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

IT'S ALL ABOUT PEOPLE: JOBS, EQUALITY AND TRUST

TUAC STATEMENT TO THE OECD MINISTERIAL COUNCIL MEETING

PARIS, 29-30 MAY 2013

The stakes are high for OECD countries and the OECD as the financial and economic crisis has now been transformed into a social and political crisis. Two decades of rising inequality have led to a weakening of the social contract and a breakdown of trust in many countries. Governments must give a message of hope that policies, not just words, will change so as to create jobs, reduce inequality and restore trust.

Introduction and Summary

1 Five years into the crisis, unemployment in the OECD area is set to rise to above 48 million in 2013. Although some emerging and developing countries have performed better, worldwide unemployment is forecast to rise above 200 million[1]. Moreover, some 39 million people have dropped out of the labour market, having lost hope of finding work. A 67 million global jobs gap has arisen since 2007. Young women and men are particularly scarred by the crisis with 74 million young people under 25 unemployed globally. In industrialised economies, more than one third of all young unemployed have been out of a job for six months or longer. The slowdown in economic activity is likely to push even more into unemployment by 2014. In developing and emerging economies, the crisis has triggered an increase in informality and poverty, while the stalling of growth in the OECD area additionally poses a major global risk.

2 Austerity has had a negative impact on demand and hence growth. It has led to a reduction in tax receipts and increased rather than decreased debt-to-output ratios. Reduced growth in one country has prompted a drop in growth in other countries through trade linkages.[2] Research parameters and evidence that were

1. ILO, *Global Employment Trends 2013*, Geneva.

2. Holland, D., Portes, J., Self-Defeating Austerity?, *National Institute Economic Review* No. 222 October 2012.

used to justify the imposition of austerity policies are revealed to be erroneous.[3] The IMF has now concluded that the fiscal multipliers are substantially larger than previously assumed[4]. Its World Economic Outlook, released in October 2012, reported that "multipliers have actually been in the 0.9 to 1.7 range since the Great Recession". The IMF already warned in 2011 that "slamming on the brakes too quickly will hurt the recovery and worsen job prospects"[5]. The current rising unemployment numbers and low investment figures are a testimony of this. Time is running out for the necessary shift in policy.

3 The failure of austerity policies is reflected in a crisis of confidence. A Global Poll of the general public in 13 countries undertaken in 2012 found that[6]: 1 in 3 people think their jobs are less secure than two years ago; 71% think that labour laws do not provide adequate protection; for 58%, their income has fallen behind the cost of living; 1 in 7 people perceive themselves as poor – with not enough money for basic essentials as housing, food and electricity; 67% assume that future generations will be worse off than they are; and 58% think their country is going in the wrong direction. Overall, governments are facing a loss of trust from their populations. 67% of people in the poll thought that voters do not have enough influence over economic decisions. Trust by citizens in their governments is an essential part of the social contract. This has now been broken.

4 Against this background the OECD is right to set "Jobs, Equality and Trust" as one of the central themes for the Ministerial Council Meeting (MCM). But this has to be reflected in its policy recommendations as well. There is an urgent need for the OECD to review its policies and tackle the jobs crisis in a way that restores confidence and trust of working families, by addressing both the *quality* and the *quantity* of jobs. A fundamental element of the quality of jobs is rights at work. Yet rights are under attack at domestic and international levels as a part of the "structural reform" agenda. In Europe and beyond, there are efforts to break up collective bargaining structures, lower minimum wages and remove employment protection. These are misguided policies that are not the right and sustainable way to growth and equity. Instead, they serve to destroy workers' confidence and widen income inequality – now recognised as being one of the contributory factors to the crisis.[7] Moreover, they lead to social confrontation rather than the social dialogue that is essential for restoring and strengthening trust.

5 TUAC strongly supports the New Approaches to Economic Challenges Project (NAEC) established at the 2012 Ministerial Council and the Inclusive Growth project that is to be launched. The stakes could not be higher, not just for the Organisation itself but for OECD countries and the global economy as a whole. The OECD's origins lay in the reconstruction of Europe in the wake of the Second World War and the Great Depression. Policy failures in the 1920s and 1930s resulted in an unprecedented economic crisis and a wave of political extremism. In the current situation, there is hence no room for complacency.

