

TUAC	trade union advisory committee to the
OECD	organisation for economic cooperation and development
■ CSC	commission syndicale consultative auprès de
OCDE	l'organisation de coopération et de développement économiques

OUTCOME OF THE OECD MINISTERIAL MEETING ON SOCIAL POLICY Paris 31 March – 1 April 2005

TUAC EVALUATION

The run up to the 2005 Social Policy Ministerial

1. At their previous meeting in 1998 OECD Social Policy Ministers agreed to promote employment-oriented policies to combat poverty, inequality and exclusion. They concluded that reforms of social protection systems and social policies should go beyond cost-containment and increasing efficiency. They emphasized rather that social policy should contribute to increasing opportunities for individuals to participate in society enabling them to fully exercise citizenship. They also agreed to promote early childhood development and family friendly policies which would help families balance work and caring responsibilities.
2. The outcome of social policies and welfare reforms over the last seven years is not encouraging. Overall social policy reforms in the OECD have failed to achieve their stated objectives. Policies have more been driven by the desire to cut back social expenditure and to redesign spending patterns. In line with the trend towards fostering employment predominantly through supply-side adjustments there has been also a shift towards “activation” policies.
3. Policies have restricted eligibility for benefits, reduced benefit levels and replaced universal benefits by targeted benefits. They also have changed the principles of social security systems: instead of protecting individuals against risk, the aim has been to change their behaviour by encouraging work. The division of responsibilities between government, family, the society and the market has changed. Public welfare provision has increasingly been replaced by individual responsibility.
4. Recent evidence from the OECD on the effects of these policies does not justify a “more of the same” approach. Programmes, sometimes described as “new pathways back into the labour market”, have been deemed successful for lifting people out of an alleged “dependency culture, caused by welfare benefits”. However, the OECD acknowledges that many of those leaving welfare do not get jobs providing a sufficient income and opening up career prospects. Poverty has continued to rise, and some recipients of “active” welfare are now worse off than they were before.

Messages conveyed to Ministers by TUAC

5. Against this background, the TUAC Statement presented to the 2005 Social Ministers’ Meeting stated that public social security and welfare state commitments, based on the principles of social justice and equity, were a basis for productivity and economic competitiveness. Moreover, it emphasized that welfare regimes were also necessary to provide protection against social risks that private insurance cannot adequately cover. The main points of the statement were as follows:

- Activation policies will only work if quality jobs are available;
- In order to overcome labour market segregation and to increase employment rates of older workers and women, particular attention must be given to the quality and security of jobs;
- Minimum wages must provide income beyond the poverty threshold. In order to combat poverty, it is critical that public policies improve income security. The goal should be to lift every working family out of poverty;
- Providing a better work-life balance, focusing not only on mothers but on parents is a prerequisite for increasing job satisfaction, productivity and employment;
- The fight to abolish child poverty and to overcome inherited social disadvantage cannot be based exclusively on benefits. It must be linked to the promotion of employment, job security and decent wages as well as to improvements in education;
- Pension systems should not only be financially sustainable, but adequate as well. Thus, social policy must reduce the risks of poverty and social exclusion among the elderly as well as among age cohorts who will turn grey in the future. This requires to ensure an appropriate balance between contributions and benefits by taking into account the impact on future pension benefit entitlements caused by career breaks related to unemployment, maternity and paternity leave, child rearing, training as well as precarious work;
- Increasing the effective age of retirement is not sufficient – the focus must go beyond the supply side of the labour market. Raising the statutory retirement age is neither the only nor the most desirable route for increasing the participation rates of older workers. A rise in statutory age alone does not necessarily bring about a rising effective retirement age. Trade unions support efforts to develop a smooth path for a flexible transition from work to retirement in order to contribute to active ageing. However, a voluntary decision by employees to agree to the extension of working life must be considered a prerequisite of such an approach.

6. The Statement also emphasized that solidarity between generations at all levels is fundamental for an inclusive society. At the same time it warned against misusing the arguments for “intergenerational fairness” to justify spending cuts at the expense of the elderly. The Statement also criticized excessive pessimism about the future of pay-as-you-go systems, as well as complacency on the question whether current and future incomes of the elderly were adequate to prevent a reappearance of old age poverty.

