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

REDUCING INEQUALITY FOR HIGHER PRODUCTIVITY AND WELL-BEING IN THE GLOBAL ECONOMY

TUAC STATEMENT TO THE OECD MINISTERIAL COUNCIL MEETING

PARIS, 1-2 JUNE 2016

I. Executive Summary

1 The OECD Ministerial Council is meeting at a critical time. OECD countries face both immediate and longer term challenges. In the short term, 2016 is proving to be the most dangerous year economically since 2009. The global economy is not just failing to recover from the aftermath of the 2008 crisis. It now risks tipping into a significant slowdown with risk of deflation, rising unemployment and precarious work. With existing policy channels (from low interest rates to investment, from lower unemployment in some countries to higher wage growth) breaking down, macroeconomic policies in many developed economies have failed to support job creation and sustainable and inclusive growth. Fiscal austerity has led to weak demand in the short run, structural reforms aiming at "flexibility" in the labour market have depressed wage growth over the past years, and the sole reliance on monetary policy to prevent deflation is reaching its limits. Furthermore, the shortage of demand has deterred private investment and contributed to the longer term challenge of weak productivity growth.

2 OECD countries also face a social crisis, reflected by the rise in income inequality, the decline in the wage share over the previous three decades as well as the extremely unequal distribution of wealth with the top 10% owning half of all household wealth. The theme of the OECD Ministerial provides the opportunity to end the false dichotomy between raising productivity and economic efficiency on the one hand and equity and social justice on the other. Recent OECD work has shown that rising income inequality is not just a normative issue but that it also acts as a drag on growth in the longer term. In some countries, the capture of large shares of income gains by the top 1 % is now a major economic distortion.

3 The OECD countries now represent only the minority of the global economy. Their actions have to be embedded in a framework that reflects the global aspirations of developing and emerging economies. The major international agreements of 2015: the UN Sustainable Development Goals (Agenda 2030) and the Paris Climate Agreement on Climate Change chart a course for a world where zero poverty and zero carbon are achievable. Trade unions support these ambitions and urge the OECD Ministers to focus on key policy measures to both confront the short term challenges for jobs, growth and social justice as well as taking action to achieve the long term objectives for inclusive growth and sustainable development.

TUAC Recommendations

TUAC is therefore calling on Ministers to:

- Increase **public investment in infrastructure**, by the equivalent of 2% of GDP, focusing on quality job creation, improvements in productivity and the transition to a low-carbon economy (§4-6);
- Target public expenditure increases that would **stimulate demand** and create jobs in the short term and **raise productive potential** in the medium and long term (§4-6);
- Change the direction of reform policy away from reforms which, by weakening the position of workers in the labour market, increase the risk of deflation. Instead, in close dialogue with trade unions and social partners, develop strategies to **raise middle and lower incomes** and thereby boost demand and purchasing power by focusing on **strengthening labour market institutions**, notably collective bargaining and minimum wages, in order to reduce income inequality, and halt the increase in precarious, informal or irregular work (§7-10);
- Increase investment in quality public education, and **skills development through long-term strategies** involving social partners at firm level and beyond to provide life-long work-based learning and training opportunities (§11-12);
- Develop an action plan to **ensure decent jobs in the digital economy** and link the effects of digitalisation to broader innovation policies and technological developments in ensuring that benefits from the Next Production Revolution result in increased produc-

tivity and job quality across economic sectors in line with the OECD project on seizing the benefits of digitalisation (§13-14);