6 TUAC is calling on Ministers to:

- Take coordinated action to kick start the recovery process through increased investment in job creation, infrastructure, green growth and sustainable development (§7-11);
- Develop, as part of the NAEC project, a major review of OECD economic

3. Herndon, T., Ash, M. & Pollin, R., Does High Public Debt Consistently Stifle Economic Growth? A Critique of Reinhart and Rogoff, Political Economy Research Institute, University of Massachusetts, *Working Paper* Series 322, April 2013.

4. IMF, *World Economic Outlook*, October 2012.

5. Ball L., Leigh D. and Loungani P. "Painfull Medicine", *Finance and Development,* IMF, September 2011.

6. ITUC, *Global Poll 2012*, Brussels.

7. "Inequality, Leverage and Crises", Michael Kumhof and Romain Rancière, IMF, November 2010. "The Labour Share of Income: Determinants and Potential Contribution to Exiting the Financial Crisis" Ch. 3 "World of Work Report 2011", ILO.

policy and thinking and, jointly with the ILO, a reassessment of structural policy recommendations for the labour market (§12-13);

- Support policies that strengthen labour market institutions and collective bargaining to reduce income inequality and halt the continuing increase in precarious and irregular work (§14);
- Advance policies that will effectively 'restore the trust' of workers by improving working conditions, imposing more control on financial markets and enhancing growth through sustainable innovation policies and investments(§15);
- Work with the Social Partners to establish a Youth Jobs Pact (§16-18);
- Examine tax and expenditure policies in light of their impact on inequality, including progressive taxation, corporate tax levels, as well as pro-equality expenditures such as education and social protection (§19-22);
- Take determined action to counter the erosion of tax bases, commit to automatic exchange of information, and support the creation and extension of a financial transactions tax (§19-22);
- Integrate "decent work" into the OECD Development Strategy and move beyond "peer to peer dialogue" towards a multi-stakeholder process that integrates trade unions in the implementation and monitoring of the strategy (§23-26);
- Design social upgrading strategies that make global value chains socially sustainable, paying particular attention to reversing the explosion in precarious work, improving workers rights and working conditions, upgrading skills, addressing gender inequality and improving understanding of MNE responsibilities under the OECD Guidelines for Multinational Enterprises (§27-29);
- Two years on from the 2011 update of the OECD Guidelines for Multinational Enterprises, focus on improving the performance of the National Contact Points (NCPs) through peer learning and capacity-building, robust peer reviews and a launch of a stock-taking exercise to identify the factors of success and failure in the handling of cases by NCPs (§30-31);
- Support for workers' pension funds to raise finance for responsible long-term investment and improve accountability, reporting and transparency all along the investment chain (§34-35, 37);
- Ensure that workers' fundamental rights are respected in the process of OECD outreach and expansion by enhancing the initial review process (§38-42).

Economic Outlook

7 Growth of the world economy has stalled. Since September 2011, the IMF has revised downwards its global growth forecast six times successively. According to its January 2013 update, the world economy is predicted to grow by 3.5 per cent in 2013, which is 0.1 points lower than forecast in October 2012. In the same vein, the World Economic Outlook projections of April 2013 displayed a further decrease of 0.2 per cent in comparison to the January data. The OECD has followed suit in its own estimates. Its interim forecasts for the second quarter of 2013 confirm that GDP growth of the G7 countries will drop from 2.4 per cent (in Q1) to 1.8 percent. The UN report on the "World Economic Situation and Prospects 2013" expects the GDP of developed economies as a group to grow by a 'meagre' 1.1 per cent in 2013 and 2.0 per cent in 2014. The Conference Board data show that the global economic growth (3.0 per cent) in 2013 will largely depend on emerging and developing economies (2.4 percentage points), whereas advanced economies will only contribute 0.6 percentage points to the total.

