

GROWTH, JOBS AND MIGRATION

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TUAC Discussion Paper

I. INTRODUCTION AND SUMMARY

1. Paramount priorities for the OECD must be the creation of “more and better jobs”¹ in the OECD countries as well as confronting the broader challenges for employment and development posed by the globalisation of markets, investment and trade. Central concerns for workers are widespread job insecurity and growing inequality in industrialised countries, as well as the dearth of decent work in developing countries.

2. Over the past fifteen years with the entry of China, India and Russia into the world economy, the size of global labour force has doubled. Millions of the new entrants work for wages and in conditions inferior to those of workers in OECD countries. Unless appropriate policies to steer globalisation favouring decent work and sustainable development are adopted by governments and the international institutions, the process of globalisation, rather than bidding up living standards for everyone, will contribute to even greater inequality between poor and rich; between labour and capital. This is already happening. In the United States, the share of aggregate income going to the top 0.001 percent of top earners quadrupled from 0.65 percent in 1980 to 2.87 percent in 2004. Elsewhere in the world more than a billion men and women are unemployed or underemployed while nearly 1.4 billion – almost half of the world’s total workforce – struggle to survive below the US \$2 a day poverty line. Insecurity promotes extremism of all kinds. In OECD countries prospects for growth remain unsustainably out of balance; the share of national income is shifting alarmingly from wages to profits while in key countries unemployment remains unacceptably high. Fostering free markets will not rectify these imbalances. Governments must put in place the right regulations and a framework that helps create jobs and links the creation of decent work in the ‘North’ with the same objective in the ‘South’. Global integration will not work without sustainability and consensus.

3. The OECD Jobs Strategy Reassessment published in the 2006 OECD Employment Outlook provides one element of an ‘evidence-based approach’ to assessing employment policy in the industrialised countries that shows that deregulation of labour markets is neither a necessary nor a sufficient policy course for the G8 countries. Good employment performance can be combined with a high regard for social justice and balanced and fair distribution of income. What appears universal is that good employment performance has to be anchored in well functioning and socially just education and training systems.

¹ “Towards more and better jobs”: theme of OECD meeting of Labour Ministers, September 2003

4. This contrasts with the methodology of the OECD's "Going for Growth" study from which structural policy recommendations in OECD Country Economic Surveys are derived. Under this approach United States GDP per head is taken as a benchmark: five policy priorities are elaborated on the theory that each country should raise resource use and productivity so as to lift per capita GDP to US levels. Recommendations focus on the deregulation of product and labour markets, steps that are more likely to raise rather than reduce job insecurity and inequality. Whilst TUAC affiliates would not agree with all the recommendations and emphasis in the Jobs Strategy, as this discussion paper indicates, it does represent a basis for a constructive dialogue on policy recommendations. It will come into conflict, however with the non-empirical approach of "Going for Growth" that evidently dominates Economic Survey recommendations and will be seen by many as neo-liberal ideology. TUAC's approach to the likely employment policy priorities is set out in part II of this discussion paper.

5. The interest of workers in OECD countries and non-OECD countries are inextricably linked. Governments need to put in place the right regulations and a framework that helps create jobs and links the creation of decent work in the 'North' with the same objective in the 'South'. The issues come to fore on the question of offshoring and outsourcing of jobs that was the subject of the 2004 TUAC-OECD Liaison Committee meeting. This theme is also reflected in the issue of migration that is treated in part III of this discussion paper and is due to become a priority for OECD horizontal work between departments. Trade unions do not regard migrant workers as a "problem". The mobility of people constitutes an aspect of the reality of a global economy with social and political consequences.

6. The emphasis must be on reducing the pressures which oblige people to migrate for work. Most migrants do not leave their country out of preference, but because of the absence of decent work opportunities at home. Taking jobs to the people has to do with promotion in all parts of the world of a broadly based sustainable development policy the objectives of which have been quantified in the UN Millennium Development Goals. The brain drain from developing to industrialised countries deprives the former of vital human potential while undermining national efforts in areas such as health and education services. Just as life-long learning has been recognised as a key element of sustainable development in G8/OECD economies, so life-long learning can be an element in tackling the problem of brain drain from developing countries. In addition, in tackling the pressures forcing people to migrate, environmental degradation can not be ignored. As an example, the Stern report confirmed that *"150 - 200 million people may become permanently displaced by the middle of the century due to rising sea levels, more frequent floods, and more intense droughts"*². Sustainable policies regarding migration must take action on the causes of future migration flows (i.e. coherent policies against global warming, sustainable management of natural resources, water supply and use).