- Ensure that the **OECD "regulatory quality" framework aims for the benefit of all within society** (workers, consumers, citizens) and does not undermine legitimate government regulation in the name of narrow trade liberalisation and business interests (§15-16);
- Engage in a reassessment of the post-2008 financial reforms and **address short-termist behaviour in corporate boardrooms and within the investment chain** (asset owners, asset managers and other financial intermediaries) (§17-19);
- Integrate **"decent work" and equity into the OECD Development Strategy** as a follow up to Agenda 2030 and the Sustainable Development Goals and promote social dialogue as a tool towards inclusive growth in developing countries, as well as capacity building and knowledge-sharing towards establishing social protection floors, education and training systems and quality public services to fight extreme poverty (§22-23);
- Follow up the Paris climate change agreement and the **commitment to "Just Transition"** with national actions through dialogue with social partners on industrial transformation and support the creation of a "Just Transition Fund" for workers and communities (§24);
- Mark the 40th anniversary of the OECD Guidelines for Multinational Enterprises by taking action to **strengthen the National Contact Points (NCPs)**, including by requesting a re-allocation of funding from the OECD core budget[1] to support a *permanent* NCP Unit within the OECD Secretariat, and making a commitment to revise the Procedural Guidance of the OECD Guidelines (§26-27);
- Introduce national legislation aimed at **making corporate human rights due diligence mandatory,** so as to strengthen respect for the rights of workers in global supply chains (§27);
- Re-affirm the fundamental values which are common to OECD countries – including the commitment to a pluralistic democracy based on the rule of law and respect of human rights; establish a **"Special Monitoring Process" on labour rights and trade union safety** *prior* to inviting Colombia to join the OECD; and call upon the Republic of Korea to engage in **transparent and democratic dialogue** with all components of Korean civil society, including trade unions, so as to honour its commitments to respect international standards on labour rights (§28-32).

II. Economic Outlook

4 The OECD economic forecasts[2] confirm that global GDP growth is flat lining. Growth this year will be no higher than in 2015 – itself the slowest growth in the previous five years as the global economy is being hit by a series of interrelated and mutually reinforcing shocks. China, until now a major source of global demand for equipment and commodities, is moving to a different growth model impacting international demand dynamics. On top of this, huge capital flows destabilise many emerging economies. Meanwhile, fiscal policy is contractionary in many economies and financial instability risks are "substantial", according to the OECD. In reality, premature "exit strategies" as implemented since 2010 have been proved wrong-headed. Spending cuts have harmed economies more than expected by policymakers, led to reductions in real wages and, as a result of lower tax revenues, have failed to reduce high levels of public indebtedness.

5 The shocks come at a moment when the global economy is still digesting the consequences of the previous financial crisis and cannot afford to face a renewed slowdown. Monetary policy is facing the zero lower bound on interest rates, while the effectiveness of massive but unconditional printing of money (liquidity has gone up from 6% of world GDP at the end of the 1990s

1. This requires a long-term re-allocation of the OECD's Part I Budget.
2. OECD Interim Economic Outlook, 18 February, 2016

to 30% this year) is increasingly being questioned. Inflation has fallen to such levels that the slightest negative shock will tip close to zero inflation into outright deflation. Weak demand has resulted in underutilisation of capacity that is cumulative in effect. Most OECD countries must now have large negative output gaps, which continue to be underestimated by policymakers.

6 The current policy stance of relying upon monetary policy alone to keep the global economy afloat is not working. Fiscal austerity and the weakening of collective bargaining institutions have suppressed wages and living standards. This has not only contributed to the risk of deflation, it is also complicating the job of central banks in re-anchoring inflation expectations. To prevent a relapse into crisis, a collective and coordinated stimulus is necessary. Given the negative output gap, measures should be aimed at both capital and current expenditures. The earlier modelling done in the context of the 2014 Brisbane G20[3] and raised again in the L20 statement to the 2015 Ankara Joint Labour, Employment and Finance Ministers' Meeting underlines the need to raise the labour share, which remains highly relevant. A coordinated mix of policies to increase the share of wages in the G20 by 5 percentage points and to raise public investment in physical and social infrastructure can create up to more than 5 percentage points extra GDP over five years.

The OECD MCM should:

- Recognise the need for a coordinated and balanced stimulus programme to complement and refocus the liquidity created by monetary policy measures and avoid the effects of competitive currency devaluations;
- Put fiscal consolidation on hold and instead support the OECD's call for a coordinated increase in public investment that will lift future growth while at the same time improving the sustainability of public finances by bringing public debt rates down. Now is not the time for fiscal austerity;
- Commit to a public investment stimulus equivalent to 2% of GDP in infrastructure, networks, innovation and human capital, with public investments representing a productive asset that matches government liabilities;
- Call upon central bankers to substantially improve the functioning of the monetary transmission channel. Too much of the liquidity created by central banks remains trapped in the financial sector and does not flow to productive investment in the real economy. Quantitative easing to directly finance new public investment, possibly at negative interest rates, needs to be seriously considered;
- Reform structural polices so as to increase wages and reduce inequality by strengthening labour market institutions (coordinated collective bargaining, labour protection), thereby avoiding zero inflation from becoming entrenched through weak wage agreements and re-anchoring inflation expectations;
- Review and upgrade the role of robust minimum wages. The experience with the introduction of a minimum wage in Germany as well as a multitude of recent research is showing that minimum wages, also when set at relatively robust levels, can bring important wage gains for low wage workers without hindering job performance.