7. At the OECD Forum on “Does Social Protection have to be provided only by government?” that was held during the Ministerial Meeting, the view was strongly expressed that privatizing the provision of social protection is not an option to produce substantial cost savings or strengthen social cohesion and social justice. For a number of reasons the scope for introducing more private finance into social protection is limited. As a more promising approach it was suggested to focus on sickness prevention. That is the area where the key actors of industrial relations, trade unions and employers, can contribute to limit social spending by reducing health risks at the workplace, by improving working conditions and strengthening occupational health systems.

Issues on the agenda of the Ministerial Meeting

8. In the background documentation for the meeting, the OECD admitted that despite social progress made in a number of countries many problems remain: Too many people are still exposed to risks of poverty, of exclusion from work in prime age, of isolation and limited self-sufficiency in old age. There was a broad agreement that action is needed urgently before population ageing complicates reforms further. Thus, it was suggested that Ministers should discuss which measures are needed to address these social challenges and that they should also discuss rights and responsibilities in social policy with non-governmental organisations.

9. The issues paper prepared for the meeting suggested that the Ministerial debates should focus on providing specific answers to the following questions:

- **How best to invest in families and children?**
 What interventions are most likely to support child development and avoid later social distress?
 How to reconcile work and family life in the best interest of children?
 How to remove obstacles that prevent people having the number of children they desire?
- **How to get a better social policy balance between generations?**
 How to get a better intergenerational compact?
- **How to assign rights and responsibilities for different parts of society in delivering social protection?**
 Should there be more private finance and/or delivery of social protection?
 How can concerns about inequality of access to privately-provided social services and quality of services be best addressed?
 To what extent should workplace regulation or negotiations between employers and employees be used to achieve social objectives?
 Will better co-operation between government and NGOs lead to better delivery of social policy?
- **How to design active social policies to tackle poverty?**
 What can be done to help those who really cannot work in the paid labour market?
 Is it possible to create socially useful activities outside the labour market?
 Helping people with disabilities, lone parents and the long-term unemployed into employment will be expensive, at least in the short run. What are the most cost-effective policies?
 What should we do to promote welfare-in-work as well as welfare-to-work?

Consultations with Ministers

10. A TUAC delegation, led by Lodewijk de Waal, President of the Dutch trade union confederation FNV, took part in joint consultations with Ministers and BIAC on the day prior to the meeting. TUAC representatives summarized the main points of the statement submitted to Ministers and provided answers to a number of questions posed mainly by the chair of the meeting, Mr. Aart Jan de Geus, the Minister of Social Affairs and Employment of the Netherlands. The chair invited BIAC and TUAC delegates to reflect on whether unions and

employers were sufficiently active in improving the basic provisions for a better work-life balance and whether they could draw some lessons from their experience.

11. TUAC representatives drew particular attention to the need to further improve the work-life balance by implementing a family policy based on gender equality both in the home and the workplace. Moreover, they emphasized also the need to implement parental leave schemes that could be taken up by both parents without cutting off career opportunities. They pointed to the fact that in an increasing number of OECD countries collective bargaining has complemented the legally set parental leave available to parents. They expressed also concerns about a misplaced pessimism regarding the future of public pension schemes, in particular of pay-as-you-go systems.

12. BIAC delegates also expressed support for an improved work-life balance; however, they expressed concerns that mandatory family friendly policies would hamper the ability to do business and could undermine the competitiveness of companies. Some BIAC delegates refused to support improvements of family friendly policies which they perceived as increasing the costs to be borne by companies. However, other BIAC participants emphasized the increasing stress and health problems faced by employees and management in reconciling work and family responsibilities.

13. TUAC delegates commented critically on the call made by BIAC in its submission to Ministers to increase labour market flexibility by “reforming” existing legal restrictions and to increase the flexibility of workers. In turn, TUAC underscored the need to approaches providing flexibility for workers.

14. Neither contrasting views on flexibility nor on the framework of family friendly policies provoked an in-depth and interactive debate with the Ministers. This was partly due to the fact that the consultations were decoupled from the official part of the Ministerial meeting. This also limited the participation of Ministers or high level government representatives in the consultations. The debate was however taken up at the Forum in which BIAC and TUAC participated.

