

GOVERNING THE GLOBAL ECONOMY WHAT ROLE FOR THE OECD?

TUAC DISCUSSION PAPER

**For Consultations with the OECD Liaison Committee
4 November 2005**

Part One – Governance of Globalisation and the OECD Vocation

1. Globalisation remains at the centre of public debate and concern in OECD countries and throughout the world. It reflects the growing interdependence of economies which goes far beyond the expansion of international trade to cover capital flows, technology and even culture. Yet it has also become intertwined with the policy agenda of deregulation and liberalisation. It is the view of the international trade union movement that governments have too often retreated from their legitimate and necessary roles to regulate markets at national and international level and to ensure that economic development does in fact lead to social progress.

2. For trade unions, the erosion of effective public regulation or “governance” of markets with resultant severe social costs is one of the most serious concerns. The results have been the crises that have rocked the global economy over the last ten years:- irresponsible financial policies leading to the Asian crisis; the collapse of the new economy bubble; the Enron fiasco; and the financial collapse of Argentina. In each of these crises it has been working families that have suffered from events for which they had no responsibility. Meanwhile global inequality, both between and within countries has grown spectacularly, and the international community is slipping backwards in its efforts to meet the millennium development goals. Employment and the creation of decent work needs to be established as a central development objective far more forcefully than in the past.

3. A strong global trade union movement is needed to counteract some of the centrifugal forces created by the interaction of globalisation and deregulation. Yet, the ability of trade unions to improve the lives of our members and their families is itself greatly influenced by this process. The attitude of many employers towards their employees, including union recognition, policy covering labour costs, technological change and work organisation, are increasingly dictated by international competitiveness and the global fashion of offshoring and outsourcing. The threat of de-location to an offshore site is a common feature of negotiations and is weakening the ability of unions to maintain and raise living standards. In several parts of the world governments have sought to suppress trade union rights for political reasons or seeking to gain economic advantage.

4. TUAC and our Global Union partners ¹ are advocating a different form of globalisation: one that tempers the excesses of market-driven economic integration with strong institutions including unions, economic governance, a well-performing public sector, effective rules and a social dimension. We have consistently argued that the OECD has to play an effective role in reshaping global economic governance to work to this end.

5. The strategy of sustainable development should allow these issues to be discussed coherently:- the linkage of poverty reduction to sustainability, the link with human rights, trade and investment issues, the relative responsibilities of corporations and governments, employment and living standards, transition and adjustment policies, the employment impact of trade, and the coherence of policy and institutions at the international level. The three “pillars” – economic, environmental and social – of sustainable development provide a framework for responding to the policy challenges of globalisation. Yet, failure to make progress on implementing the Rio environmental objectives as restated at the WSSD in Johannesburg in 2003 and resistance to take action to counter climate change reflect to a significant measure the failure to build an effective social pillar.

6. In the light of the above:

- *Would Ambassadors agree that the erosion of effective public regulation or “governance” with a resultant high social cost is one of the most serious threats from globalisation?*
- *Does this also reflect the shortcomings of international economic governance, or the “governance-gap”?*
- *Do governments agree that the inadequacy of the “social pillar” of sustainable development is one of the central reasons for public disquiet about globalisation?*
- *Does this require the OECD to reinforce its vocation as an “instrument for global economic and social progress”?*

Part Two - the OECD’s Key Activities – an Assessment

7. At the 2002 Liaison Committee TUAC drew attention to some of the relative advantages of the OECD as compared to other international organisations:

- It is composed of a group of countries which are the leading democratic market economies and which have more similarities than dissimilarities in their political, economic and social structures. Yet it is assuming a global reach and can act as a catalyst for more effective governance of the global economic system.
- It represents almost the whole range of government departments and policy fields, allowing the interconnections and inconsistency of policy to be resolved and a multidisciplinary approach adopted.

¹ Global Unions is a common identity of the International Confederation of Free Trade Unions, the Global Union Federations and TUAC. Our partners also include the World Confederation of Labour and the European Trade Union Confederation.

- Although an intergovernmental body the OECD through TUAC and BIAC has the opportunity to involve the social partners and not just governments in its work, which can be an important “reality check” on the applicability of policy conclusions.