3. Onaran, O. (2014), "The case for a coordinated policy mix of wage-led recovery and public investment in G20", L20 Working Paper 2014, University of Greenwich, United Kingdom/ Paris, France, http://www.ituc-csi.org/IMG/pdf/modeling.pdf

III. Productivity and Inclusion

7 Productivity has a dominant place in policy narratives since the 2008 financial crisis. It is therefore important to recognise the impact of demand on productivity in the short run as well as longer run structural factors. Lower productivity growth since the onset of the crisis does not indicate supply side weakness but should rather be understood as the result of wage adjustments. Government spending cuts on top of the impact of the private debt overhang have resulted in both reduced demand and reduced economic growth. In some countries, unemployment increased or remained high. In others, where employment numbers have been holding up, the labour market has accommodated weaker growth through major reductions in wages and the quality of work. This has amounted to a major structural shift severely to the detriment of workers in many countries. Low productivity is simply the result of setting disproportionately higher employment growth against lower economic growth. The best prospects for an increase in productivity in the short run would be through material and sustained increases in demand that would lead to stronger economic growth and a sustained revival in private sector earnings.

Quality Jobs and Reducing Inequalities

8 There is no trade-off between inequality and productivity. Productivity growth is necessary for increasing living standards, but if the gains from productivity growth are not broadly distributed, then wellbeing will not increase either. The majority of OECD countries have suffered from a significant rise in income and wealth inequalities over the last three decades. The negative impact of inequality on growth is now recognised. The OECD, after launching its new Centre for Opportunity and Equality and issuing a series of reports on the growing gap between the top 1 % income earners and the bottom 40%, should be mandated to build on this work and deliver concrete policy recommendations that go beyond closing skills gaps towards achieving truly inclusive growth.

9 Rising income inequalities are not just driven by – unavoidable – technological change but also by policy errors that have weakened labour market institutions. The focus must be to correct these errors. Trade unions not only support wages at the lower end of the pay scale, they also play a key role in keeping the income share of the top 1 % under control and act as a force in favour of more equitable, progressive tax systems and welfare states. It is essential to promote sustainable, long-term oriented business models and challenge short-term productivity strategies that cut costs at the expense of wages, working conditions and employee skills development. Collective bargaining can help to spread productivity and good practice throughout the wider economy.

The OECD MCM should:

- Recognise and support the positive role of trade unions and collective bargaining in ensuring greater social cohesion and promote policies that strengthen labour market institutions so that higher productivity gains translate into higher wages. The trend of real wages lagging behind productivity, as it has been the case in several OECD economies, needs to be halted;
- Ensure that the OECD "inclusive growth" strategy is embedded in a "whole-of-society" policy approach that combines innovation and productivity enhancing measures with social and labour market policies so that all workers, all companies and all regions are involved in improving productivity performance;
- Take a strong stance against labour market discrimination as one of the clearest manifestations of the detrimental social consequences of 'unequal outcomes for equal input' and ask the OECD to expand its work on equality of opportunities, specifically for women, low-income households, and all vulnerable groups;
- Recognise that labour market reforms that replace collective rights with individual responsibilities are failing and resulting in an increase in precarious work, heightened insecurity for workers and in skilled workers leaving their countries, thus undermining potential growth and future productivity;

- Refocus labour market policies on the quality of jobs, as recent work by the OECD shows that not only the quantity but also the quality of jobs, in particular in terms of workers' security, matters. In doing so, Ministers should recognise that the problems created by a dual labour market are not solved in any way by making all contracts flexible, insecure or precarious.

Education and Lifelong Learning: Anticipating trends, while curing existing problems

10 Youth unemployment (73.3 million globally in 2015) has become a major threat to economic and social progress. No substantive fall is projected for 2016 and further increases are expected in several countries. Future OECD work should provide guidance for policies aiming to reduce the share of low-skilled youth, young people not in employment, education or training (NEETs) and those working in informal jobs. There is an imminent need for targeted labour market programmes as the NEETs numbers are highest for the 25-29 year olds (20.5 %)[4]. The next generation will otherwise be scarred for life as differences in earnings are largely determined in the first ten years in employment. The OECD Action Plan on Youth dates back to 2013 and implementation needs to be stepped up.

