

INCLUSIVE GROWTH: MORE AND BETTER JOBS AND REDUCTING INEQUALITY

TUAC Consultations with the OECD Liaison Committee

Monday, 7 December 15.00-18.00

OECD Conference Centre

TUAC DISCUSSION PAPER

I - Introduction

1. The meeting between the OECD Liaison Committee and TUAC is taking place at a moment when global economic growth has stalled, raising the prospect of “secular stagnation”. The most recent OECD Economic Outlook released in November confirms this. Many of the emerging economies that have driven global growth over the past three years are now in crisis. There is the risk of unemployment which is already at an unacceptably high level rising further, especially for young people, in many OECD countries. There is rising social unrest as citizens in many affected countries reject their governments’ austerity measures and their negative spill-over effects on growth and social conditions. As confirmed by recent OECD reports, in particular “In It Together”, the gap between rich and poor is at its highest level since 30 years, while real household incomes fell substantially in countries hit hardest by the economic and financial crisis since 2008. In addition, other emerging trends including technological, climate and demographic changes need to be addressed through the development of longer-term strategies and whole-of-government approaches to manage their social and employment impacts in future OECD work.

2. This Discussion Paper identifies measures for responding to the crisis and longer-term transformative trends under two headings, which reflect the agenda of the Liaison Committee meeting:

- The continuing jobs crisis, action to reduce unemployment and income inequality now;
- Creating quality and productive jobs for the future.

II - The continuing jobs crisis, action to reduce unemployment and income inequality now

3. On the basis of OECD and IMF analysis and advice, the G20 Finance Ministers and Central Bank Governors committed to raise G20 GDP “*by more than 2% above the trajectory implied by current policies over the coming five years*” at their meeting in Sydney in February 2014 – an extra 0.5% growth per annum - which was endorsed by G20 Leaders in Brisbane one year ago. The G20, and most of the OECD area is off-target and growth is now more than 2 % below the level it should be at. If the target was to be reached, growth would now have to rise by more than an extra 1 % per year during the period up to 2018. This will not happen on current policies: investment and output growth remain far below longer-term trends and pre-crisis levels. Growth forecasts by the OECD and the IMF have now been revised downwards eight times since 2010, most recently in the OECD Economic Outlook released on 9 November 2015. Meanwhile, the global “jobs gap” keeps on rising. The ILO

and OECD have analysed its scale: It is expected to increase by 3 million in 2015 and by a further 8 million in the following four years. In addition, there is a rise in non-standard work, including precarious jobs and temporary contracts, as well as an overall increase in informality. Policy makers should not disregard that precarious jobs make for a precarious recovery. Structural “reforms” that have become the OECD’s “leitmotiv” will not make a positive difference in the immediate term. Many recent reforms resulted in unintended effects by pushing aggregate demand levels further down. Policies have to shift to raising aggregate demand in the short term and ensure that measures are also targeted to reducing income inequality and increasing the quantity and quality of jobs, as well as public investments.

4. The OECD is now prioritising inclusive growth and well-being as key themes, the central dimension of which must be reducing income inequality. It is no longer just an ethical or normative issue – it bears economic costs and restrains a broad-based and sustainable recovery. There are also serious long-term consequences. High inequality leads to low inter-generational mobility. The capture of the policy agenda by top income earners through their excessive domination of political funding in some countries is leading to a serious distortion of public policy and builds inequity into economic growth models. As the NAEC report states, the rise of inequality “*can affect economic growth, weaken social cohesion and sap trust in markets and institutions*”. TUAC has called on the OECD to move to a comprehensive approach with a set of policy recommendations for reducing inequality. The income inequality and jobs elements of “Inclusive Growth” should be mainstreamed in all OECD work, underpinned by the substantive outcomes of the NAEC. The TUAC welcomes the creation of the Centre for Equality and Opportunity. It now needs to be seen how it can substantively contribute to mainstreaming “inclusive growth” into relevant OECD policy areas and involve stakeholders, including trade unions, in its work. The Meeting of OECD Labour and Employment Ministers in January 2016 should build on the G20 Policy Priorities on Labour Income Share and Inequalities adopted by the G20 Employment Working Group and G20 Labour and Employment Ministers’ meeting in September 2015 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. These are consistent with the policies proposed in the [TUAC checklist](#) on reducing inequalities for the OECD Ministerial Council Meeting in 2015.