8 Private investment in many OECD countries is still below pre-crisis levels. This is not expected to recover in 2013. Private consumption has been declining or stagnating due to muted nominal wage growth and a falling wage share. Moreover, lower benefit receipts in the wake of public spending cuts have squeezed

working families' real disposable incomes and contributed to a drop in demand. Predictions suggest that many countries, in particular in Europe, will experience a further weakening of the labour market situation as well as additional job losses in the near future. In light of existing policies and growth trends, it may take more than five years for Europe and the United States to make up for the job losses caused by the Great Recession that began in 2008.[8]

9 The ILO has estimated that globally some 197 million people were without a job in 2012. Due to insufficient growth, the jobs gap and the unemployment rate are set to increase further. The number of unemployed people worldwide is projected to rise by more than 5 million to more than 202 million in 2013, and up to 205 million in 2014.[9] As a consequence, labour force participation has fallen dramatically, in particular in advanced economies. Many workers, among them increasing numbers of young people, have become discouraged and have left the labour market. That masks the true extent of the jobs crisis and its detrimental consequences for the futures of workers, families and society as a whole.

10 Recent analysis on the effects of fiscal austerity has provided evidence suggesting that the speed and magnitude of consolidation packages becomes increasingly self-defeating. Its distributional effects have contributed to a further increase of inequality in a number of countries. Due to cuts in spending on social benefits, reductions in public sector wages and salaries and increases in contributions and taxes, the burden of failing consolidation efforts falls more heavily on low and middle income earners than it does on the wealthy. That particularly applies to increases in VAT, which are regressive. The ILO has demonstrated that an alternative crisis response could lead to far more positive employment impacts. This scenario entails a combination of i) infrastructure investments equivalent to a 1 percentage point increase in the public investment to GDP ratio and ii) a rebalancing of the share of labour incomes in total income, corresponding to an increase of 1.8 percentage points in total income. As a result, output will increase by 1.8 percentage points at its peak and by 0.8 percentage points by the end of 2015, while employment increases by 1.1 percentage points at peak and by 0.35 percentage points over the same period. This translates into an additional 12.74 million jobs created worldwide.

11 In the face of this unacceptable economic and social situation, TUAC is calling on Ministers to:

- Shift fiscal policy in support of employment and address fiscal imbalances through growth inducing measures over the medium term by raising appropriate tax revenues and make greater use of green taxes;
- Agree on coordinated investments in job creation programmes;
- Invest in education, training, skills, innovation and in work programmes, with a special focus on unemployed youth and other vulnerable groups;
- Put in place, where appropriate, job subsidies and targeted reductions in payroll taxes to maximise job creation impacts;
- Invest in infrastructure by prioritising projects that will strengthen growth and jobs, including "green" investment and "green" jobs within the framework of national green economic strategies;
- Combine skills enhancement policies with innovation strategies as they should go hand in hand as a precondition for sustainable growth and industrial development;
- Support quality public services including education, lifelong learning, early childhood education and care, and innovation so as to create employment, support women's participation in the labour market and reduce precarious work.

8. UN, *World Economic Situation and Prospects 2013*, p. 32.

9. ILO, *Global Employment Trends 2013*, Geneva, p. 13.

New Approaches to Economic Challenges

12 The New Approaches to Economic Challenges (NAEC) project gives the OECD an opportunity to integrate jobs, equality and measures to restore public confidence in its policy recommendations. The NAEC must include a self assessment of the reasons why the crisis in 2008 had not been better anticipated and prevented, so as to enable a shift in analysis and policy advice. The systemic operation of global markets prior to 2008 revealed a series of imbalances in the global economy that have contributed to the scale of the crisis. These include imbalances between: the growth of financial markets and the real economy; external deficit and surplus countries; profit and capital shares in the functional distribution of national income; the growth of top incomes versus middle and low incomes in the personal distribution of income; and the economic and environmental pillars of sustainable development. In addition, the current economic instability increasingly affects emerging markets and developing countries as inequality levels rise, and the prospects for long-term economic stability and development growth move beyond reach in the foreseeable future.

