium
Mr.	DERMINE	FGTB	Belgium
Mr.	de GRAVE	OE/CMT	Belgium
Mr.	KULAKOWSKI	OE/CMT	Belgium
Mr.	VOGNBJERG	LO	Denmark
Mr.	RUUSAMO	TVK	Finland
Mr.	TUOMINEN	SAK	Finland
Dr.	ENGELEN-KEFER	DGB	Germany
Mr.	SEPI	CISL	Italy
Mr.	GRADMAN	CNV	Netherlands
Mrs.	TEGELAAR	NVV	Netherlands
Mr.	van GREUNSVEN	NKV	Netherlands
Mr.	RIKVOLD	LO	Norway
Mr.	DAHLSTROM	LO	Sweden
Mr.	LARSSON	TCO	Sweden
Mr.	SUNDSTROM	TCO	Sweden
Mr.	CASSERINI	IMF	Switzerland
Mr.	BERNSTEIN	UMWA	United States

OECD Secretariat:

Mr.	TIMMONS	Deputy Secretary-General
Mr.	ELDIN	Deputy Secretary-General
Mr.	ABRAMOWSKI	Assistant Secretary-General
Mr.	ATKINSON	Assistant Secretary-General
Mr.	BERTRAND	Director, Financial and Fiscal Affairs
Mr.	GASS	Director, Centre for Educational Research and Innovation
Mr.	PAPADOPOULOS	Deputy Director, Centre for Educational Research and Innovation
Mr.	REHN	Director, Manpower and Social Affairs Directorate
Mr.	OLSSON	Head of the Private Office of the Secretary-General
Mr.	EMERSON	Head of the General Economics Division
Mr.	MONNIER	Head of the External Relations Division
Mr.	BENGTSSON	CERI
Mr.	BATTLE	External Relations Division

DRAFT AGENDA

I. ADOPTION OF THE AGENDA

II. THE GENERAL PROBLEM OF INFLATION

- Commentary by TUAC: TUAC Statement on the General Problem of Inflation /RE/TUAC/73.1/
- Exchange of views

III. INTERNATIONAL INVESTMENT AND RELATED ISSUES

- Note by the OECD Secretariat /RE/TUAC/73.2/
- Introductory statement by the OECD Secretariat
- Exchange of views

IV. RECURRENT EDUCATION

- Analysis by TUAC of the Report entitled "Recurrent Education - Clarifying Report" /CERI/CD(72)22/

  This Analysis is contained in document RE/TUAC/73.3, under the heading "Trade Union Comments on Recurrent Education".

- Exchange of views

V. OTHER BUSINESS

I. ADOPTION OF THE AGENDA

The Chairman of the Liaison Committee (Mr. van Lennep) welcomed TUAC members to the meeting with the Liaison Committee, noting that this session had a certain annual significance in that it was an occasion to examine several of the more important topics which had been the focus of TUAC and OECD discussions throughout the year. Mr. Lowthian thanked the Secretary-General and said that this meeting was most likely his last as the head of TUAC. He would shortly be retiring from the trade union movement in Britain and wished to say on this last occasion that he had found the meetings with the Liaison Committee in the past to be very useful and rewarding. He agreed to the agenda proposed by the Secretary-General and asked Mr. Bernard, General Secretary of the TUAC, to open the discussions on the General Problem of Inflation.

II. THE GENERAL PROBLEM OF INFLATION

Mr. Bernard indicated that the views he was expressing had been formulated by the TUAC Working Party on Economic Policy and subsequently approved that morning by the Plenary Session of the TUAC. The document spelling out these views had, therefore, just been made available to the Liaison Committee. In addition, a second paper /RE/TUAC/73.17/, prepared by Mr. Clas-Erik Odhner, had been considered by the Plenary Session which was a general report of the Regional Trade Union Seminar on Prices Policy held in November 1972. This report had been a useful contribution in analysing the causes of present inflationary pressures and it was, therefore, decided to give it wider distribution.