5. Young people are particularly scarred by the jobs and inequality crisis. The OECD focus should reach far beyond “skills mismatches”. There is a need 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 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 %). The OECD should support the implementation of the G20 “Youth Target”. In addition, the role of employers in providing competencies and skills needs to be defined. The TUAC has developed key recommendations for tackling youth unemployment and underemployment, for which both policy guidance and action are needed: (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.

6. TUAC has worked with our global union partners to put forward quantified proposals that could raise growth and reduce inequality to IFI and G20 meetings over the past four months. We are calling on governments 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. It is welcome that the OECD Economic Outlook no 98 calls for “collective action to increase public investment” in Europe. The L20 growth modelling shows that expansion of public infrastructure investment by 1% of GDP across the G20 could create up to 3.8% more growth over five years compared to current policies.
- 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 through comprehensive policy programmes.
- Rebalance structural policies towards achieving quality employment by:
 - Supporting youth employment by setting targets for increasing youth employment and activity rates, introducing youth guarantees, promoting quality vocational training and apprenticeships, and increasing investment in quality public education;
 - Expanding women’s employment and promoting inclusive labour markets by boosting activity rates of vulnerable groups, including through investment in childcare facilities and the “care economy”;
 - Tackling long-term unemployment by expanding training opportunities and job creation through active labour market and employment policy measures;
 - Introducing global social protection floors to ensure the provision of universal health and elderly care and of basic public services;
 - Strengthening workers’ rights and social protection systems so as to support the transition from the informal to the formal economy;
 - Guaranteeing decent work in global supply chains building on the G7 initiative to strengthen the OECD Multinational Guidelines and the National Contact Points;
 - Given the current refugee crisis - targeting commitments to resettle refugees and asylum seekers and afford all migrants the right to work in the formal economy with associated labour, social political and cultural rights. Governments should recognise displacement as a development challenge with the acknowledgement of the skills and incomes contributed to host nations as well as the humanitarian and protection issues. We welcome the OECD’s efforts to use its data on migration to encourage debates on necessary policy follow-up to respond to the refugee crisis.

Does the Liaison Committee share these priorities?

How does it view the prospects for urgent remedial action and the opportunity presented by the 2016 Council at Ministerial level?

III - Creating quality and productive jobs for the future

7. The forthcoming Ministerial meeting of the OECD Employment Labour and Social Affairs Committee is due to mandate the OECD to undertake a revision of the 1994 “Jobs Strategy” following on from the reassessment of the Strategy in 2006. The revision must take into account the imperatives of **both** achieving inclusive growth and reducing income inequality **and** preparing a strategy for the impact of the next wave of technological and organisational change upon the future of work and working conditions. TUAC concurs with the September 2015 enlarged Parliamentary Assembly of the Council of Europe resolution that called on the OECD “*to mainstream the Inclusive Growth policy framework across the work of the OECD.*” The Assembly called on OECD member States to: “*Take action to raise middle and lower household incomes to boost demand and purchasing power; strengthen collective bargaining and (minimum) wages, keeping pace with increased productivity; halt the increase in precarious, informal or irregular work.*” It also called on the OECD “*to use the forthcoming (January 2016) Ministerial meeting of the Employment, Labour and Social Affairs Committee to include these points in the revision of the 1994 OECD Jobs Strategy*”, while recognising “*the opportunities offered by a next production revolution, but also the challenges for inclusiveness, for employment and for economic distribution.*”¹ 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 policy pathways to manage employment and income shocks. The Labour Ministerial in January 2016 can act as a catalyst for action. It needs to evaluate previous policies against their effects on employment and inequality and propose new solutions based on this evidence.