13 TUAC proposes that the NAEC project takes account of the following:

- Future economic performance has to be judged by wider criteria than GDP per capita, which by itself tells us little about the quality of life enjoyed by citizens and the distribution of wealth – the Better Life Index (BLI) needs to be further developed in this respect;
- The global financial and economic crisis has invalidated the belief that indiscriminate labour market deregulation and weak labour market institutions are necessary ingredients of economic and employment success. Rather, it has proved to be a recipe for growing income inequality and, in some countries, the rise of precarious work;
- There should be a return to the OECD reassessment of the 1994 Jobs Study presented in *Boosting Jobs and Incomes* in 2006 as it offered a balanced assessment of employment policies and labour market strategies. It showed that those countries that had achieved high employment and a more equitable distribution of incomes focused on the broad sweep of labour market policy. Their strategies included: skills formation systems prior to labour market entry that give workers a sense of occupational identity and self-confidence; an emphasis on lifelong learning as a route to employability; a focus on the balance of power between capital and labour – including the strengthening of trade unions and the extent of collective bargaining;
- Reducing the complexity of the financial sector in the OECD area as a whole is indispensable through regulation, financial taxation and structural reforms. The priority is to make the financial sector serve the needs of the real economy and prevent financial speculation from damaging sustainable growth prospects. This will require the ring-fencing of risky activities;
- At national level policymakers should devote more attention to innovative institutions and industrial policies as sources of growth and sustainable demand generation. If the global economy is to continue to grow, and if OECD countries want to prosper, they must enhance their capacities to develop new products and services;
- New economic thinking should also help to understand how to reach full employment and decent working conditions in a resource constrained world. Environmental damage and resource scarcity considerations must be factored into production systems, so that the economy can move to zero emissions, zero waste and zero exposure to hazardous substances.

Inclusive Growth

14 It is welcome that the OECD has now put "inclusive growth" on its agenda. Governments must act to reverse rising income inequality that is economically as well as socially damaging and is contributing to the collapse of trust in societies. Policies, which have been based on the expectation of trickle-down effects of growth, among them structural policies, have failed to promote inclusiveness. As the OECD report *Divided We Stand* has revealed, policies implemented to make labour markets more flexible have rather contributed to an increase in inequality. Labour market protection is not the principal cause of labour market duality, which has also been observed in countries with no or low employment protection levels. Current strategies should be transformed in favour of approaches supporting inclusive growth. At a time, when demand is greatly depressed and unemployment levels are at new highs, labour market deregulation simply has the effect of condemning many more workers to join the rank of the unemployed, thus reducing instead of increasing employment.

15 TUAC is calling on Ministers to:

- Ensure that OECD economic and other policies serve to strengthen rather than weaken labour market institutions;
- Support the wider coverage of collective bargaining and the dialogue between social partners;
- Develop policies aimed at halting the growth of precarious and irregular work by extending social protection and labour rights across the labour force, paying particular attention to the gender dimension given the over-representation of women in precarious work conditions;
- Set minimum wages through law and support collective agreements that ensure a "living wage" and by doing so establish minimum wage floors in labour markets to prevent an ongoing spiral of deflation of earnings and prices;
- Ensure that part-time workers have access to social security protection on the same basis as full-time workers;
- Step up action to reduce the gender pay gap by enhancing support for collective bargaining and the government's own role as a public sector employer;
- Ensure that tax systems are reformed to become more progressive and reduce inequality by contributing to more inclusive growth;
- Limit the excesses of top corporate remuneration through corporate governance reforms.

Youth Unemployment

16 The youth employment crisis is a global challenge requiring immediate action. The fact that over 74 million young people are unemployed globally is a social and economic disaster. Many young people suffer from the lack of decent work, and are increasingly forced to accept precarious work and low wages. Others are not able to join the workforce after finishing their formal education. These developments evoke immense social and economic costs: recent estimates put the cost of young people's unemployment and inactivity across the EU alone at over €150 billion in 2011 – around 1.21% of the GDP[10]. The youth unemployment and under-employment crisis is one that cannot and should not be accepted.