11 Current skills mismatches are not primarily due to failings of educational or training systems but rather due to limited reliance and funding of demand side skills policies, resulting in further labour market polarisation. Improving policy links is essential between education, training and labour market systems aiming for quality training systems across all age groups as a response to crisis-induced economic pressures and technological change. The OECD Skills Summit 2016 should endorse whole-of-government approaches with strong stakeholder involvement. The OECD has to adequately acknowledge the role of trade unions as part of policy solutions towards future-oriented skills strategies and as partners in providing quality lifelong learning solutions.

12 Ministers should mandate the OECD to continue building on its recent work on migrant integration with an emphasis on the right policy and financing mix in view of qualification recognition systems, language training, participation in mainstream classes and tertiary VET programmes. At the same time, there is need to focus on over-concentration in classrooms, to support teaching professionals, and to develop targeted programmes for unaccompanied minors and young adults.

The OECD MCM should:

- Call for an update of the OECD Skills Strategy by establishing a stronger link between the demand side of the economy, the creation of quality jobs and educational development;
- Acknowledge and support the role of trade unions in national skills systems (also as training providers), including social dialogue and collective bargaining, create incentives for skills development and commit to developing whole-of-government approaches with investment targets in infrastructure, education, training and innovation;
- Mandate the OECD to develop foresight mechanisms to anticipate future skills needs and avoid further labour market polarisation;
- Promote a variety of educational pathways for up and re-skilling by revoking funding cuts and increasing quality training opportunities for life-long learning, including through increased on-the-job training and paid educational leave, and by scaling national VET and apprenticeship systems;
- Accelerate the development of appropriate frameworks for migrant education and training for all age groups and qualification levels, and step up the labour market integration of humanitarian migrants in OECD countries[5].

4. OECD, Education at a Glance, 2015
5. OECD, "Making Integration Work: Refugees and others in need of protection", January 2016

A Social Dimension for the Next Production Revolution and the Digital Economy

13 Successful technological diffusion depends on effective regulatory frameworks and organisational structures as recognised in the OECD Daejeon Ministerial outcomes. The MCM should endorse participative approaches to innovation and acknowledge the role of trade unions in contributing to company and skills development. The upcoming OECD Ministerial meeting on the Digital Economy should validate this approach. Complex network effects from big data, cloud computing and the Internet of Things have an impact on all economic and social activities, but also pose policy challenges, specifically on jobs. New forms of non-standard work in the platform economy and mobile work need to be addressed by ensuring quality working conditions, fair wages, social protection and the right to bargain collectively. Some emerging business models pose a long-term social risk and will lead to a loss in skills development and trust.

14 The OECD's focus on "Enabling the Next Production Revolution" is welcome as the impacts of Key Enabling Technologies (KETs) and automation on productivity, work organisation, and the environment need to be evaluated and the benefits of 'innovation clusters' and green technology considered. Risks need to be assessed in advance and countered. Sensible regulation can reduce risk. Disruptive effects on jobs can be mitigated and effectively managed through active labour market policies and just transition strategies. The OECD has over-emphasised entrepreneurship as a panacea. Its approach should be more balanced, as job destruction in most start-ups occurs after five years. Productivity growth can only be achieved through sustainable and scalable business models. Market dominance in the consumer technology sector that makes it hard for new entrants to scale must also be addressed. Knowledge-driven sustainable growth requires long-term capital investments, also through public procurement, in labour assets, R&D and Knowledge Based Capital (KBC).

The OECD MCM should:

- Endorse a proactive and inclusive innovation policy framework that involves trade unions and commit to developing transition pathways for those whose jobs are at risk from industrial restructuring and digitisation, through active labour market policies and up-skilling programmes;
- Approve regulatory frameworks, including on taxation and competition, that ensure that productivity gains from the next production revolution and the digital economy are distributed equitably, while costs and investment risks are not shifted onto workers or consumers;
- Mandate the OECD to develop an "Action Plan for Quality Jobs in the Digital Economy" and link it to the revision of the OECD Jobs Strategy based on international labour standards and the premise of decent wages and effective social protection, while preventing the expansion of non-standard employment;
- Expand OECD instruments on technological and security standards for production and workers' safety, the interoperability of systems and data privacy;
- Develop a coherent set of policies and investment targets to increase technological diffusion, uptake and to bridge digital divides, while ensuring that R&D and technological innovation outcomes are shared and contribute to the timely anticipation of risks.