7. This is not the only migration issue. The appalling problems of human trafficking must be confronted and tackled. Sending and receiving countries must cooperate on co-development strategies that remove the economic pressures for involuntary migration, while establishing effective and enforceable legal provisions to prevent violations of human rights, especially for women and children. There is a crucial need for an approach based on the human rights of migrant workers. The role of trade unions in the attaining consensus on migration is crucial. The workplace and the labour market is where migrant workers first

² Page 77 "The economics of climate change" UK Cabinet Office 2006

engage with the societies to which they have come. This raises both opportunities and responsibilities for trade unions. TUAC therefore welcomes the fact that the OECD is beginning a multi-disciplinary project on migration and hopes to play a full part in the work.

8. The report of the ILO's World Commission on the Social Dimension of Globalisation pointed to the need to implement social justice and create decent work through rebalancing of globalisation. Now is the time to reinforce joint work between the OECD and the ILO and the TUAC would propose the conclusion of a partnership agreement between the two organisations that was originally discussed in 2004.

II. CREATING MORE AND BETTER JOBS IN OECD COUNTRIES

Coordinating macroeconomic and structural policy

9. In many OECD countries high unemployment remains the challenge to be addressed by economic and employment policies. More than 36 million workers will still be unemployed across the OECD in 2007, among them many younger workers. In many countries the unemployment rate of young adults, aged 15 to 24, has been persistently in double digits. In the United States, high and growing income inequality and the stagnation of the earnings of median wage earners have become central macroeconomic rather than solely social problems. The US trade imbalance is unsustainable. In Japan there remains no increase in aggregate wages despite improving growth – this remains a weakness in returning to balanced growth. In Europe the central objective must be for policy makers to prolong and render less fragile the recovery in growth this year that has seen unemployment edge down in the euro area from 9 to 8 percent. Real wage growth remains below productivity growth and needs to rise to provide a broader based recovery – this must be supported and not choked off by the European Central Bank.

10. The experience in Europe since the beginning of the year shows that active macroeconomic policy can stimulate employment growth. In the longer term institutional coordination and the structures of economic policy governance are of key importance for strategies to reduce unemployment and promote employment. Maintaining strong aggregate demand can be effective if financial and monetary policies are coordinated with collective bargaining, based on social dialogue and consensus building. The Jobs Strategy follow-up must act as force for more active growth-orientated economic policy management by governments and central banks. Good employment performance has been achieved not primarily by deregulating the labour market and shrinking the welfare state but rather by effectively coordinating macroeconomic and social policies with the system of collective bargaining, based on social dialogue involving government, trade unions and employer associations. For structural reforms to deliver more and better jobs, they need to be focused on those reforms that improve innovation and productivity and they need to be flanked by active and counter-cyclical aggregate-demand policies.

Ensuring well-set minimum wages

11. In OECD countries minimum wage workers are all too often the sole breadwinners in the household. In order to make a decent living, not only do they need appropriately set minimum wage levels but also access to affordable goods and services. In analytical work for its Jobs Strategy Reassessment the OECD found that there was no significant impact on the

aggregate unemployment rate from the minimum wage. The 2006 issue of the Employment Outlook reports that "no significant direct impact of the level of the minimum wage on unemployment" was identified. In line with that finding, the outgoing chairman of the *UK Low Pay Commission*, Adair Turner, reported that since its introduction in 1999 the minimum wage has significantly improved the wages of many low earners as well as the earnings of many low-income families, and it has played a major role in narrowing the gender pay gap, all without significant adverse effects on business or employment creation.

Strengthening social protection systems

12. Unemployment benefits are not the cause of high unemployment in Europe. Unemployment benefits provide the unemployed with the financial wherewithal to look for another job that matches their skills. OECD research itself has shown that many problems arise from failure of the job-seeker to engage effectively with employment services. The 2006 issue of the OECD Employment Outlook suggests that a reduction of unemployment benefit replacement rates of about 10 percent will reduce the unemployment rate by about 1% for the median OECD country (the replacement rate being the ratio between the unemployment benefit and the previous wage). TUAC would warn against mechanically translating this into policy recommendations. Not all workers registered as unemployed are affected by benefit systems. Many of the young unemployed do not meet requirements for benefit eligibility; a substantive reduction of replacement rates would have little effect on the youth unemployment rate.

13. Policies to help workers face globalisation need to unlock the productive potential in many labour market institutions that protect workers from possible abuse by unscrupulous employers. Job protection and in particular prior notification of redundancy should not be seen as rigidity but as a possibility to prepare retrenched workers to find a productive job elsewhere. Social security systems need to be strengthened and broadened so that workers and citizens remain open to potential gains from globalisation despite the volatility and increased insecurity global markets bring with them. This implies securing a broader financial base for social security and broader base for taxation including measures to fight international tax evasion.