17 Neither educational systems nor protective labour market institutions are the primary causes of rising youth unemployment. The lack of jobs for youth is a result of insufficient labour demand. The main task at this point should be to identify the roots of current youth unemployment, as well as efficient short- and

10. Commission Staff Working Document. SWD (2012) 409 final. Proposal for a Council Recommendation on Establishing a Youth Guarantee, Brussels 2012, p. 9.

medium term measures to reverse the situation. Such measures should include support for aggregate demand, productive investment, quality employment, and education and training reforms. The active participation of all social partners should be at the core of future initiatives.

18 The promotion of a job-rich, inclusive growth through policies enhancing aggregate demand should be at the front and centre of the OECD Youth Action Plan that:

- Identifies the factors behind the rise in youth unemployment and proposes short-term strategies preventing a further increase and boosting youth employment, as well as long-term strategies to prevent a comparable situation in the future;
- Develops job-generating growth strategies for the longer term, also in few of green employment and new technologies;
- Advocates efficient short- and medium term measures that entail support for aggregate demand, productive investments and new education, apprenticeship and traineeship programs;
- Allows for short-term working schemes to keep youth in employment during the ongoing crisis, and develop a *'Youth Jobs Guarantee'* that ensures quality employment or a training place once they have completed their formal education;
- Promotes active labour market policies to ensure a smooth transition from formal education to the job market, as well as job mobility and on-the-job training schemes;
- Pushes for fiscal initiatives for productive investments, stronger aggregate demand and job creation;
- Works with the social partners to establish national commitments on apprenticeship and quality internship programmes, and ensures quality employment creation with fair payment;
- Supports policy coherence at national and global levels in view of economic, social, education, industrial and labour policies to support comprehensive youth and development strategies.

Taxation

19 Fair taxation has moved to the centre of the political debate. The OECD was given a mandate by the G20 to propose policy recommendations to tackle aggressive tax planning by multinational enterprises (MNEs) following the release of the OECD report on Base Erosion and Profit Shifting (BEPS) in February 2013. In using opaque tax planning strategies, MNEs may be paying as little as 5 per cent of effective corporate tax compared to small businesses paying up to 30 per cent. For years the OECD has been concerned by the risk of double taxation of corporate income between jurisdictions. Now is the time to change the approach and to address the risk of double non-taxation. The BEPS project therefore needs to be supported by all stakeholders including governments. Regarding OTC (over-the-counter) derivatives specifically, this should be backed by new work on the creation of a financial transaction tax (FTT). The OECD Secretariat already supports taxing transaction on derivatives, provided that such FTT is designed in a way that would "help to reduce the trend towards less socially useful derivatives activity"[11].

20 Scaling up international cooperation on tax havens was one of the first core commitments by the G20, when it first met at head of state level in 2008. However, five years into the crisis, the threat posed by tax havens has not disappeared as displayed by the recent "offshore leak" scandal[12]. According to the OECD, the British Virgin Islands (BVI) are the second largest investor in China, while Mauritius is the top investor into India. Cyprus, BVI, the Islands

11. *Bank Competition and Financial Stability,* OECD, August 2011.

12. http://www.icij.org/offshore

of Bermuda and the Bahamas are among the top five investors into Russia. The peer review system, broken down into 10 "essential elements", that has been put in place in 2011 is welcome, but rapid implementation of the recommendations is what is most needed. Several OECD member states are still failing to comply with these elements including: Switzerland (failing 2 elements), Austria, the Czech Republic, Hungary, and Luxembourg (all failing 1 element). The US has not failed any elements but, nonetheless, its compliance is questionable as regards two essential elements on transparency.

21 Although the mission of the Global Forum is important, its work is restricted to exchange of information on request. It is time for all OECD governments to commit to a system of automatic exchange of information on bank client data between national tax authorities based on the model of the US Foreign Account Tax Compliance Act. Another area where the OECD should lead by example is the ratification and implementation of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which was opened up for signature to all countries in 2011. While more and more countries are signing the Convention, it can only be put into effect when ratified. Of the 26 OECD countries that have signed the Convention, 12 have still failed to ratify it, including Canada, which signed the original Convention in 2004 and Germany, which signed in 2008.