These features could place the OECD at the centre of a debate on the need for sensible rules and regulations that can help re-link economic development and social progress. Yet the OECD’s image is often one of an organisation promoting a deregulation of markets - a cheer-leader for globalisation, taking little account of social cost. In some quarters it is seen as representing the “neo-liberal” agenda.

8. TUAC Working Groups or TUAC ad-hoc groups of affiliates and Global Union Federations have contact with some two thirds of the 30 or so OECD Committees and one third of the 50 or so Working Parties. The forms of contact vary greatly – they are summarised in the annex to this discussion paper. There are informal contacts with Committee Chairs, consultations and in some cases full participation in meetings. We have continued to survey the views of TUAC Working Groups regularly taking part in consultations to give below our assessment of the OECD’s key activities and how far they contribute to what in TUAC’s view should be the OECD mission. The assessment is set out using the five OECD strategic objectives of the OECD’s Strategic Management framework.

- (i) *Promote sustainable economic growth, financial stability and structural adjustment*

9. The OECD’s forecasting and macroeconomic policy analysis work is regarded as important. It is needed to improve policy co-ordination between three major “blocks” of North America, Europe and Asia. One potential advantage of the OECD compared to the IMF is that the Organisation could develop a dialogue with a wider consistency as is done in the European Union social dialogue macro group to achieve greater consensus on both assessments and policy prescriptions. To this end consultations with the EPC and TUAC and BIAC need to be widened beyond the EPC Chair.

10. On structural adjustment TUAC remains critical of the Economic Development Review Committee (EDRC) process and other work which leads to a template of proposals being presented in Country Reviews that reflect a simplistic notion of freeing up markets rather than assessing how institutions function and how the correct trade offs between social and economic objectives can be made. This is often the case in labour market recommendations which continue to be regarded by TUAC affiliates as in general one-sided and unlikely to facilitate constructive debate between social partners on how to achieve desirable changes. The EDRC peer-review process is closed, lacking in transparency and unlikely to lead to some shared ownership with TUAC affiliates in the countries concerned. In general greater openness of peer-review processes in specialist OECD committees leads to more balanced reports and recommendations. More diversity of economic views is needed in OECD Economics Department work. Divergent analyses and policy prescriptions need to be debated more openly, if eventual prescriptions are to win general support.

11. In the area of sectoral work the OECD can provide an opportunity for governments and unions and business to meet and discuss where often fora do not exist. This can be a way of reducing conflict providing an opportunity for dialogue on major policy challenges. TUAC’s partner Global Union Federations are ready to play a more active role in this process. However the review process is leading to a reduction in sectoral committees and activities.

(ii) Promote employment opportunities for all, improve human capital and social cohesion and promote a sustainable environment

12. TUAC has traditionally valued the work of the Employment, Labour and Social Affairs Committee (ELSAC) and in particular the objectivity of the Employment Outlook which has assembled much useful information and on occasion challenged the conventional wisdom of the Organisation. It is important that this role continues particularly to follow up the labour and work organisation conclusions of the growth study. We would give particular importance to the analysis of social capital which could potentially be a path breaking area of analysis.

13. TUAC is engaged with both the Education and ELSA Committees alongside BIAC with the objective of “making lifelong learning a reality for all” and are currently deepening our analysis of models of what actually works in practice in terms of delivery. It is important that the profile of both social and education work continue to be raised within the Organisation. While the Education Directorate has engaged TUAC and its partners in a number of projects, the OECD Education Committee should have more direct engagement with TUAC and BIAC.

14. The ability to use OECD’s cross-disciplinary capacity remains under-utilised in responding to the need for a social dimension of globalisation. When work has been undertaken on trade and labour standards in 1996 and updated in 2000 this has been useful to the wider discussion, yet neither the ELSA nor Trade Committees have shown willingness to take this work forward as a priority. The conclusion of the ILO World Commission on the Social Dimension of Globalisation should provide a potential focus for follow-up work and cooperation between the OECD and ILO. TUAC proposals for more detailed work on the social dimension of globalisation are set out below.

