



OECD Development Centre's High-level Meeting, 1 July 2014

TUAC Inputs to the Session III: Social Cohesion for Growth

Decent Jobs and Wages

While extreme poverty levels decreased, there are persisting and rising inequalities in most developing and middle-income countries. TUAC has been referring to this in the Discussion Paper on inequality, prepared for the OECD Liaison Committee Meeting in December 2013. As has been pointed out in the Issue Paper for this Session, this has wide-ranging consequences on health and education levels, and hence on future generations.

Leaving aside the moral case for greater equality, there is also a compelling economic case against inequality and for social cohesion. Poverty excludes millions of citizens from the mainstream economy, depriving them of the opportunity to achieve their potential. At the same time, many middle-class families in developing and middle-income countries face difficulties to pay for decent housing, appropriate health care, old-age security and decent education. If this trend continues, a weaker middle class will equal a weaker economy. A recent report by the Asian Development Bank argued that if in emerging Asian economies income distribution had not worsened over the past 20 years, the region's rapid growth would have lifted an extra 240 million people out of extreme poverty. Raising low and middle incomes is thus important to both reduce inequality, but also to inject purchasing power into economies and trigger productive investments.

- This income led growth should be supported by **extended collective bargaining**. The positive correlation between trade union density and equality has been recently demonstrated in ILO studies.
- In-work poverty in developing countries can be addressed through the establishment of **well-set minimum wages** through collective agreements to ensure a "living wage" in light of national contexts.
- In regard to high levels of informal jobs and precarious working conditions, **labour market institutions** in developing countries income led growth should be strengthened. This includes social dialogue, collective bargaining and the protection of workers' rights.

With increasing trade and Foreign Direct Investments, policy space and country ownership need to be preserved. At the same time, conditions for decent work need to be promoted. This depends on a range of factors, specifically on the implementation of and respect for labour standards in trade and investment treaties.

Future development policies should set out upgrading strategies that make Global Value Chains (GVCs) socially sustainable to reverse the current explosion in precarious work by improving workers' rights and working conditions, including safety at work, upgrading skills, promoting gender equality and improving understanding of responsibilities of multinational enterprises (MNEs) under the OECD MNE Guidelines.

General recommendations

- ▶ Social cohesion entails 'sustainable and decent jobs', which can be supported by well-set minimum wages, progressive tax systems, targeted investments in infrastructure and the green economy that create jobs but also improve long-term productive potential.
- ▶ It requires strengthened labour market institutions such as collective bargaining and social dialogue on a coordinated basis, which should be made integral to trade agreements.
- ▶ Workers' rights and social protection systems need to be strengthened so as to formalise informal jobs and prevent formal employment to slide into informality.
- ▶ Employment precarity can be reduced within inclusive labour markets that boost activity rates of vulnerable groups, notably women including through investment in childcare facilities and the "care economy".
- ▶ Global social protection floors need to be introduced to ensure the provision of universal health and elder care and basic public services.
- ▶ Youth employment can be enhanced by introducing youth guarantees, quality vocational training and apprenticeships, as called for by the L20 and B20, as well as increased investments in quality public education.

Investing in Sustainable Jobs for the Youth

TUAC agrees with the need for a holistic approach that focuses on quality job creation, scales up apprenticeship systems and training opportunities, and decreases informality that is referred to in the Issue Paper in combating high global youth unemployment. The economic benefit, as the paper rightly points out, lies in the long-term and would have a positive intergenerational effect. Policy actions need to promote active labour market policies and institutions that ensure a smooth transition of young people into job markets. As has been referred to above, investments in infrastructure and the green economy would help creating such future oriented jobs.

Promoting Gender Equality

Everywhere around the world women participate less in economic activity than men. Globally, women spend more than 6 hours a day on unpaid care work. This plays a significant role in limiting women's possibilities to participate fully in the labour force, to earn equal pay for work of equal value, to progress in their careers and to take up leadership positions. Quality public education, health and social care are needed in order to reduce and redistribute the unpaid care work done mainly by women.

Ensuring Social Protection Coverage

The importance of social protection programmes and the direct impact they have on reducing poverty is widely acknowledged. National and global development strategies should include global social protection floors to ensure the provision of universal health and elder care and basic public services. This is also important for those working on a part-time basis or in precarious working conditions. Universal social protection (and "Employment and Decent Work for All") should not only become part of the post-2015 Development Framework but be encouraged in all specific global, regional and national commitments. This should entail the developmental role of governments to provide essential public services.