Enabling Environment for Inclusive Economies and Long Term Investment

Aim for Regulatory Quality, not De-regulation

15 In the past, the OECD regulatory policy agenda has focussed on cutting "red tape" for private businesses and ensuring that regulation would not hamper trade liberalisation and market

competition[6]. This has resulted in a double standard in the application of the OECD regulatory principles: in several OECD countries, the regulatory burden has been reduced for private businesses, but not for society as a whole. However, more recently, the OECD has adopted a more stakeholder-friendly and more comprehensive approach with an emphasis on the governance of regulation and on the need to reach out to citizens[7]. Nonetheless, the way the OECD addresses "stakeholder engagement" remains limited and the main message the same: quality regulation has to be pro-business and pro-trade.

16 Improving the quality and the governance of regulation should benefit all: businesses, but also consumers, public administrations, workers, and citizens. It should also draw on social dialogue as a best practice as demonstrated in a number of OECD economies: formal consultation of social partners (trade unions and employers), which in turn become co-producers of regulation when engaging in collective bargaining.

The OECD MCM should:

- Ensure that the OECD regulatory quality framework aims for the benefit of all within society (workers, consumers, citizens), and does not undermine legitimate government regulation in the name of narrow trade liberalisation and business interests;
- Acknowledge social dialogue mechanisms as essential forms of stakeholder engagement and collective bargaining as a source of regulation that can contribute to quality standards and mechanisms.

The Unfinished Agenda on Financial Short-termism

17 Short-termism remains the norm in financial markets and many board rooms despite the comprehensive post-2008 financial and corporate reform agenda. The balance sheets of global banks, "too-big-to-fail" are still opaque. The size and risks of the shadow banking system are still not entirely understood and tackled by regulators. Meanwhile, corporate boardrooms continue to divert billions to dividends and share buybacks rather than re-invest profits in productivity development and job creation, as evidenced by the OECD itself[8]. Short-termism reinforces inequality within companies, within the investment chain (asset owners, asset managers and other financial intermediaries) and within society.

18 The OECD should reassess the post-2008 financial reform agenda in terms of what has worked in the past seven years, and what remains to be done to effectively end too-big-to-fail groups, control risks in the "shadow banking" sector and review the interaction between taxation and financial regulation.

19 The OECD has adopted a number of instruments and initiatives[9] that directly or indirectly relate to the promotion of long term investment – defined by the OECD as "patient, productive and engaged capital". More needs to be done to ensure coherence between these instruments by focussing on the factors at play that fuel short-termist behaviour within the investment chain and that prevent mainstreaming of responsible investment practices. Tackling corporate short-termism also requires revisiting the link between corporate governance and productivity gains and how these gains are shared and distributed among corporate stakeholders (creditors, workers, shareholders, the tax collector, the environment, etc.).

6.. OECD Guiding Principles for Regulatory Quality and Performance , 2005, call to "eliminate [...] economic regulations in all sectors [...] except where clear evidence demonstrates that they are the best way to serve broad public interests" and to "eliminate unnecessary regulatory barriers to trade and investment through continued liberalisation and enhance the consideration and better integration of market openness".

7. See the 2012 Recommendation on Regulatory Policy and Governance and the 2015 Regulatory Policy Outlook

8. OECD Business and Finance Outlook, 2015: "The buyback phenomenon is not associated with rising productivity and better returns on equity. (...) Buybacks benefit company executives and mutual fund managers (whose performance is measured over short periods), both of whom are rewarded with stock options and awards."

9. The 2015 (revised) Principles of Corporate Governance, the 2015 (revised) Guidelines on the corporate governance of State-Owned Enterprises, the 2013 High Level Principles on Long Term Investment by Institutional Investors, the 2011 (revised) Guidelines for Multinational Enterprises and its application to the financial sector (2015 and on-going), and the Trust and Business Agenda

The OECD MCM should:

- Engage in a reassessment of the post-2008 financial reforms;
- Address short-termist behaviour within the investment chain with a particular emphasis on accountability of asset managers and financial intermediaries, on the dangers of excessive shareholder dividend and "share buyback" policy and on mainstreaming responsible investment practices.

