



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

Territorial Development Policy Committee  
Meeting at Ministerial Level  
**Written Contribution**  
Paris, 31 March 2009

**Highlights**

- *The OECD Ministerial should commit to ensuring that regional policy is fully integrated into the on-going recovery plans with maximum and immediate impact on jobs and household purchasing power. OECD Public Governance and Territorial Development staff should closely monitor the design and implementation of the stimulus packages with a view to ensuring maximum impact at the regional level.*
- *Active labour market policies are key to regional competitiveness. In contrast lowering the standards for workers' rights will not help those regions lagging behind.*
- *The promotion of 'Decent and Green' jobs creates synergies between fighting unemployment and protecting the environment, particularly in the context of recovery packages. In addition, policies aimed at combating climate change provide opportunities for rethinking urban-rural linkages, for promoting sustainable and local modes of production and revitalising regional economies.*
- *The OECD Ministerial should reaffirm its commitment to protecting national tax bases and ensuring solid public financing of local government that is fair and sustainable.*
- *Public services and targeted policies meeting the needs of working families, including housing and financial services, should be central in regional policy development.*
- *Local leadership is intricately linked to vibrant local democracy and accountability. Privileged dialogue between local elected officials and private businesses creates an un-healthy environment. Regional policy should integrate participative approaches that put equal weight on each of the core constituencies of private sector and civil society, including trade unions.*

1. The TUAC – representing organised labour at the OECD – welcomes the timely initiative by the OECD to hold a meeting at the Ministerial level of the Territorial Development Policy Committee focussing on growth and innovation for regions, on 31 March, as well as the Forum preceding the Ministerial on 30 March in Paris.

2. The background report that is circulated for the meeting<sup>1</sup> provides a comprehensive overview of lessons learned and sets out guidance on changing “the paradigm” of regional policy, and fostering growth and innovation on the long term.

3. We submit the following comments on the future direction of this work. Also, in view of the impact of the economic crisis on working families, we recommend that the Ministerial Meeting focuses on the issue of how regional policy can support the on-going recovery plan so as to have immediate effects on the real economy.

4. Staggering falls in GDP have been recorded in the final quarter of 2008. At an annualised rate, GDP shrank by 6 per cent in the OECD as a whole, while unemployment has continued to surge in the first months of 2009. It now appears likely that the ILO’s ‘worst-case’ scenario of unemployment increasing by 50 million worldwide in 2009 will turn out to be over-optimistic. The fiscal stimulus packages prepared by governments to alleviate the impact of the financial crisis on the real economy and to put economies on the path to recovery are welcome. Yet, trade unions have concerns about both the size of the recovery plans – we have called for the packages to be at least 2% of GDP – and their design – they should seek to maximise the short-term impact on jobs and on working families’ purchasing power. Regional policy has a crucial role to play in transmitting the effects of the national recovery plans to the real economy.

- ***The OECD Ministerial should commit to ensuring that regional policy is fully integrated into the on-going recovery plans with maximum and immediate impact on jobs and household purchasing power. OECD Public Governance and Territorial Development staff should closely monitor the design and implementation of the stimulus packages with a view to ensuring maximum impact at the regional level.***

5. With regard to regional policy, the OECD background report rightly identifies three key factors in building regional competitiveness: (i) infrastructure (including transportation); (ii) increasing labour market participation; and (iii) business environment that is prone to innovation.

6. With regard to labour market policy, with reference to the OECD Jobs Strategy, the report suggests that more labour market flexibility is needed in order to improve mobility between regions, as this would make employers “more willing to hire” and the unemployed “more confident of getting another job”. TUAC disagrees: flexibility has become synonymous with precarity. Lowering the standards for workers’ rights will not help those regions lagging behind and creating an insecure labour market is not a desirable future for workers who which to have confidence to retrain and face change positively. On the contrary, and as referred to in the report, active labour market policies should be adopted that boost investment in people, including training, life-long learning, working time arrangements.