15. The failure to develop adequately the social pillar of sustainable development remains a missed opportunity particularly in view of the need to move forward on climate change abatement. The grouping of sustainable environment and social and employment objectives within a single objective should give an opportunity to rectify this by integrating and balancing the work on the three pillars. TUAC and our Global Union partners themselves are currently focusing on several follow-up issues following on sustainable development and climate change:-

- Workplace partnerships, laying the groundwork for further commitment among governments, unions, and firms in which the social dimension of development and the creation of decent work may progress;
- In responding to the challenge of climate change, promoting employment and income security to promote plans for “just transition” in sectors and companies;
- We will be extending our advocacy role to campaign for the fulfilment of commitments on development assistance and poverty reduction;
- We will be seeking to conclude more agreements that touch on Sustainable Development at the international level between companies and Global Union Federations;

- TUAC will particularly continue to press for governments to live up to their commitments in implementing the OECD Guidelines for Multinational Enterprises.

(iii) Contribute to shaping globalisation for the benefit of all through the expansion of trade and investment

16. The importance of a horizontal approach to the social dimension of trade and investment was indicated above. The OECD Trade Committee's work programme should be developed in co-operation with other OECD Committees to include more specific activities designed to promote policy coherence. It should address the questions left unresolved in the OECD's two studies on trade and labour standards such as:- the links between the continuing spread of Export Processing Zones and labour standards; the effects on labour standards of China's emergence as a global trade and investment force; the relation between investment and negative policy competition, as when governments deliberately suppress labour standards in order to attract foreign investment in contradiction to the OECD MNE Guidelines. Work is also required on governments' right to regulate in the public interest, and on WTO dispute settlement procedures.

17. The OECD occupied a crucial place in the multilateral inter-institutional architecture when it produced its generally useful study on "Trade and Structural Adjustment" earlier in 2005. As that report showed, trade must be accompanied by effective flanking measures if it is to deliver its potential benefits. Yet currently, WTO trade negotiations take place without any impact assessments to consider their impact on the level and stability of employment, respect for fundamental workers' rights, equality between women and men, working conditions, social protection and public services. The OECD should develop its vocation, in consultation with the ILO, WTO and other relevant international institutions, for analysing at both general and product or product group level, the impact of trade negotiations on development, decent work and standards of living with special attention to labour intensive sectors, including an analysis of the gender impact. Adequate funding needs to be provided to support employment adjustment assistance when jobs are lost.

18. The emergence of OECD work to establish rules for global markets in some areas has been a significant development in the late 1990's. Examples are the work to combat corruption, tax havens, and the Review of the Guidelines for Multinational Enterprises. These are all areas where TUAC is strongly supporting continuing OECD work.

19. Trade unions are keen to ensure that the OECD Anti-Bribery Convention is applied in practice. We have created an international trade union network to fight corruption UNICORN. This network is working on a set of initiatives, including the protection of "whistleblowers" who expose corporate and public sector corruption. The OECD Convention should be revised to incorporate a clause to protect "whistleblowers" and to cover private sector bribery including overseas subsidiaries and supply chains. There should be increased inter-judicial co-operation by governments on a common regulatory framework to fight bribery, tax evasion and corruption.

20. The revised OECD Guidelines for Multinational Enterprises have potential to establish applied international standards for corporate social accountability. However, more than five years after their revision it is clear that, despite their potential, the Guidelines have not yet succeeded in becoming a high profile instrument. They remain little known in many non-member countries and some member countries as well. Governments must strengthen their

efforts to promote and implement the Guidelines. Following the 2000 Review, more than 60 cases on corporate conduct have been raised with National Contact Points (NCPs) by trade unions. Too few of these have been successfully resolved or led to conclusions by NCPs. The reason is that too many NCPs are not taking their responsibilities seriously. They are not effectively following the Procedural Guidance outlined by governments and referred to in the OECD Council Decision in June 2000. In order to deal with cases in a timely and efficient manner, governments must ensure that their NCPs are functioning properly and that they are adequately equipped and resourced. Similarly, the OECD Secretariat working on Guidelines issues remain woefully under-resourced.