The conclusions of the TUAC were generally the following: first, from the side of trade unions, it was felt that governments needed to take urgent co-ordinated measures on the international level to contain the rapid rate of increase in prices in industrial countries. Particular groups of the population were being forced to bear the heaviest costs as a result of this rate of increase, and above all, the aged, retired and low-income workers. The sum total of this was to slow down social progress and increase the inequality of income.

Mr. Bernard noted that the TUAC had also examined the traditional explanations of the inflation phenomenon and rejected the thesis that wage increases were at the heart of the matter. They could not accept the views that today's inflation was either cost push or demand pull. The TUAC once again, as it had done on several occasions in the past, wished to ask for a more realistic analysis of the current problem in order to devise tools for controlling inflation which did not (1) tend to force the workers to bear the primary burden for restoring equilibrium, (2) stop the growth of wage incomes, (3) lead to increased unemployment or (4) cause undue delay in the creation of new public services.

The TUAC recommended that more disaggregated, detailed studies based on sectoral analyses be employed to permit a realistic view of the relationship between the different causes of inflation. More specifically, TUAC felt it would be useful to make use of the model which had been developed by the trade union movement and which by now was well known to the OECD as a sectoral analysis. In general, as concerned anti-inflation policies, TUAC believed it necessary to go beyond the recent measures to reduce demand, which had only a very marginal impact on prices, i.e. more selective tools were needed. In particular, governments should begin to look at whether the budgetary outlays for an active manpower policy and sectoral and regional reconversion were adequate for the needs.

Mr. Bernard continued by asking the question whether enough emphasis had been placed on developing new sources of supply and new capacities of production. Had credit policy been properly adapted to support these objectives? He was pleased to note certain work underway in the Secretariat aiming at a better evaluation of both supply and demand, citing in particular new work on potential production. Mr. Bernard suggested that the old criteria of price stability as a proper reflection of global equilibrium should be replaced by measures of a level of demand which assured full employment.

The TUAC also wished to make the point that it was necessary to create institutions for co-ordination between governments and their social partners in order to ensure a greater "economic democracy" in formulating economic policy. The trade union views were that price controls had to be strengthened and that even a permanent mechanism had to be found to obtain an efficient and flexible management of prices in the future in order to protect consumers and arrest an inflationary spiral in its early stages. Along these lines, attention would also have to be given to multinational companies as transmitters of inflation and to the problem of speculative movements of short-term capital.

Replying to Mr. Bernard's comments, Mr. Atkinson noted that Member countries were now moving through the largest boom since the Korean War and it was indeed a world-wide phenomenon. The larger OECD countries were experiencing GNP growth of 7 to 8 per cent and although the expansion of demand over the last year was needed, it had had its unfortunate effects.

The depressing aspect, in Mr. Atkinson's view, was that there did not appear to be any let up in this process in the foreseeable future. Rather drastic measures were going to be needed. While countries had learned to live with an inflation rate of 5 per cent, it was doubtful that they could sustain 10 per cent for a very long time. The social strains would be enormous and, as the TUAC had pointed out, certain sectors of society were very badly penalised. However, he did not agree with Mr. Bernard that the workers suffered disproportionately. Other groups with less bargaining power were in a far more vulnerable position. Mr. Atkinson also took issue with the TUAC that the multinational companies were a key factor in the inflationary spiral; in fact, he thought these companies had very little to do with the problem.

Mr. Atkinson noted four points, which he fully agreed with, in the paper prepared by Mr. Odhner. First, that demand management was an essential element of any anti-inflation effort, but not sufficient in itself. Second, that rapid transmission of inflation from one country to another was indeed real and harmful, particularly to the smaller countries which had fewer defenses. Third, that some sort of prices and wages policy was necessary. Fourth, that policies for structural reform to ensure greater mobility were necessary over the long run.

Mr. Emerson felt he should draw attention to three focal points of the TUAC's philosophy contained in the paper of Mr. Odhner. One such base was what the TUAC representatives called the Eichner model, one of whose main characteristics was the attention it drew to the role of large companies and ologopolistic pricing, particularly in major industrial countries. Second, the TUAC made use of the so-called Aukrust-Odhner model, which provided a rigorous explanation as to how international transmission of inflation actually proceeded. Finally, a general feature of the TUAC analysis was the disaggregated analysis of inflation. Mr. Emerson wished to comment for the Secretariat on each of these arguments.