Public Services and vibrant Civil Society for Inclusive Regions

20 The key message of the OECD Ministerial on Public Governance in Helsinki in November 2015 was that inclusive growth requires transparent and accountable public administrations at both central and local levels. Local and regional governments in particular are at the forefront of the economic and social crisis. They have a crucial role to play in supporting job creation and innovation, developing industrial hubs and sustainable cities, while helping working families to cope with the consequence of the crisis.

21 A public governance approach to inclusive growth requires transparent and accountable public administrations but also calls for a vibrant and independent civil society that can speak on behalf of citizens. They need to be empowered and organised collectively, be it in their local communities, in the workplace, and, more broadly, in the public sphere. It also requires the delivery of essential public services to all citizens to enhance their well-being, and accompany small and large businesses in the creation of local jobs. This, in turn, calls for ensuring sustainable funding of public services and public administration and a respectful treatment of public sector employees by taking their concerns on board.

The OECD MCM should:

- Harness the OECD work on public governance to empower citizens at local and national levels through collective representations in their communities and in the workplace;
- Commit to quality public services for all citizens and promote social dialogue between trade unions and employer organisations within public administrations.

IV. Development and Climate Change: Delivering on promises

Agenda 2030

22 The 2030 Agenda for Sustainable Development provides an ambitious set of sustainable development objectives for the next 15 years, which reflect many trade union priorities. The focus must now turn to effective implementation and monitoring. A major departure from its predecessor framework, the MDGs, is that the Agenda 2030 is universal and therefore applies to all countries. Consequently, the OECD must internalise the SDGs and integrate goals, targets and assessment across all areas of work. As a first step, the OECD must identify policy areas that directly apply to the SDGs and provide an added value. Areas where the OECD should take a leading role are: responsible business conduct and due diligence, PISA for development and improving the effectiveness of development cooperation. In some other areas, the OECD should complement and work closely with other intergovernmental institutions and agencies, notably the ILO.

23 The 2030 Agenda recognises that the SDGs cannot be achieved by governments alone. Therefore multi-stakeholder approaches, and in particular social dialogue, are critical to the means of implementation. Social partners' involvement is institutionalised at the OECD and other international organisations such as the ILO, and must be promoted at national level. To this end, the Government of Sweden has proposed a "New Global Deal" which aims to deliver on commitments towards inclusive growth and decent work for all. It focuses on bringing together the tripartite constituents to achieve sustainable development objectives, and in particular SDG 8.

The OECD MCM should:

- Mandate the OECD to build on its work on Policy Coherence for Sustainable Development and institute an organisation-wide approach aimed at progressing towards the achievement of the SDGs;
- Highlight the areas of the 2030 Agenda, in which the OECD can take on a leadership role including on responsible business conduct and due diligence, education and effective development cooperation;
- Call on the OECD to work closely with the ILO on all aspects regarding quality jobs, inequality and skills;
- Endorse multi-stakeholder approaches towards achieving the SDGs, especially social dialogue, and actively support, and potentially join, the 'Global Deal' Initiative.

Delivering on the Paris Climate Agreement's promises

24 In December 2015, governments agreed on a new universal framework for climate action and committed to secure a safe emissions pathway for our societies, which could preserve the livelihoods and jobs of millions in the frontlines of climate impact. The commitment to stay below 2°C and even aim at not surpassing 1.5°C average temperature increases must now be followed up with coherent policy decisions at the national level. Policies need to unleash the job creation potential of the green economy on the one hand, while at the same time securing a Just Transition for workers in sectors facing transformative changes. Governments must not consider that "the job has been done" at the COP21, the real work now begins with effective implementation on the ground.

The OECD MCM should:

- Ensure coherence between economic and investment policies and the need to stay within the Paris agreement goals, and integrate those commitments into economic planning;
- Secure, in coordination with relevant ministries, a solid package of social and economic policies, including a Just Transition Fund, to ensure social justice in the transition to a zero carbon, zero poverty world, where every worker and community can enjoy the benefits of a new, climate sound, inclusive economy;
- Call upon the Environmental Policy Committee (EPOC) and relevant joint committees (i.e. WPCID) to develop policy guidance on securing a just transition for workers which is enshrined in the Paris Climate Agreement.