22 TUAC is calling on Ministers to:

- Actively support the BEPS initiative to redress the risk for double non-taxation and engage necessary review of the 2010 OECD Transfer Pricing Guidelines;
- Enhance the scope of the BEPS project by requesting greater transparency including country-by-country tax reporting of OECD-based multinational enterprises and by addressing the speculative use of derivatives for tax evasion purposes, including through an FTT on OTC derivatives;
- Ensure effective compliance (in law and in practice) by all OECD member states with the 10 "essential elements" set by the Global Forum on Tax Transparency;
- Commit to an automatic exchange of information on bank client data between national tax authorities;
- Rapidly sign and ratify the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

OECD Partners and Strategy on Development

23 The OECD should step up its efforts to "enhance its contribution to inclusive and sustainable development worldwide" both in its internal work in this area, as well as in its contributions to the different important international development processes underway, notably the Post 2015 Millennium Development Goals, the G20 and the Global Partnership for Effective Development Cooperation. The ILO's Decent Work Agenda should be better integrated into this work. The importance of social protection programmes and the direct impact they have on poverty reduction, have now been acknowledged. However, recognition of other major challenges is still missing – in particular income inequality, youth unemployment, persistent informal employment and the need for greater ownership and accountability.

24 In the light of this, we support linking the Development Strategy with the work on Jobs, Equity and Trust, in particular with respect to the issues of addressing inequality, skills development and social protection programmes. These issues are fundamental at any stage along the development spectrum but are especially crucial in developing countries, where social protection schemes are most necessary but least available, or in emerging economies, where unchecked inequality is on its way to potentially undermine the foundations of a properly functioning economy and society. Although ensuring social protection for all citizens is the responsibility of national governments, the establishment and maintenance of

basic social protection systems as well as capacity-building for social protection implementation in Low Income Countries can be supported through adequate development cooperation programmes. In an environment of falling aid budgets in some countries, it is essential that assistance to develop social protection is prioritised. As noted above, OECD recommendations should be coherent with the ILO's Decent Work agenda. This includes the protection and enforcement of labour rights, improved labour and social protection, strengthened representation and voice, and targeted measures to develop local enterprise and create employment opportunities.

25 The OECD is prioritising the role of the private sector in development. However, the agenda remains donor driven with a focus on fostering the activities of multinational enterprises, when it should be driven by domestic concerns in developing countries for the purpose of nurturing and incubating a strong domestic private sector. This cannot be done without the full involvement of developing countries and the actors on the ground engaged in private sector activities, namely the social partners. TUAC's work with its Global Union partners can provide a "voice" to trade unions and workers in non-OECD countries in this process of global outreach.

26 In its contributions to different development processes the OECD should:

- Give priority focus to the issues of inequality, equity and access by linking the Development Strategy with the work on "Jobs, Equity and Trust"; the OECD Development Centre's Social Cohesion Policy Reviews could serve as a first step towards this objective;
- Ensure specific commitments to both "Decent Work for All" and "Universal Social Protection" across all policy agendas, and especially in a Post 2015 Development Framework;
- Support the work of the Global Partnership to fulfil the Busan Commitments to create an enabling environment for civil society, including trade unions;
- Promote social partnerships, the involvement of trade unions and social dialogue at country level as instruments of democratic ownership and accountability, especially given the increasing focus on the role of the private sector in development;
- Work to reduce informality through the protection and enforcement of labour rights, improved labour and social protection, strengthened representation and voice of workers, and targeted measures to develop local enterprises and employment opportunities.

Making Global Value Chains Socially Sustainable

27 TUAC welcomes the OECD work on Global Value Chains (GVCs) but considers that a key focus of future work in this area should be on identifying both economic and social upgrading strategies to help ensure that the fruits of globalization are more equally shared between workers and capital. Social upgrading can be understood as the process of improving workers' rights and conditions of employment, as set out in the ILO's decent work agenda.