The Forum on “*Does Social Protection have to be provided only by government?*”

15. The Forum began with Neil Gilbert, Professor of Social Welfare, University of Berkeley, California, outlining five different possible policy pathways to enlarge the private contribution to the mix of public and private responsibility for social protection, namely to:

- Encourage voluntary private financing through tax incentives;
- Require private financing via charging partial fees for subsidized services;
- Mandate private financing through regulatory legislation;
- Indirectly promote private production and delivery of social provisions through providing public benefits in the form of cash or vouchers;
- Measures that directly advance private production and delivery of social provisions through purchase-of-service arrangements.

16. He emphasized that these pathways were assumed to offer certain advantages over public provision by reducing costs through competition and innovation, heightening quality of services and promoting consumer choice. However, he also said that advantages would require critical examination as some outcomes of privatization were not as beneficial as

claimed. The subsequent debate urged caution with regard to simplistic assertions made about economy-wide gains resulting from a greater reliance of the private sector in financing and delivering social protection.

17. Research quoted suggested that there was a lack of evidence showing that increased use of private provision has led to major cost savings and to efficiency gains. It seriously disputed the assertion that outsourcing services to private producers would boost efficiency. Moreover, the distributional effects of private provision were increasingly a cause of concern. This applied in particular to policies encouraging take-up of private health insurance and private pensions based on tax relief. They work clearly at the disadvantage of low-income groups. According to an intervention by the International Social Security Association (ISSA), it was doubtful whether citizens really wanted a broad range of choices on social security provision as assumed by many policymakers and representatives of “for-profit” providers. In everyday life, high information costs and lack of information prevented consumers from behaving as outlined by economic theory.

18. The debate also indicated that some exponents of privatization, while arguing in terms of increasing choices by offering vouchers and contracting out from public systems, were pursuing a totally different objective. Their objective was to gain support for wholesale government disengagement from providing many services. These advocates tended to look at the economy in zero-sum terms, where more government spending meant less growth in the private sector. However, this view was contested. A number of countries that had relatively high levels of government spending have also enjoyed high growth rates regarding productivity, employment and GDP. This applied in particular to the Nordic countries. Public spending often represents investment in human capital and other intangible capital that was not quantifiable.

19. TUAC delegates did not claim that there was no role for some private provision. However, they emphasized the need to consider its various forms carefully, as there was no single remedy for problems related to the provision of social protection. It was argued that we do not face mere a choice between public or private provision, but an extensive variety of options in organizational forms and modes of ownership, control, and finance.

20. The final part of the Forum focused on the role of workplace provision of social protection and the role of trade unions and employers. TUAC delegates pointed out that there was little sign that employers were voluntarily ready to improve the working lives of employees with family responsibilities. The initiative of employers went little beyond extending part-time work. As a case in point, the findings of a representative survey of more than 2,000 human resource managers in the UK were quoted. According to the survey, employer’s representatives agreed that work-life balance practices do foster good employment relations, yet more than half did not offer any form of flexible choice for workers. The survey revealed that 47% of managers said that in their organisations working time arrangements were sensitive to the needs of women with school-age children. However only 3% of the organisations provided childcare and over two-thirds of the organisations did not allow any paid parental leave beyond the statutory minimum. Moreover, 67% did not offer any opportunities for career breaks while only 8% said that they offered financial assistance with childcare costs.

21. TUAC delegates underscored that there was a role for trade unions and employers in the provision of social protection. This was obvious with regard to the need to strengthen health

and safety provision. It was here in particular, where trade unions and employers could contribute to limit social spending by reducing health risks at the workplace, by improving working conditions and strengthening occupational health systems.

Outcome of the meeting of Social Ministers

22. Against a highly fragile economic outlook it is not surprising that Social Ministers reiterated the fact that a strong economy determines the capacity of society to achieve its social objectives. They also stated that effective economic policies are complementary to effective social policies in extending opportunities and mobilizing human resources. However, they fell short of calling upon their colleagues in the Ministries of Economic Affairs and Finance to take concerted and coordinated monetary and fiscal policy action to strengthen economic and employment growth and boost the global economy.

23. In considering the future role of social policies, Ministers agreed to continue with the approach adopted at their previous meeting. Hence, they emphasized that *“social policies must be pro-active, stressing investment in people’s capabilities and the realisation of their potential, not merely insuring against misfortune”* and that policies should also focus on an increase in efficiency.