First, as concerned the Eichner model, this was a complicated formula - although appearing somewhat simple on the surface - which maintained that a large part of industry fixes its prices in a manner quite insensitive to demand pressures. To this group would have to be added the public sector in general and even parts of the agricultural sector to the extent that many of these prices were administratively fixed. The result was that the impact of demand management policy was greatly reduced. The importance of competition policy had consequently taken on new force. But also the need was apparent for improving the efficiency and productivity of the public sector and parts of the agricultural sector, whose prices were decreed rather than determined according to the pressures of competition.

Mr. Emerson cautioned, nevertheless, that while a large and ever growing portion of our economies was subject to these administered prices, it should not be forgotten that there was still a very sizeable part of each economy whose prices were very sensitive to demand pressures. This category of goods had a widespread effect nevertheless, causing multiple reactions on the general price level.

As for the Aukrust model on the international transmission of inflation, Mr. Emerson agreed especially with the model's conclusion that the greatest impact was felt in the smaller countries. However, it was more difficult to apply the model convincingly to the medium-size industrial country, such as the four large European countries. The model attempted to demonstrate how the price level in any given country hinges upon what happens to foreign trade prices. While this may be true for Norway where the model was originated, the Secretariat's own empirical analyses had shown that this linkage actually breaks down before it reaches countries such as the United Kingdom, Germany, France and Italy. But the Aukrust model was useful in leading to various explanations of the transmission of inflation. While the model touched only the price transmission mechanism, there existed other routes including demand pressure and international liquidity. As for inflation through the demand pressure route, if Germany had a boom, then all the smaller countries around it would follow suit whether they wished to or not. This, Mr. Emerson wished to point out, was an example of international transmission of inflation which had very little to do with the multinational corporation. The TUAC had, however, placed a great deal of emphasis on the role of these institutions, which the Secretariat could not really accept.

As for the role of international liquidity, Mr. Emerson agreed with the part of the Odhner paper which doubted that international liquidity could really be responsible for inflation. Large flows of capital into surplus countries occurred in 1972 when there was very little general excess of demand. Hence, it is difficult to see the direct relationship between capital movements and inflation.

On the subject of a disaggregated analysis, Mr. Emerson expressed a large measure of agreement with the TUAC. There was indeed a need to get into many sectors such as agriculture, various industries, labour markets, etc. He cautioned, however, that one could go only so far in pursuing such an analysis, identifying the villains, and prescribing a purely sectoral remedy. If one delved into a thorough micro-analysis of the service sector, for example, one would end up going full circle and back into a macro-analysis to find the causes. In the service sector example, it was found that the scope of productivity improvement was low because wages are going up more or less at the same level in all sectors; therefore, the service sectors produced relatively high price increases. The service sector was certainly not the only example which tends to bear out this point, Mr. Emerson concluded.

Mr. Lowthian presented his view that inflation fell very unevenly on the labour force. There were indeed some workers who managed to survive the rate of inflation, but there were many others who suffered badly. He greatly regretted that despite the work already done by the OECD, it did not appear that governments had taken much note. There seemed to be a lack of political will.

Mr. Atkinson repeated his view that international monetary movements and multinational companies played a very small role in the creation of inflation. The crisis in food prices was exceptional because of the limited supplies. The real engine of inflation was still that wages were rising faster than productivity. Excess profits did not appear to play a particularly important role at the moment. What was needed was a type of social understanding, a judgment on what sort of increases in wages, rents, profits, interest and all other elements of income a country's economy could bear.

Mr. Houthuys recalled that many years ago it was the OECD which had sounded the alarms of inflation but, much like Mr. Lowthian, he felt that very little had since been done by governments to implement the recommendations of the Organisation. Despite this sombre outlook, he felt, nevertheless, there were measures which could be taken on the international level. What was lacking was a general policy understanding between the Member countries to attack these causes. He wished to repeat his firm view that the problem was not the increase in wages and for that reason the trade unions were firmly opposed to an incomes policy. He agreed that it was the unions' responsibility to define a reasonable approach on wages, but this was something which had to be done in common with other trading partners.