28 As multinational enterprises (MNEs) at the head of GVCs reorganise their production systems to increase flexibility, reduce costs and increase profits, evidence shows not only that economic upgrading does not automatically lead to social upgrading, but that all too often it results in social downgrading. For millions of workers around the world – and particularly women and migrant workers – participation in GVCs means low paid, unprotected and insecure jobs with poor and often unsafe working conditions. The explosion in the numbers of workers in precarious and irregular work, successive industrial disasters in the garment industry, most recently in Bangladesh and Pakistan, and widespread industrial unrest, including suicides, in the GVCs of electronics giants such as Apple, are all examples of the human costs of increasing integration in GVCs without due regard to workers' rights and

working conditions. Governments, unions and responsible businesses need to find a common strategy to reverse social downgrading and encourage a "race to the top", not a "race to the bottom".

29 TUAC considers that the OECD should:

- Identify the conditions under which economic upgrading maximises the opportunities for social upgrading;
- Analyse the quality of jobs that are being created in GVCs;
- Devise policies for reversing the growth in precarious and irregular work, in favour of direct permanent employment;
- Promote the role of trade unions and industrial relations as the basis for achieving social upgrading;
- Work with the ILO to identify ways to promote all aspects of the decent agenda in GVCs, including ensuring the respect of fundamental workers rights, and health and safety standards throughout GVCs;
- Foster the upgrading of skills, in particular of young workers and women;
- Tackle gender inequality, and particularly the segregation of women in low paid and low skilled jobs;
- Raise awareness among MNEs of the expectations of governments under the OECD Guidelines for Multinational Enterprises, including their responsibility to undertake due diligence to avoid being involved in adverse impacts in their supply chains, on matters covered by the Guidelines, and to address such adverse impacts when they occur.

The Updated OECD Guidelines for Multinational Enterprises – Two Years On

30 Two years on from the 2011 Update of the Guidelines, the OECD must focus on strengthening NCP performance so that the Guidelines provide a useful tool for workers and communities to defend their rights and improve their living and working conditions.

31 Future work on the MNE Guidelines should prioritise:

- Stepping up peer learning and capacity-building initiatives, including providing mentoring or "buddying" for all new NCPs within the first three months of adhering to the Guidelines;
- Developing a robust peer review model for NCPs, based on OECD best practice, and an appropriate peer review schedule (at least 3 reviews per year);
- Increasing the number of NCP meetings from one to two meetings per year (June and December) in line with the revised text of the 2011 Guidelines;
- Undertaking a stock-taking analysis of completed cases to identify the factors that contribute to success or failure in the handling of cases by NCPs.

The Wider Investment Agenda

32 TUAC welcomes the decision to revise the Policy Framework for Investment (PFI) as a timely opportunity to upgrade the policy guidance in view of significant changes that have occurred in both the investment and responsible business conduct policy agendas. TUAC also welcomes the commitment to make the revision an inclusive process involving non-member countries, as well as trade union, business and civil society organisations.

33 TUAC calls on the OECD to ensure that the revision process:

- Aligns the PFI with the State Duty to Protect Human Rights of the UN Guiding Principles on Business and Human Rights (UNGPs), taking account of National Action Plans;
- Reflects the significantly extended responsibility of investors under both the OECD Guidelines for Multinational Enterprises and Pillar II of the

UN Guiding Principles on Business and Human Rights, the Corporate Responsibility to Respect Human Rights;

- Provides for meaningful as well as inclusive consultation, which requires an adequate timeframe.

Long Term Financing for Investment

34 In February 2013, the G20 Finance Ministers asked the OECD to prepare new "High Level Principles of Long-Term Investment Financing by Institutional Investors" ahead of the G20 Leaders summit in St Petersburg in September. The need for investors to shift their portfolio towards long-term investment assets has been a rising issue at the OECD and within the G20 process in past years. This development is welcome as there are massive infrastructural needs in the next 20 years, including in climate change related infrastructure both in OECD and developing countries. It is also a welcome initiative to help institutional investors move away from short termist, speculative investment strategies. Workers' pension funds have an important role to play to offset this development.

