



MORE AND BETTER JOBS AND REDUCING INEQUALITY

TUAC STATEMENT TO OECD EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS MINISTERS

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OECD Labour and Employment Ministers are meeting at a critical moment of stalled economic growth in most OECD countries, raising the prospect of unemployment, which is already at an unacceptably high and is rising further, especially for young people. There is mounting social unrest as citizens in many affected countries face increasing economic insecurity and as a result have lost trust in the ability of political and economic elites to resolve long-standing problems. The gap between rich and poor is at its highest level since 30 years¹, while real household incomes fell substantially in countries hit hardest by the economic and financial crisis since 2008. In addition, government strategies and future OECD work should address other emerging trends including technological, climate and demographic changes through the development of longer-term strategies and whole-of-government approaches to manage their social and employment impacts.

The Continuing Jobs Crisis: The need for urgent action to create decent jobs and reduce income inequality

The global “jobs gap” is expected to increase by 8 million in the coming four years². In addition, there is a rise in non-standard work, including precarious jobs and temporary contracts, as well as an overall increase in informality. There is need for policy approaches **promoting the creation of ‘more and better jobs’** – a key objective of the reassessed 2006 OECD Jobs Strategy. However, policy proposals to make labour markets more resilient will not be sufficient to reduce and close the jobs gap. Calls for less regulated and more “flexible labour markets” need to be reassessed as corresponding policies failed to deliver quality jobs and instead gave rise to irregular employment according to recent OECD analysis.

Precarious jobs make for a precarious recovery. Structural “reforms” that have become the OECD’s “leitmotiv” have brought about unevenly distributed social costs, while

1. « In it together », OECD, 2015

2. World Employment and Social Outlook 2015 (WESO), ILO, 2015, http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_368252/lang-en/index.htm

failing to deliver decent jobs. There needs to be a balanced approach encompassing both supply- and demand side employment policies. A prerequisite for labour market activation measures, as the recent experience during the crisis has shown, is demand for labour.

Policies have to shift to **raising aggregate demand in the short term and ensure that measures are targeted to reducing income inequality and increasing the quantity and quality of jobs, as well as of public investments**. The OECD itself now recognizes the negative link between rising inequality and falling growth rates and emphasizes the issue of the top 1 per cent versus the bottom 40 per cent in income distribution. As part of a future mandate, the OECD should be tasked to develop concrete policy proposals to reduce income inequality – including the role of trade unions and collective bargaining in restoring fairer income distribution and improving working conditions.

The TUAC welcomes the creation of the **OECD Centre for Equality and Opportunity**. Ministers should mandate it to build on the G20 Policy Priorities on Labour Income Share and Inequalities adopted by G20 governments in November 2015³ that include strengthening labour market institutions; setting minimum wages; promoting the coverage of collective agreements and universal social protection; and integrating vulnerable groups into the formal economy. The OECD's policy proposals on reducing inequality by predominantly focusing on skills distribution do not yet match these. At the same time, strategies to increase female labour market participation and to decrease the gender pay gap should be developed towards fostering equal opportunities in labour markets.

Young people are particularly scarred by the jobs and inequality crisis. Youth unemployment is not only due to skills mismatches. Minimum wages have been shown not to have a major impact on youth unemployment and have been introduced in some countries at relatively high levels without damaging overall employment.⁴ Well-set minimum wages can improve the prospect for permanent and

formal entry-level employment. Moreover, it is imperative to address the growth in temporary jobs and forms of precarious work for young people, often with no or insufficient social protection, and training opportunities. The OECD confirmed that the first 10-years of a person's working life determines future career and wage prospects – therefore, the current high youth unemployment numbers may have a detrimental effect on social cohesion in the near future.

The OECD has highlighted the **rise of those who are not in education, employment or training (NEETs)** as their share is close to 20 per cent on average in industrialized countries and infinitely higher in most emerging economies (between 19 and 33 %).⁵ In order to tackle youth unemployment and underemployment TUAC proposes: (i) youth guarantees to keep young people in touch with the labour market and ensure that they receive quality employment or a training place once they have completed their formal education; (ii) quality apprenticeship systems through tripartite social dialogue, and alternatively, special youth training centres, which provide job seekers with training and guidance; (iii) higher investment in quality public education, as well as training and workforce development, including by employers, e.g. through the implementation of training funds.