Mr. Rikvold wished to return to Mr. Atkinson's remark that wages were the chief cause of inflation. He felt this was clearly a sympton, not a cause, and wished to refer to recent experience in Norway. There, the wage increases had been high, but only 40 per cent of the increase was due to negotiated increases between labour and management. The remainder was due to wage drift and social costs that the government places on employers. However, there had been no real rise in disposable personal income for Norwegian workers in the last year. He felt that the costs attributed to governments and wage drift were the chief engines of inflation.

Miss Kefer also wished to take issue with Mr. Atkinson's claim that the wage-price spiral was the source of the problem which called for a more demand-oriented approach. She argued that this was exactly the technique which was used during the 1960s and which was no longer effective. In contrast, Mr. Emerson seemed to approach the problem differently by citing the role of the public sector in contributing to the price pressures by the heavy impact of administratively-fixed prices. Whereas Mr. Atkinson appeared to stress the demand-oriented approach, Mr. Emerson's emphasis seemed to be on the supply side.

As for the controversy surrounding multinational companies, Miss Kefer felt there was a connection between monopolistic behaviour and price increases and if this thesis were accepted then it would be hard to deny that multinational companies exercised a significant influence not only on the national but also on the international level. This did not apply only to price increases but to the product mix in each market as well, which would also influence price movements. Miss Kefer felt the same argument should apply to the international transmission of inflation. It was not enough to speak of price increases alone; it was equally necessary to look at the influence of imbalances in the product and factor markets. It was doubtful to say, as Mr. Emerson had argued, that such impacts were limited to small countries. Miss Kefer took the example of Germany where she felt that the product and factor mix probably had a great impact. Germany exported one third of its production and the income earned from these exports was available for consumption. With rising income, there is usually a shift to service type products and such products could only be produced in the domestic economy. The result was a very high level of inflation in the service industries resulting from the fact that a large proportion of Germany's production had been exported.

Multinational companies were, furthermore, in a strong position to exercise a type of price dumping in export markets. Companies were induced to make their exported goods cheaper than those sold at home in order to keep their foreign markets. Compensation was found in the domestic markets for the losses sustained abroad, thereby increasing the price level in the domestic market. Here the multinational companies were in a good position to increase inflationary pressures, Miss Kefer concluded.

Mr. Dahlstrom noted that the very high rate of inflation tends to destroy the whole price system as a measure for evaluating efficiency and performance in our economies. If we did not have this standard to judge ourselves, then it would be difficult to tell what is a good investment and what is a bad investment. The present yearly wage drift from 5 to 10 per cent was doing just that. Something clearly had to be done. Apart from all the reasons already cited for the present inflation, there was also the crucial problem of the control of economic policy within governments. We had all become rather internationalised and traditional national economic policy had lost its efficiency since developments are transmitted so quickly from one country to another. It was, therefore, obvious that there was no way out but to seek international co-ordination.

Mr. Dahlstrom wished to make an additional observation on the process of inflation. Prices in the competitive part of the economy were set on the basis of expectations. There was, furthermore, a tendency for our economies to work with long lags since expectations changed rather slowly. Since the expectations of inflation were high at the moment, one should not be astonished if that rate continued for some years to come. Nevertheless, some co-ordinated action was needed to start the process of a return to equilibrium. As for the multinational companies controversy, Mr. Dahlstrom felt that the term tended to cloud rather than clarify the argument. What was at stake was the marked power possessed by any particular economic grouping. The administering of prices in national and international economies was a great and increasing problem. The OECD should not fail to take this as a serious issue.

Mr. van Lennep wished to intervene at this point to review the type of work that the Organisation had undertaken in the area of inflation over the past several years. Both the Secretariat and governments had tried to identify how this problem had become an international problem and what contribution an international organisation could possibly make. The Organisation had not changed the approach it established in 1970, that is, that the problem of inflation had to be attacked by a very wide range of policy measures.