Jobs must be available to make activation strategies work

14. The fact that jobs must in the first place be available in order to make *activation strategies* work by bringing unemployed workers and benefit recipients back into work, is not taken into account. The 'mutual obligations' approach, pursued in an increasing number of countries, appears to be one-sided. Activation strategies often place more emphasis on obligations. The most comprehensive welfare-to-work programs were implemented at a time at which strong growth translated into a job-rich economy offering more jobs and better wages, particularly to the low-skilled, than at any time in previous decades. So governments largely ignored job availability concerns as they redesigned benefit systems. The OECD should call for adaptive redesign of active labour market policies taking into account periods of low growth and low job creation, as well as the special position of disadvantaged groups. For these groups, training and job creation schemes are often successful and such policy measures should not be discarded on the basis of a too general analysis.

Lifelong learning policies cannot be limited to the creation of a well-functioning training market

15. TUAC welcomes the readiness of governments to strengthen lifelong learning and ensure worker training as outlined in recent G8 meeting conclusions and likewise reflected in the policy conclusions of the Reassessed Jobs Strategy. However, policies should explicitly address major barriers preventing workers from undergoing training (lack of time, lack of access, the ongoing discrimination of women and older workers). Existing skill differences resulting from unequal access to and participation in education in all countries must not be reinforced.

16. Quality of working life and the work-life balance are of primary importance for workers and their families. Trade unions are therefore increasingly advocating the introduction of new and innovative working time arrangements. However, the implementation of new working time arrangements must be based upon joint negotiations and agreements between workers' representatives and employers.

Coordinated industrial relations systems produce good employment outcomes

17. Differences between national models of labour market policy have not ceased to exist. Convergence of social models is limited, which highlights key issues: the interaction between policies pursued in different domains, the policy mix required for good labour market and employment performance, the design, organisation and timing of reform policies as well as the role of consensus and coordination between the government and the social partners. The Table below shows the good economic and social performance of coordinated "Nordic" systems of industrial relations and employment policy. Proponents of the evidence-based approach to economic policy making may find compelling fuel for their arguments by considering the employment, unemployment, and poverty rates of the Nordic countries and others that have ensured strong coordination between social partners and economic policy makers.

TABLE 1

Different regimes of labour market functioning

	OECD average (unw.)	Anglo-Saxon Model Low intervention High Employment outcomes	Nordic Model Strong intervention Higher Employment outcomes
Employment rate	67.11	70.92	71.91
Unemployment rate	7.47	5.30	4.79
Union coverage	59.96	30.75	83.33
EPL indicator	2.01	1.38	2.13
Total LMP expenditure	1.86	0.98	2.68
Income inequalities (Gini index)	29.35	31.50	25.58
Poverty rate	9.64	11.78	7.77

Source: OECD Employment Outlook 2006

The scope for active ageing

18. The trade union movement anticipates substantial demographic change with important implications that stretch in many directions. But we hold fast to the view that when account is taken of workers' preferences for retirement and likely rates of economic growth in the future, most societies will be able to provide robust pay-as-you-go publicly administered pensions payable at age 65 with wage indexing. Maintenance of these systems is crucial if large portions of the workforce are to have any real choice about whether to work or retire.

19. Making it easier for workers over 50 to remain active will increase the sustainability of pension systems, but with the growing proportion of OECD populations in the over-50 age cohort it is also necessary in its own right. Coping with this demographic challenge requires a comprehensive set of policies for improving the employment prospects of all age groups. Reforms must provide positive incentives for current and future wage earners to enter and to remain in the labour force. At the same time they must increase the willingness of employers to hire and to retain older workers. Policies to address the demographic challenge raise important issues and should not be imposed unilaterally. Dialogue between the social partners is a prerequisite for reaching consensus and successfully promoting policies for active ageing.

III. MIGRATION

20. The speed of change in migration flows and in particular undocumented migration makes statistics uncertain. On one estimate there are 175 million people living outside their country of origin in the world of whom 100 million are labour migrants, as distinct from refugees and asylum seekers. This represents 2.3 per cent of the world's population. While people should be free to look for employment in other countries, they should not be forced to do so. The "push" factors, encouraging migration have been aggravated by ill-conceived economic policies and lack of governance in many countries leaving workers with little option but to move. Similarly, policies in industrialised countries have led to labour shortages in such fields as health and education so increasing the "pull" factor for professionals in those categories of employment. A "co-development" approach needs to be developed between inflow and outflow countries.

21. Concurrently with push and pull factors increasing the pressure for migration, governments' concerns about security and terrorism amplify their need to be seen by their electorates to be "managing" migration. This has led to policies restricting movements of workers which increase irregular migration to meet genuine labour shortages. A worrying side-effect of the "war against terror" is that in the absence of visible enemies, immigrants become scapegoats.