Three out of four OECD countries implemented substantial pension reform measures, half of which consisted of system-wide reforms. The most common measure has been to raise the statutory retirement age on the ground that life expectancy is increasing. Yet, employment rates of older workers remain very low – 43% OECD average for the 60-64 year old, 20% or below for the 65-69 year old in two thirds of OECD countries. In addition, the increase in life expectancy is not benefiting all equally: it is substantially lower for low-income earners and low-skilled workers than for high-income earners and high-skilled workers. As a consequence a rise in statutory retirement age leads to an implicit transfer of pension wealth (the accumulation of pension benefits during the retirement period) from the former to the latter group. **A uniform rise in the retirement age that ignores old-age unemployment and inequalities in life expectancy is likely to fuel income inequality and to shift, rather than reduce the burden of old age poverty.** The main threat to the financial

3. G20 Leaders' Communiqué, Antalya, November 2015, http://www.g20.org/English/Documents/PastPresidency/201512/t20151201_1661.html

4. R. Janssen, The German Minimum Wage Is Not A Job Killer, 9 September 2015, Social Europe, <http://www.socialeurope.eu/2015/09/the-german-minimum-wage-is-not-a-job-killer/>

5. Education at a Glance, OECD, 2015, <http://www.oecd.org/edu/education-at-a-glance-19991487.htm>

sustainability of pension systems does not lie in life expectancy increases but in the rise of job insecurity and precarity that increases the likelihood of career disruptions and of periods of non-contributions.

In some countries, the historically **high numbers of refugees and asylum seekers calls for determined action from OECD governments**, both in coordination with each other and through a whole-of-government approach. Employment ministers need to devise strategies to integrate migrants in labour markets by ensuring the right to work and education, facilitating qualification recognition procedures, employment counselling and information sharing, and a rapid provision of language training. Recent OECD work shows⁶ that refugee families need to be supported by allowing access to mainstream classes for migrant children, avoiding over-concentration in particular schools and giving teachers the training and resources needed to cope with the situation. It is particularly important to introduce targeted programmes for unaccompanied minors and young people with financial, housing, psychological support and tailored education or training programmes.

We are calling on OECD Labour and Employment Ministers to:

- Support employment through demand expansion including “collective action to increase public investment” in social and physical infrastructure both to expand growth in the short term and to bring about the structural transformation of economies needed to counter climate change;
- Tackle long-term unemployment through active labour market and employment policy measures towards the creation of decent, permanent jobs;
- Raise low and middle-incomes and reverse the decline in the labour income share, both to reduce inequality and to inject purchasing power into the global economy and introduce well-set, appropriate minimum wages and collective bargaining;
- Support youth employment by setting youth targets, introducing youth guarantees, scaling up quality apprenticeships, and increasing investment in quality public education;
- Encourage employers to provide training opportunities for the young, to invest more

- in workforce development and to make better use of the skills potential of workers;
- Promote inclusive labour markets by boosting activity rates of vulnerable groups and strengthen workers’ rights and social protection systems so as to support the transition from the informal to the formal economy;
- Facilitate women’s employment, by enabling a better work-life balance through investment in childcare facilities and the “care economy”, and working towards closing the gender pay gap;
- Ensure rules on retirement age that are consistent with life expectancy inequalities within the population and take due account of current old age employment rates;
- Target commitments to resettle refugees and asylum seekers and afford all migrants the right to education and work in the formal economy with associated labour, social, political and cultural rights, while acknowledging their skills and incomes contributions to host nations’ economic development.

The Future of Work: Developing a modern OECD Jobs Strategy

The Ministerial meeting must mandate the OECD to undertake a reassessment of the 1994 “Jobs Strategy” following on from its revision in 2006.⁷ The reassessment must take into account the imperatives of **both**, creating more and better jobs, achieving inclusive growth and reducing income inequality **and** preparing a strategy for addressing the impact of technological and organisational change brought about by the digitalisation in manufacturing and services’ sectors on employment, working conditions and the employment relationship. TUAC concurs with the September 2015 enlarged Parliamentary Assembly of the Council of Europe resolution that called on the OECD to recognise *“the opportunities offered by a next production revolution, but also the challenges for inclusiveness, for employment and for economic distribution.”*⁸ This should be carried forward and expanded with a comprehensive approach on inclusive growth, decent working conditions and wages, with a focus on low-income households, youth, migrants and gender equality. The OECD’s horizontal work streams should propose concrete **policy pathways to cease the opportunities from techno-**