Mr. Brown observed that it was obvious from the various opinions heard in the foregoing discussion that no side claimed to have the answers. TUAC's pleas for a disaggregated analysis presented a number of possibilities for further work. Another TUAC recommendation was the so-called 'gap' approach which Mr. Brown felt to be far more aggregated than disaggregated, and which in his view showed a slight inconsistency on TUAC's side. However, if the comparison were made of the actual performance of an economy and its potential performance, then this would be a useful technique. The idea of supply management as contrasted with demand management was another avenue of approach.

III. INTERNATIONAL INVESTMENT AND RELATED ISSUES

Mr. Abramowski felt that, among the many varied issues affecting international investment, multinational enterprises deserved special attention. It had been stressed in the Rey Report, and later confirmed by Member Governments at the Council meeting at Ministerial level, that because of their international nature, these problems could be more effectively dealt with through international co-operation rather than by unilateral actions of Member countries. It was, therefore, decided - and was being discussed further by the Executive Committee meeting in Special Session - to incorporate the study of a balanced assessment of the problems into the OECD programme of work in order to examine possibilities for improved international co-operation. This would not only involve more co-ordination between the work at present being undertaken in various committees and working parties of the Organisation, but would also call for co-operation with TUAC and BIAC. The TUAC might, therefore, wish to set up a working group on this subject.

Mr. Casserini believed that the OECD was the best forum to deal with the problem of multinational enterprises as among governments of developed countries where multinational enterprises dominated whole sectors of the economy. The TUAC attitude was that, whether multinationals were good or bad, they were a feature of our times, a tremendous source of production, and part of an age in which it was possible to cover all needs of mankind. He felt, however, that their pursuit of continuous expansion was reckless, that decisions were made at the top, often far away from production centres, and that they managed business to their exclusive interest, often without regard for the interest of national economies, international co-operation among States, or the fate of working people - especially with regard to employment security. In his opinion, one indication that governments did not effectively cope with the problems created by multinational companies was that in various international committees which were examining, for example, restrictive trade practices by multinational companies, probably one fourth of the representatives at these meetings came from the multinationals themselves. The companies sought co-operation with governments in order to put pressure on them.

Mr. Casserini agreed in principle that jobs might be created in host countries by multinational companies, but trade union experience had shown there was little stability of employment, particularly in developing countries. This was not entirely the fault of multinationals since the developing countries themselves were often to blame because they devoted scarce capital in overbidding each other to attract employment through multinationals when they might better use their capital for more balanced development. Nevertheless, based on their experience in collective bargaining with multinational enterprises, the trade unions felt the persistant threat of transfer of production from one country to another if the companies did not obtain satisfaction.

Furthermore, close examination of the accounts of local subsidiaries and the mother companies revealed large capital movements by internal price transfer practices. Mr. Casserini stressed that this was not entirely the fault of the multinational enterprises since it could be argued that they had to adopt such practices in order to obtain maximum profit. He felt, however, that such practices had an inflationary effect. Given the multinational companies' particular facilities to move vast amounts of capital, they could start large speculative waves. He considered that some controls were needed on capital movements, not in order to restrict economic expansion, but to move closer to a worldwide equilibrium for sound purposeful growth.

Mr. Casserini referred to the statement of the ICFTU Committee on Monetary Problems. The trade unions, he said, felt strongly that competition was diminishing, that instead of price competition there was investment competition and competition in the growth of power in whole industrial sectors which in their view made the multinational companies an important inflationary factor. He was firmly of the opinion that trade unions, through TUAC, should be given the opportunity to state their views at an early and decisive stage of any studies on this question before they could be "watered down politically" by the influence of certain multinationals and governments.

Mr. Casserini suggested that the OECD should make a balanced assessment of all aspects of the activities of multinational corporations, in order to bring to bear a certain moral pressure where necessary. He referred to the development of a code of competitive behaviour for international enterprises which was being attempted by a special expert group of the United Nations. Three points that he wished to see considered, if this group could be persuaded to take a bold view, were: (i) rules for the conduct of multinational corporations, which might become part of international trade law; (ii) an international authority to oversee and enforce the observance of these rules; and (iii) measures to make known, or even police, international business activities. He felt that the OECD could do useful preparatory work in this field, especially in co-operation with the trade unions and employers. Certain economic and social control measures and regulations were to be taken up at national level and elaborated through parliaments and he thought that the OECD could assist in this field.