(iv) Enhance public and private governance

21. TUAC and our Global Union partners have engaged actively in much of the OECD's work on governance. The substance of the work of the OECD on Regulatory Reform, especially the social partnership approach to the Regulatory Reform peer reviews represent good practice for the development of peer-review process in the OECD more generally. The incorporation of key elements of the former Territorial Development Service work into Governance Directorate should be used to develop an integrated governmental approach (vertical and horizontal) to public sector governance. On corporate governance the opportunity to make an input to the Steering Group on Corporate Governance in the run-up to the 2004 review was welcome. But we are now excluded from follow-up and implementation. This is a wasted opportunity.

22. There are opportunities for horizontal work between this and other areas where synergies are possible. At the same time, the Anti-Corruption work should be better integrated with both the public and private sector governance activities. One area that requires a more systematic TUAC and social input is the international trade-related aspects of competition policy. The labour market impacts of this have to-date been inadequately addressed.

(v) Contribute to the development of non-member economies

23. Given the dramatic situation of world poverty and the importance of restoring progress towards the millennium development goals TUAC and our Global Union partners have given special priority over the past two years to increasing our input to DAC work and in particular to development and implementation of the DAC Guidelines on Poverty Reduction. It is essential that the DAC develops as an effective pressure point to make sure governments honour their commitments given at the Monterrey Conference to increase development assistance. It is also essential that it includes in its work dialogue with trade unions on the application of the poverty reduction Guidelines particularly on the rights based approach to development.

24. The development of outreach activities remain a potentially important aspect of OECD work in developing international consensus on the governance framework for globalisation. TUAC with our Global Union partners have engaged in a range of activities and provided an interface with trade union movements. However a greater social element to the outreach work is required. TUAC has proposed OECD outreach activity on the OECD Guidelines to match that that TUAC is itself undertaking.

25. The above gives an inevitably simplified view of TUAC membership's assessment of the priorities of the OECD. Nevertheless:

- *Do Ambassadors share or disagree with the assessment of OECD work reflected in the above comments from TUAC Working Groups?*
- *What is preventing governments from establishing more effective National Contact Points on the MNE Guidelines?*
- *Do perceptions of the value of OECD work differ within governments between different Ministers?*
- *Are the priorities accurately reflected in budgetary allocations?*
- *How do National Delegations try to reconcile these differing views to bring a coherent position to OECD?*
- *Do the ECSS and Council provide adequate forums for discussing such a strategic view?*

Part Three – Implications for the OECD Reform, Development and Governance

26. Some of the issues that arise from the above assessment are:-

- The capacity of the OECD for horizontal work remains ineffectively utilised;
- There remains a key issue of the treatment of cross-cutting issues between strategic objectives;
- This is particularly true with regard to the treatment of social questions including the social pillar of Sustainable Development;
- The duplication of work between the OECD and other international organisations is frequently exaggerated. Rather the issue is how to develop stronger partnerships with “social” organisations such as the International Labour Organisation;
- The Organisation needs to give a higher profile and relatively more resources to promoting instruments that have been developed to regulate the negative impacts of markets and corporate behaviour such as the Guidelines for Multinational Enterprises, the Anti-Bribery Convention, and the anti-tax haven work;
- Peer-review processes should engage the social partners as has been done in the Regulatory Reform area;
- In the past, TUAC has proposed the regrouping of economic structural coordination work in a separate service drawing more on the cross disciplinary expertise of specialist departments. This has been strongly opposed by some but the issue still remains relevant;

- The dialogue with TUAC and our partners in Global Unions is a potential asset that is not fully exploited. Access to some OECD Committees remains substantially behind best practice;
- The engagement of the Social Partners in the Ministerial Council should be strengthened – the 2000 MCM represented a high point in engagement that should be re-established;
- The Outreach Programme and in particular the Organisation’s work with China requires a more developed social dimension;
- The OECD should occupy the vacant niche in the inter-institutional architecture concerning analysis of the impact of trade on employment and labour standards;
- The efficiency and value of the work of the Organisation depends on certain common features of OECD countries as agreed at the OECD Ministerial Council in 1990 – “pluralistic democracy, respect for human rights, and a competitive market economy ...” – these still have to be de facto conditions for membership and a feature that should figure prominently in the Outreach Programme;
- The Reform Process has now been repeatedly discussed for several years within the OECD. It is important that it leads to fruition and does not simply become a front for further budget cuts in which the comparative advantages of the Organisation become dissipated.