35 For that to happen, institutional investors need to translate the OECD definition of long-term investment – "patient, productive and engaged capital"[13] – into operational portfolio terms. In turn, this requires a robust regulatory framework all along the investment chain (asset owners, asset manager, invested entity), including: strict rules to prevent conflicts of interest, effective exercise and disclosure of ownership rights, and reporting on long-term environmental, social and governance risks. It also requires effective observance of internationally recognized standards and norms including the OECD Guidelines on Multinational Enterprises, relevant OECD guidance on corporate, pension and insurance governance, as well as the UN Principles for Responsible Investment.

36 Mobilising institutional investors for long-term investments, however, should not substitute to the indispensable increase in publicly financed investments and services. In particular, we reject Public-Private Partnerships (PPPs) as a preferred option for financing infrastructure in favour of traditional public procurement. In practice, PPPs have proven to be a flawed model that can lead to over-priced public services as well as to situations, where gains are privatised, while losses are socialised. In contrast to traditional public procurement, PPPs have many hidden costs and are excessively complex contracts for governments to handle, as shown in the OECD Principles for Public Governance of Public-Private Partnerships.

37 As part of the upcoming G20 High Level Principles of Long-Term Investment Financing by Institutional Investors, the OECD should:

- Prioritise work and guidance on accountability, reporting and transparency all along the investment chain, including in the asset management industry;
- Promote existing, internationally recognised standards for responsible investments, including the OECD Guidelines on Multinational Enterprises and relevant OECD guidance on corporate, pension and insurance governance, as well as the UN Principles for Responsible Investment;
- Promote traditional public procurement, not PPPs, and impose strict governance and risk-sharing conditions for the latter, as outlined in the OECD Principles for Public Governance of Public-Private Partnerships.

Workers' Rights and OECD Membership

38 TUAC has supported the OECD enhanced engagement with major non-member countries with a view to membership. In our own work, we have strengthened cooperation with our Global Union partners, notably the ITUC, to ensure that the voice of workers from outside the OECD member countries

13. www.oecd.org/insurance/private-pensions/institutionalinvestorsandlong-terminvestment.htm

is heard in the dialogue process. We are now benefiting from the fact that trade union centres from Brazil, Indonesia, Russia and South Africa have become Associate Members of TUAC. We have also stepped up our engagement with these and other unions to ensure a representative voice for workers in the G20, through the L20 process jointly organised by the ITUC and TUAC.

39 TUAC welcomes the fact that several other countries have applied to join the OECD. However, particular issues need to be raised with regard to the application of Colombia, which is the most dangerous country in the world to be a trade unionist. So far in 2013[14], four trade unionists have been assassinated. In 2012, 20 trade unionists were assassinated with a further 431 receiving death threats. Since 1986[15], a total of 2,941 trade unionists have been assassinated of which 800 (27%) were trade union leaders. It has to be noted that the number of assassinations has declined in recent years. However, the statistics show that trade union leaders, as opposed to rank-and-file members, are being targeted with greater frequency. Furthermore, there has been no decline in the number of death threats levelled at trade unionists.

40 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. TUAC considers it essential that these issues are placed at the heart of the Accession process. In this regard, the OECD's Accession procedures16 allow the OECD Council to identify terms and conditions of a political nature, in addition to the technical and procedural issues linked to OECD standards.

41 Due to the exceptional severity of human rights risks to trade unionists in Colombia, TUAC is calling on the OECD Council to:

- Review Colombia's progress in strengthening the rule of law and upholding human rights in a rights and results-based process before Colombia can join the Organisation.
- This should include a review of progress in the areas of *trade union rights, workers' protection and the fight against impunity for violence against trade unions*.

42. This review of progress should:

- Be undertaken in close consultation with TUAC;
- Draw on the experience of, and coordinate with, the ILO[17].

14. This figure relates to the period 1 January 2013 - 7 April 2013.

15. 1986 is the year that records began.

16. A General Procedure for Future Accessions (adopted by the Council at its 1155th session of 10-13 May 2007).

17. The OECD and the ILO signed a strengthened Memorandum of Understanding on 23 May 2011: http://www.oecd.org/globalrelations/48013743.pdf