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<sup>1</sup> GOV/TDPC/MIN(2009)E/REV1

- ***Active labour market policies are key to regional competitiveness. In contrast lowering the standards for workers' rights will not help those regions lagging behind.***

7. The report rightly signals the increasing challenge facing regions regarding environmental degradation and the need to improve the capacity of regions to mitigate and adapt to its impacts on communities. It is clear that the economic and climate crisis can only aggravate a situation that is already critical, notably with regard to natural resource management and social progress. While these challenges are complex, they must be tackled in a coherent manner, particularly given the context of scarce public resources.

8. As described in the ILO “Green Jobs report: Towards decent work in a sustainable, low-carbon economy”<sup>2</sup>, environmental protection policies (through their strong ties with local economies) offer tremendous potential for both job creation and revitalizing local economies.

9. In the context of the recovery plans, a number of policies could provide new jobs and help to diversify local economies and place regions, thus placing regions on the path to greater sustainability. These include policies for energy efficiency, such as retrofitting buildings in urban areas, and for protecting critical habitats and improving the provision of ecosystem services which would reduce systemic ecological risks. Jobs created in these sectors will boost innovation and new skills and can revitalize local economies, provided that the quality of these jobs is assured.

- ***The promotion of ‘Decent and Green’ jobs creates synergies between fighting unemployment and protecting the environment, particularly in the context of recovery packages. In addition, policies aimed at combating climate change provide opportunities for rethinking urban-rural linkages, for promoting sustainable and local modes of production and revitalising regional economies.***

10. More fundamentally the report proposes a helpful shift of paradigm, moving away from centralised “command and control” approaches to more integrated “positive sum” approaches. Yet, even the most sophisticated models cannot escape the laws of fiscal gravity. A prerequisite for active regional policies is to have in place broad-based and secure public finance. Threats to sustainable financing of local government and public services – such as a tax “race to the bottom” between regions, fiscal gaps between the level of resources and those required to carry out mandated responsibilities– are in TUAC’s view insufficiently addressed by the report. Furthermore the report seems to adopt an overly optimistic view of the role that for-profit private operators can have in local government financing. This is the case for the report’s assessment of public-private partnership, which uses the same accounting devices (off-balance sheets) and financial engineering (securitisation of private debt) that are at the vortex of the financial crisis.

- ***The OECD Ministerial should reaffirm its commitment to protecting national tax bases and ensuring solid public financing of local government that is fair and sustainable.***

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<sup>2</sup>[http://www.ilo.org/global/What\\_we\\_do/Publications/Newreleases/lang--en/docName--WCMS\\_098503/index.htm](http://www.ilo.org/global/What_we_do/Publications/Newreleases/lang--en/docName--WCMS_098503/index.htm)

11. Quality public services in sectors such as health, education, security and transportations are central and need to be supported and enhanced in a changing regional policy environment. While regional competitiveness is desirable, in the current economic crisis, top priority should be given to protecting the most vulnerable and ensuring working families have access to decent and affordable services. Regional policy has a role in this regard, for example in targeted housing programmes, development of community-based financial services, and public transports among others.

- ***Public services and targeted policies meeting the needs of working families, including housing and financial services, should be central in regional policy development.***

12. We strongly agree with the need to building accountable and “credible” local government leadership as outlined in the report. Local democracy and participation of civil society groups at large are central in this regard and in active regional policies. Yet, the report fails to refer to the role that stakeholders, and trade unions in particular, could play in improving regional policy. The OECD stresses that “the participation of private key actors in the very definition and implementation of regional development strategies is directly attached to the notion of leadership at the local level”. This fails to give a clear message.

13. Ensuring transparent and broad dialogue between all constituencies, including business but also trade unions, local communities, consumer associations and other civil society groups, contribute to healthy local democracies. There are best practices that can be drawn from experiences of local government partnerships with unions and businesses. Letting local elected officials engage in discussions with CEOs behind closed doors significantly departs from the notion of public interest and may generate policy or regulatory capture.

- ***Local leadership is intricately linked to vibrant local democracy and accountability. Privileged dialogue between local elected officials and private businesses creates an un-healthy environment. Regional policy should integrate participative approaches that put equal weight on each of the core constituencies of private sector and civil society, including trade unions.***