V. Trade and Investment for Productive and Inclusive Growth

Rebalancing Investment Agreements

25 To support jobs, increased productivity and inclusive growth, foreign direct investment (FDI) should strengthen respect for workers' rights and decent work, and safeguard the public interest. The rules underpinning international investment agreements are skewed in favour of the protection of international investors rather than ensuring sustainable and inclusive development. The Investor-State Dispute Settlement (ISDS) is an opaque mechanism, which is unfairly biased against domestic investors as well as against other stakeholders (domestic and foreign). Large parts of FDI flows transit through third party jurisdictions, in which bilateral treaties offer access to attractive tax, regulatory or secrecy regimes. The elimination of behind-the-border barriers, including "unnecessary" domestic regulations is equally a concern. Regulatory cooperation that is not confined to technical cooperation poses a serious threat to the "right to regulate". Meanwhile, international trade itself, while being pursued to intensify competition, often leads to more consolidation and mergers and a limited number of companies dominating production in their sector, thereby de facto resulting in less, not more competition.

The OECD MCM should:

- Orient OECD discussions on international investment toward promoting long term foreign investments that effectively and directly contribute to the creation of decent work, safeguard tax revenues and domestic resource mobilisation, and sustainable and inclusive development;
- Rebalance the rights of international investors with the rights of States, their citizens and workers in investment agreements, including by safeguarding the "right to regulate" and ensuring that cross-border dispute settlement is accessible to all constituencies and covers all stakeholders' rights.

Promoting Responsible Business Conduct

26 2016 marks the 40th anniversary of the OECD Guidelines for Multinational Enterprises. This major landmark coincides with a period of significant political support for the Guidelines. At the 2015 MCM, Ministers called on the OECD to "*continue its efforts to further strengthen the performance*" of the National Contact Points (NCPs). G7 Leaders made a commitment to strengthen the NCPs and to "*lead by example*".

27 The OECD's most recent 2015 *Stocktaking Report* shows that – nearly 40 years on – the OECD Guidelines are falling short of fulfilling their potential, due largely to a number of under and poorly performing NCPs. This year, the 2016 International Labour Conference will seek to strengthen ILO mechanisms to secure decent work in global supply chains, including by creating a mediation facility. It is important that OECD and ILO processes work to complement each other in achieving common goals.

The OECD MCM should:

- Prioritise the successful implementation of the OECD Guidelines, *before* considering how to "*further promote Responsible Business Conduct (RBC)*";
- Request a re-allocation of funding from the OECD core budget to support a *permanent* and dedicated NCP Unit within the OECD Secretariat, in order that the OECD can implement G7 and OECD Ministers' commitments made in 2015[10];
- Approve a revision of the Procedural Guidance of the OECD Guidelines, so as to strengthen the rules that govern the functioning of NCPs;
- Agree to introduce national legislation aimed at making corporate human rights due diligence mandatory, so as to strengthen respect for the rights of workers in global supply chains.

VI. Labour Rights and OECD membership

28 OECD membership is committed to fundamental values: pluralist democracy based on the rule of law and the respect of human rights, adherence to open and transparent market economy principles and a shared goal of sustainable development. Civil liberties such as freedom of assembly, freedom of expression, and fundamental workers' rights are essential elements of a pluralistic democracy and of the respect for human rights. All member and candidate countries should adhere to and observe the fundamental values of the Organisation.

10. This requires a long-term re-allocation of the OECD's Part I Budget.

Colombia

29 Colombia continues to be the most dangerous country in the world to be a trade unionist. In 2015, 18 trade unionists were assassinated while 157 received death threats. In 2014, 21 trade unionists were assassinated with a further 238 receiving death threats. While the number of assassinations has declined in recent years, trade union leaders are targeted with greater frequency. Additionally, a number of trade unionists have been attacked by Colombia's riot police (ESMAD), with some suffering serious injury. The impunity rate for trade union assassinations currently stands at 87% and for death threats, the most common threat used against Colombian trade unionists, the rate is 99.8%. The average impunity rate for crimes against trade unionists is 95%.