24. Much of the debate among Ministers was dominated by the issue of how best to invest in families and children. Nevertheless, they did not come up with practical answers. They stated that *“social and family policies must help give children and young people the best possible start to their lives and help them to develop and achieve through their childhood into adulthood. Providing all parents with better choices about how to balance work and family life extends opportunities, especially for women, and creates economic gains.”* Ministers also agreed that childcare should be widely available, offering quality and choice and that *“working-time flexibility, part-time work and appropriate parental leave schemes should be promoted to help parents maintain labour market attachment and provide children with the care they need.”* However, Ministers were not ready to commit themselves to actions aimed to implement the family friendly policies recommended.

25. Ministers acknowledged that appropriate social policies are required to cope with family breakdown, illness, care or the loss of a job. At the same time they emphasized their readiness to change the behaviour of benefit recipients by encouraging them more strongly to work and to increase their individual responsibility. The final communiqué states *“We should end the unjustified assumption that some groups such as lone parents, older workers, people with disabilities and people on social assistance for a long time cannot or should not work”*. Nonetheless, Ministers admitted at the same time that activation policies as previously suggested by the OECD and pursued by a number of governments, did not always function as intended. The communiqué stated *“that the reassessment of the OECD Jobs Strategy should identify policies which will help end labour market exclusion”*.

26. Ministers also expressed that *“attaining a better social balance between generations is, and will long remain, one of the most important challenges facing OECD countries. The social and financial sustainability of pension systems needs to be improved”*. In this regard they argued strongly for an extension of working life: *“Longer working lives that reflect gains in life expectancy”*, the communiqué stated, *“contribute to maintaining living standards and may prevent intergenerational conflicts from arising.”*

27. More positively Ministers agreed also upon an inclusive and in some ways participatory approach by indicating that “*social policy challenges must be a shared responsibility. Common purpose is needed among all concerned (including employers, workers, their respective representative organisations, all levels of government, individuals, communities and a broad range of non-government organisations) in order to better align economic dynamism with social objectives*”.

28. Finally, Ministers invited the OECD to carry out further work in the following areas:

Well-being of children and support for families in order to identify which interventions alleviate and will contribute to the eventual eradication of child poverty.

Future social and economic implications of pension policies by analyzing the effects of pension system reforms on individual's financial and social situations and the economic implications of those reforms, and assess the need for further modernisation of pension systems.

Disabled people in the labour market by identifying social and labour market policies that can help maintain disabled people in work where possible, and get them back into work where necessary.

A new balance between rights and responsibilities in social security, by looking at the appropriate balance between active social policy, sanctions and financial incentives for different groups. Institutional obstacles that hinder the outflow of benefit recipients to work.

Life risks, life course and social policy by identifying how social and economic goals can be best achieved as well as by further assessing the best ways of financing social policies across the life course.

Key points for trade union follow up

29. Trade unions will have to continue to contribute to the debate on the future of social policy by promoting a vision of an inclusive society based on solidarity, social justice and intergenerational fairness in which the interests of young and old, healthy and sick, men and women, are fully balanced. TUAC will continue to defend this vision at the OECD. It will however require an ongoing monitoring and evaluation of social policies, in particular of reform policies, by trade unions.

30. With regard to problems related to new approaches to social policy, in particular on activation and equality of opportunities, trade unions must argue the case for policy evaluation in order to address following the issues:

- How to better achieve a co-ordination of social policy and labour market policy and how to ensure mutual compatibility between labour market reform, appropriate regulation and social protection?
- How do redesigned protection and benefits systems as means of employment promotion impact upon social equity? Has the redesign of social protection towards work the traditional role of social protection undermined and thus contributed to the formation of new poverty traps?

- How can social security be best linked to the labour market goals of adaptability in order to make them more compatible and mutually supportive?
- How to provide a public discourse and to ensure involvement of all stakeholders, negotiations and a search for consensus on the diagnosis, principles and objectives of social policy reform?

31. Trade unions also have a key role to facilitate both a better work-life balance and a smooth transition from work to retirement by:

- Strengthening and broadening the scope of individual choices of workers concerning both parental leave and retirement;
- Supplementing legal frameworks through negotiated agreements improving opportunities for a work-life balance and a flexible transition from work to retirement;
- Contributing to the improvement of occupational health and safety at the work place.

32. TUAC will step up work in these areas in cooperation with our affiliates and Global Union Partners. This will be integrated into our submissions on the reassessment of the OECD Jobs Strategy over the next year and our monitoring of reform of pension systems.