Mr. Casserini also felt that some regulations and conditions were called for in connection with foreign investment guarantees and he enumerated the following kinds of obligations that trade unions thought could be worked out: (i) social obligations, i.e. the company investing abroad should be expected to ensure that certain social conditions were observed by its subsidiary in the host country, for example, the obligation to permit trade union activities, the right to bargain, the right to strike, the right to fair wages, etc.; (ii) the obligation of companies to inform labour in their countries of origin if the transfer of the companies' investments abroad were likely to create employment problems at home, (iii) the obligation on the part of companies benefiting from foreign investment guarantees to conform to certain rules of public accountability. He thought this was a further important area of work for the OECD.

Mr. Casserini further suggested that the OECD should look into international price transfer practices and elaborate guidelines to oblige multinationals to reveal their international pricing and the procedures used to shift capital from one country to another. This would be a difficult but important study as it was essential to know more about the production costs at plant level of the multinational companies which tended to produce at the cheapest costs and sell in the most lucrative markets.

The TUAC considered that the OECD had done good work in preparing the position of Member countries in the GATT negotiations. Mr. Casserini said that the trade unions intended to submit soon to GATT, as well as to governments and to the OECD, the idea of a social clause to be introduced in the GATT Treaty in connection with the escape clause 21 to safeguard employment and income security of the workers affected by international trade. He thought it would be worthwhile if the OECD were also to consider rules for social safeguards in connection with concentrations and takeovers by multinational companies.

In a meeting with the Industrial Relations Committee, Mr. Casserini said that TUAC had suggested that a study should be made on the decision-making practices of multinational companies and their effects on employment, and particularly the role of trade unions for the effective representation of the workers. This was a matter of great concern to the trade unions.

Mr. van Lennep thanked Mr. Casserini for the suggestions made in his statement which, together with other ideas emerging from OECD/TUAC contacts on this subject, would be of great benefit to OECD work on international investment and multinational enterprises.

Mr. Brown pointed out that the list of areas in which the TUAC might contribute to OECD work (to be found in paragraph 7 of RE/TUAC/73.2) did not include the question of governmental investment policies. Since this question was relevant to the point of both inward and outward investment policies, he suggested that the list should be broadened.

Mr. Bernard stated that government policies on inward and outward investments were of great interest to trade unions, and a study had been made last year, at the time of the Rey Group meeting, of the possibilities of harmonization of investment incentive policies practised by governments of host countries. It appeared that there was a certain competition between these policies. He thought it essential that from a government point of view studies should be undertaken in fields such as their effects on employment, working conditions, industrial relations, etc. This had been underlined by TUAC in a recent meeting with the Working Party on Industrial Relations. It was evident, he said, that trade unions were directly concerned by government policies in the fields of capital movements, fiscal policies, competition matters and prices policies, on which TUAC had suggestions to submit.

Mr. Bertrand referred to Mr. Casserini's intervention and said that often a study of means and aims went beyond the powers that a government could properly exert, even on its own territory. There were few countries with the institutional means to supervise the behaviour of enterprises in the various fields mentioned or that had the necessary means to impose respect for all ideal social conditions. Since these means of control did not as yet exist in individual countries, it would be even more difficult to bring about agreement between countries. He did not feel that this was a reason for not studying such an agreement, but wished to make it clear that it was an extremely ambitious programme.

Mr. Casserini replied he considered it the function of trade unions to act as a pressure force. He repeated that trade unions did not wish to see controls that would limit economic activity but rather guide economies towards purposeful growth, and that here there was a great deal of common work to be done. He added that trade unions were looking for a preventive action to the type of problem that had arisen recently in connection with the Lip Watch Company.

Mr. van Lennep thanked Mr. Casserini for his suggestions and said that the OECD had recently been charged by the Council meeting at Ministerial level to develop a new form of co-operation in the field of international investment. The OECD shared TUAC's desire for the development of international rules, guidelines, understandings and procedures for consultation. He expressed his appreciation for TUAC's encouraging attitude in this respect.