6. “Immigrant Students at School”, OECD Reviews of Migrant Education, 2015, <http://www.oecd.org/education/immigrant-students-at-school-9789264249509-en.htm>

7. OECD Employment Outlook, 2006

8. Resolution no 2074 of the parliamentary assembly of the Council of Europe on “The activities of the Organisation for Economic Co-operation and Development (OECD) in 2014-2015” September 2015

logical change and, at the same time, manage employment and income shocks, and prepare societies for the diffusion of new technologies by proposing training and just transition strategies in sectors undergoing digitalisation, automation and/ or clean energy transformations.

The reassessment of the OECD Jobs Strategy should take into account the **lessons learned from misguided policy responses during the financial and economic crisis** as well as best practices from policy packages favouring job protection, high levels of collective bargaining and public funding that served as automatic stabilisers. The proposed OECD framework for “measuring and assessing job quality” in focusing on earning quality, economic security and quality of the working environment is a first step to do so and needs to be further developed in consultation with social partners.

In light of “digitisation” of jobs across economic sectors, choices in terms of work organisation and technology must be evaluated – specifically when it comes to new forms of work in the on-demand, crowd, sharing economy and ICT-based mobile work. **Job displacement can be prevented or effectively managed within an innovation cycle, which can have positive employment effects.** As of now, the trend towards subcontracting, outsourcing, offshoring and classifying workers as ‘independent contractors’ in the digital economy needs to be matched by a regulatory framework ensuring decent working conditions, fair wages, social security and the right to bargain collectively. In the light of this, TUAC is calling on Ministers to develop an **Action Plan for Decent Work in the Digital Economy** where governments:

- Encourage the creation of new, high-quality products and services through harnessing digitisation but, at the same time, ensure that productivity gains are distributed equitably, while costs and investment risks are not shifted onto workers;
- Introduce job quality frameworks that provide an appropriate work-life balance and ensure that all business models respect existing labour standards and legislation;
- Ensure decent wages in emerging sectors and prevent the expansion of non-standard employment arrangements that leave people unprotected through effective regulatory policies;
- Strengthen labour market institutions and safeguards so as to provide social safety nets, social protection and guidance;

- Increase public and employers’ investment in upskilling and quality on-the-job training of workers to prepare them for new technologies and the transition to low-carbon economy;
- Promote union approaches to technological change including social dialogue on working conditions, and the re-design of work systems and training agreements;
- Support worker empowerment and the freedom of association in new industries;
- Develop a comprehensive foresight approach to scenarios for future of work;
- Regulate the collection, validation and use of personal data and ensure consumer and worker privacy rights.

The Social Dimension of Global Labour Markets

It is essential for the OECD to contribute to building the social dimension of globalisation through joint work with other international organizations, in particular with the ILO, to ensure effective enforcement of the ILO standards on Fundamental Principles and Rights at Work as a system wide standard applied through all multilateral institutions, including the OECD itself. Governments must:

- Step up their commitment to implement the OECD Guidelines for Multinational Enterprises. Although the Guidelines cover a wide range of aspects of corporate operations, their core is employment and industrial relations and most cases appearing concern this Chapter;
- Labour ministers must work with other government departments to ensure that National Contact Points (NCP’s) have adequate expertise to handle cases concerning industrial relations, employment and human and trade union rights abuses;
- Governments as a whole must assume their responsibilities and follow up on the G7 Elmau Summit⁹ commitment to “lead by example” in ensuring that NCP’s function efficiently thus allowing the Guidelines to become an effective instrument for ensuring corporate social accountability;
- Guarantee decent work in global supply chains building on the G7 initiative to strengthen the OECD Multinational Guidelines and the National Contact Points.

9. G7 Leaders Declaration, 2015, https://www.g7germany.de/Webs/G7/EN/G7-Gipfel_en/Gipfeldokumente_en/summit-documents_node.html?sessionId=FB82B2B353853B54EC80F6AFB994B706.s2t2