27. *Would Ambassadors agree with the above assessments?*

ANNEX

TUAC RELATIONS WITH OECD SUBSIDIARY BODIES

OECD Directorate	Lead Committees (Committee, Steering Group) and Sub-Committees (Working Party, Working Group, Special Group)	1 Observer status or participation in meetings on a regular basis	2 Dedicated consultation sessions on a regular basis	3 Participation in special seminars or sessions organised by a Committee or Working Group	4 Consultations with the Committee	5 Have been invited to activities but not always able to attend
CFE	WP on SMEs and Entrepreneurship	yes		yes		yes
DSTI	ICCP	yes		yes		yes
DSTI	WP on the Information Economy	yes		yes		yes
DSTI	OECD WP on Innovation and Technology Policy	yes		yes		yes
DSTI	WP on Telecommunication and Information Service Policies (TISP)	yes		yes		yes
DSTI	Steel Committee	no	yes	partly	yes	
DELSA	ELSA	no	yes	occasionally	yes	
DELSA	WP on Employment	no	yes	no		
DELSA	WP on Migration	yes		occasionally		yes
ECO	EPC	no	limited	no	no	no
ECO	EPC WP1	no	yes	no	no	no
ECO	EDRC	no	occasionally	no	no	no
EDU	Education Committee	no	occasionally	yes	not	yes

OECD Directorate	Lead Committees (Committee, Steering Group) and Sub-Committees (Working Party, Working Group, Special Group)	1 Observer status or participation in meetings on a regular basis	2 Dedicated consultation sessions on a regular basis	3 Participation in special seminars or sessions organised by a Committee or Working Group	4 Consultations with the Committee	5 Have been invited to activities but not always able to attend
ENV	EPOC Bureau	no		no	yes	no
ENV	EPOC Committee	yes	yes	yes	yes	no
ENV/MMC	EAP Environment Action Programme	no	yes	yes	no	yes
ENV/EHS	Chemicals Accidents	yes	yes	yes	no	yes
	Chemical Labelling	yes	yes	yes	no	yes
ENV/NP	Sustained Consumption, Integration and Resource Efficiency	no	yes	yes	no	no
AEN	Nuclear Energy Agency	periodically	yes	yes	no	yes
AMSDE SG/SD	Annual Meeting of SD Experts	yes/yearly	yes	no	no	
Round Table SustDev	Bi-annual	Participation yes	no – individual basis	yes - occasionally		no
GOV	Public Governance Committee	no	yes		yes	
GOV	WP on Regulatory Management	yes	yes		no	
GOV	Special Group on Regulatory Reform	yes	yes		no	
GOV	WP of Senior Budget Officials	no	yes	yes	no	

OECD Directorate	Lead Committees (Committee, Steering Group) and Sub-Committees (Working Party, Working Group, Special Group)	1 Observer status or participation in meetings on a regular basis	2 Dedicated consultation sessions on a regular basis	3 Participation in special seminars or sessions organised by a Committee or Working Group	4 Consultations with the Committee	5 Have been invited to activities but not always able to attend
DAF	Steering Group on Corporate Governance	no (since Nov.03)	yes	no	Yes (TUAC and BIAC) formerly	Yes (regional round table) formerly
DAF	WG on Privatisation and State-Owned Enterprises	yes	yes (multi-stakeholder – regular)			no
DAF	Insurance Committee	no	yes		no	no
DAF	WP on Private Pensions	yes	yes		no	no
DAF	Investment Committee + WP of Investment Committee	no	regular consultations	yes	yes	no
DAF	WP on Bribery	no	regular consultations once a year	yes		To some extent in the phase 2 Examinations, but that concern our affiliates and not TUAC
TRADE	WP on Export Credits	no	yes	no		
DCD	DAC	yes, Povnet	no	yes	no	yes