IV. RECURRENT EDUCATION

Mr. Gass introduced this item by noting a few of the difficulties arising from a very rapid and continuing process of educational growth. For example, many young people would prefer to enter some form of employment on the understanding that they could later return to education. Likewise, many workers increasingly needed access to educational opportunities to keep pace with economic and technological changes. On the whole, the many efforts to forecast future manpower requirements so as to plan the output of educational systems had met with little success. For these and other reasons he felt that a new approach to education was needed, and that more flexible opportunities should be allowed to individuals.

Mr. Gass stressed OECD interest in recurrent education, but said that this was not felt to be the only solution and that other possibilities were being studied. In some circles "de-schooling" was spoken of, but, he said, the OECD tended to feel that the development of a recurrent system of education, based on co-operation between the educational system and the labour market would be the best alternative. This would entail a considerably reformed educational system for the 16-19 years age group which could not succeed unless a more realistic view were taken on the part of educational institutions, employers and trade unions as to the opportunities for young people to work and later return to educational institutions. He felt it might even be necessary for employers to build into their operations a certain educational function, and added that such a system would call for very close co-operation between formal and informal educational systems and could only function effectively if accompanied by more flexible working life.

He concluded by saying that a considerable amount of work had been done on this matter in the Centre for Educational Research and Innovation and that it had also been discussed in the Education Committee and in the Manpower and Social Affairs Committee, both of which had responded in a positive manner.

Mr. Larsson introduced RE/TUAC/73.3 - "Trade Union Comments on Recurrent Education", stating that the purpose of the document was to stimulate trade union discussions on this subject and to prepare TUAC policy in this field. He said that in trade union discussions with the TUAC Working Party on Educational Problems and in the plenary session at present underway, the concept of recurrent education as defined by the OECD Clarifying Report had been agreed on. However, it was felt that the report was limited to some comprehensive principles, which might then be applied in different ways at national level.

He wished to emphasize a point made in the report that a policy, especially in this field, which did not have as a priority aim to strengthen the position of the individual in society and in the labour market, had only a very small chance of realisation.

Mr. Larsson thought that trade union opinion on the reform policy differed little from that expressed in the report. He underlined certain basic issues for trade unions, however: that parallel educational systems should be avoided as far as possible; that different types of educational blind alleys, often typical of parallel educational systems, should be eliminated; that priority should be given to the educational needs of those with limited educational backgrounds. He further underlined that what the Clarifying Report called "overbridging education" was indispensable, in the view of trade unions.

While he felt it was obvious that the system of recurrent education could have a more active impact on society than was now the case, Mr. Larsson pointed out that the results would depend on the priorities agreed on. He thought it essential that trade unions should have a substantial influence on the system at different levels. He felt there was a need for a more precise understanding of the effects of education on labour markets, of the means of financing the studies of adults, of rules for leave of absence from work for educational purposes.

Mr. Gass explained that the OECD was beginning to explore at a national level the best approach to the specific problems arising from this issue and he felt that TUAC could take a considerable interest in this. One point proposed for further research in CERI was that of appropriate incentives and support for adults desiring further education, which entailed the question of job security, finance, educational leave of absence and the problems raised thereby on the side of the employers. He added that the OECD was convinced that this issue could not be explored effectively without the full co-operation of the labour market authorities whom, he hoped, would take part in future discussions on this with the Organisation.

V. OTHER BUSINESS

Mr. van Lennep felt that October, which had been proposed as the date of the next meeting of the Liaison Committee with TUAC, might be a difficult period for the OECD. Following Mr. Bernard's remark that a likely topic of discussion would be social policies in their widest sense, Mr. van Lennep expressed the hope that any document on this subject would be made available to the Secretariat well in advance on the meeting. He then returned to Mr. Lowthian's announcement of his approaching departure and expressed his appreciation for Mr. Lowthian's effective leadership of the TUAC in the past several years, of his good sense of humour and finally his very intense concern for the interests of the working man who he represented so well in the OECD forum.