8. In addition to the Labour Ministerial meeting, a series of other OECD events in 2016, notably the Ministerial Council Meeting, as well as the Ministerial on the Digital Economy in Cancun provide opportunities to develop a comprehensive response to the employment and social implications of technological change. The analysis must go beyond urging “product market reforms”, reducing skill mismatches and increasing labour mobility, and rather focus on expanding public investments in research and training and the link between productivity and inclusive growth.

9. The OECD is well-placed to analyse the benefits and risks, especially in view of social impacts, of technological change. It needs to do so in a multi-disciplinary manner and consider employment and environmental impacts of “disruptive” innovation. In this respect, the project on the “next production revolution” should deliver a balanced assessment of the benefits and challenges in terms of productivity, jobs, wages, working conditions, well-being and green growth. It is essential to ensure a just transition in terms of job creation in regard to both technological and climate change. Job displacements that result in long-term earning losses will be resisted. In regard to environmental policies, a proactive, fair approach can accelerate change and keep us on a “below 2°C” pathway. This entails investment in skills and lifelong learning, income protection and other social protection measures for workers in sectors hit by climate policies, with dialogue mechanisms to secure workers’ involvement in the design of future jobs and adequate funding for transforming local economies.

¹ 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

10. In light of spreading “digitisation” across different economic sectors, the choices in terms of work organisation and technology must be evaluated. There are many unmet needs both globally and in OECD countries and there need not be a limited amount of work available and if effectively managed, innovation cycles can have positive employment effects. It is necessary to embed technological change in socially responsible policy frameworks. This concerns labour market institutions including social protection systems, social security, job quality frameworks and safeguards. Concerns about new digital companies, the sharing and the gig economy, are not about the creation of new (partly app-based) business models as such but the damaging precedents that many of them are setting in terms of undercutting existing regulation and labour standards, resulting in damaging working conditions that are driven by narrowly short-term market strategies that create high-pressure working environments (e.g. Amazon). Increasing numbers of workers want to be represented by trade unions in the digital sector. The example of Uber shows how a company doubling its revenue every six months, gives no say in the pricing to its drivers, does not consider them as employees, while they bear insurance and repair costs but can be excluded from the system at any time. The Mexico Ministerial in June 2016 can provide policy guidance on how to bring different interests together, and reconcile internet openness and innovation with quality jobs and training. The TUAC will organise its own stakeholder forum and participate actively in the preparations of the event. We also work closely with BIAC on the follow-up of the B20-L20 joint declaration (Ankara, 2015) in view of future jobs in the digital economy.

11. In the light of this, TUAC is calling for an action plan where governments:

- Encourage the creation of new, high-quality products and services through productivity increases and digitisation but, at the same time, ensure that gains are distributed equitably, while innovation costs or 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 labour regulation and legislation
- Ensure decent wages in new sectors and prevent the expansion of non-standard employment arrangements that leave people unprotected through effective regulation frameworks
- Work to strengthen labour market institutions so as to provide social safety nets, social protection, guidance and training programs for displaced workers and other labour safeguards
- Support worker empowerment and the freedom of association in new industries through collective bargaining and social dialogue
- Increase public investment in upskilling and training of workers to prepare them for new technologies and the transition to low-carbon economy, and ensure that businesses provide quality on-the-job training
- Support and help disseminate union approaches to technological change including the social dialogue on wage levels, the re-design of work systems and training agreements, as well as of working time arrangements, etc.

- Adopt a comprehensive foresight approach to scenarios for future of work both quantitatively and qualitatively.
- Regulate the collection, validation and use of personal data and ensure consumer and worker privacy rights.

Does the Liaison Committee agree with a) the policy priorities and b) the policy response?

How can social dialogue at OECD level be effectively used in the next steps on the work on the future of jobs, in general, as well as on productivity, technological change and the digital economy, the revision of the Jobs Strategy, and climate policies?