30 Colombia's OECD Accession Roadmap exceptionally provided that the Employment, Labour and Social Affairs Committee reviews Colombia's "*policies to ensure the full respect of labour rights, with a particular focus on the rights and safety of trade union representatives*". TUAC strongly welcomes the recommendations of the Employment, Labour and Social Affairs Committee (ELSA) on tackling violence against trade unionists, reducing informality and subcontracting, improving labour law enforcement, and strengthening collective bargaining[11]. TUAC also recognises the steps taken by ELSA to consult with the Colombian trade unions in order to identify and address their concerns.

31 Nonetheless, TUAC considers that the OECD's Accession review process is insufficiently transparent and participatory to ensure that Colombia *implements* its recommendations. The experience of the US-Colombia Labour Action Plan (LAP)[12] illustrates the importance of maintaining *political will.* Under the LAP, Colombia signed up to a mutually agreed set of measures on labour rights, in association with the US–Colombia Free Trade Agreement (FTA). While the FTA came into effect in April 2012, three years later a quantitative analysis found that in April 2015 Colombia had implemented just 50% of the commitments made under the LAP. The shocking and persistently high impunity rates for crimes against trade unionists, provides another indicator of the Colombian Government's lack of political will.

Republic of Korea

32 The precedent of a special monitoring process on labour rights in the OECD was that which followed the accession of the Republic of Korea in 1996. The process resulted in some improvement in labour rights but was ended in 2006. More recently, the government crackdown on trade union rights is raising new, serious concerns. As of March 2016, 74 trade unionists are imprisoned, including the president and 14 other officials of the Korean Confederation of Trade Unions (KCTU) – TUAC's Korean affiliate alongside the Federation of Korean Trade Unions (FKTU). 504 other KCTU members have been charged with "obstruction of traffic" in relation to a demonstration held in November 2015. The UN Special Rapporteur on the rights to freedom of peaceful assembly and of association stated on 29 January 2016: "*space for exercising the right to peaceful assembly has been shrinking over the past few years [in Korea] […] Undue restrictions are seeping into every stage of the assembly process [ranging] from formal legal constraints to more practical obstacles*"[13]. Concerns about human rights in Korea are not limited to freedom of assembly. As recently reported by the TUAC[14], basic labour rights, including the right to organise and to bargain collectively as defined by the ILO, are not observed. Korea joined the OECD in 1996 on the basis of a commitment to reform its labour law in line with international standards[15]. Korean

11. OECD Reviews of Labour Market and Social Policies: Colombia, 2016.

12. The Labour Action Plan was signed on the 7 April 2011.

13. Statement By The United Nations Special Rapporteur On The Rights To Freedom Of Peaceful Assembly And Of Association At The Conclusion Of His Visit To The Republic Of Korea, 29 January 2016, http://freeassembly.net/news/statement-republic-of-korea/

14. Upholding Labour Rights in Korea in an OECD context - Issues paper prepared by the TUAC Secretariat, Paris, 4 March 2016, http://www.tuac.org/en/public/e-docs/00/00/11/D8/document_doc.phtml

15. On the 9 October 1996, prior to joining the OECD, the Korean Government wrote a letter to the OECD stating that: *"The Korean Government confirms its commitment to the basic values shared by the OECD Member Countries, particularly the ideals of pluralistic democracy, open market economy and respect for human rights. […] The Korean Government confirms its commitment to reform existing laws and regulations on industrial relations in line with internationally accepted standards, including those concerning basic rights such as freedom of association and collective bargaining."*

workers and society more generally require a system of labour law and practice that is consistent with ILO fundamental principles and rights at work and as a result can reconcile conflict justly. Progress towards respect for fundamental rights at work and towards social dialogue has halted and now appears to be moving backwards. Korea can no longer be said to be fulfilling its original commitments when it joined the OECD.

The OECD MCM should:

- Re-affirm the fundamental values which are common to the OECD countries, including pluralistic democracy and respect of human rights;
- Establish a "Special Monitoring Process" for Colombia involving the Colombian trade unions, in order to verify the implementation of the OECD's recommendations on labour rights and trade union rights and safety *prior to Colombia's Accession to the OECD;*
- Call upon the Republic of Korea to effectively uphold labour rights and freedom of assembly and engage in transparent and democratic dialogue with all components of the Korean civil society, including trade unions.

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