Human rights and cultural identity

22. From a trade union perspective in addition to renewing the focus for sustainable and balanced development, migration has to be seen from a human rights angle, not from a security or commodity angle. Within the WTO negotiations some developing country governments are arguing that freedom of movement of labour is a concomitant of the free movement of goods, services, technology and capital that defines this era of globalisation. Human beings must not be equated with commodities. Where movement of workers is

implied, as for example under mode four of the GATS negotiations, then basic issues of fundamental worker rights, equality of treatment and coverage by local collective agreements are raised. It is this rights-based approach to migration that trade unions are promoting. In the first instance this means ensuring respect for fundamental worker rights, as defined by the ILO Declaration of 1998 – freedom of association, collective bargaining, non-discrimination, no forced labour and no child labour. That includes the right to join and participate fully in a trade union.

23. Even when progress can be made in ensuring that fundamental rights are observed, there are a series of other issues concerning the place of migrants in their host societies that are important for trade unions. Hard questions emerge. One of the most difficult and occasionally tendentious of them is that of assimilation and cultural identity. To what extent is it legitimate to expect migrants to adopt the customs and practices of the societies to which they have come? How can it be reconciled with their frequent desire to maintain their own identity, community, and observances?

24. There are no one-size-fits-all solutions. But trade unions are the dealing with these issues daily. Our experience shows that basic principles can help lead to desirable kinds of outcome. Most fundamentally when societies demonstrate openness and tolerance towards migrants, protect them against discrimination and racism, and where they offer opportunity for them to integrate, through language training and decent work for example, then harmony improves. The opposite scenario raises the danger of immigrant communities retreating back into themselves, and adopting non-inclusive forms of cultural or religious identity. It is then that mutual suspicion and hostility grow, and social exclusion and division take root.

25. Trade unions have a responsibility to fight racism and discrimination at workplace, in the labour market, in the community and in society, in general. Indeed, unions exist to protect working people, and migrants are more in need of protection than most. TUAC affiliates are engaged in a range of activities, from political action and anti-racist campaigns to organising migrants, giving them special training, integrating their issues in collective agreements, putting in place recruitment and promotion strategies in cooperation with employers, and extending specific assistance and services to migrant workers and their families. The unions that are furthest advanced in supporting migrant workers have understood the importance of providing them with vocational training and education services, while taking into account the linguistic and cultural specificities of the groups concerned.

Share experience and assume responsibilities

26. TUAC would welcome a reinforced and horizontal programme of work in the OECD on this issue and is ready to share the experience of our affiliates. Many of TUAC's affiliates have joined with others in calling for the regularisation of the status of such migrants and in mobilizing against enforced repatriation. But that does not detract from the need for countries to work together to ensure that where migration takes place, it does so legally, and in an orderly way and that public authorities assume their responsibilities. A starting point would be the five points setting out the way forward on which there was tripartite agreement at the ILO Conference in 2004:

- (i) There must be recognition that cross-border movement of workers in search of employment and security is likely to continue in the coming decades because of the failure of globalization to generate jobs and economic opportunities where most people

live. The imbalances – economic, demographic, social and political - that drive migration have widened over the past several decades and the trend is likely to continue. That fact should not deter us from seeking fundamental changes in the global economy to spur growth, more equitable income distribution, and less economic instability and poverty in the world's lagging regions.

- (ii) Migration is integral to growth and development - more significant at some times and in some countries than others. Nevertheless there are both positive and negative impacts for migrants themselves and for the countries of origin and destination. There is increasing global recognition of positive contributions of migration through remittance flows, transfer of investments, technology and critical skills. The challenge is how to deal with migration in such a way that the positive effects are maximised, making it a positive phenomenon for migrants, their families, countries of origin and of destination.
- (iii) Although migrants and their families have by and large benefited from migration, the numbers of those who are trapped in abusive and exploitative employment conditions without effective access to legal or trade union protection remain shamefully large. There is an urgent need for efforts, at national and international levels, to ensure that the human and labour rights of migrants are respected, in conformity with international standards: from universally recognized core labour standards to specific instruments addressed to migrant workers. The application of these standards is the key to effective protection of migrants' rights.
- (iv) If international and national standards are to have a tangible impact on the conditions of most migrants they have to form the basis on which migration processes are shaped. Unregulated migration puts many migrants in positions of vulnerability and their status often effectively excludes them from social protection. The enforcement of labour and workplace standards serves as an effective deterrent to irregular migration and employment by discouraging sub-standard exploitative conditions. Thus, the effective management of migration with a rights-based approach is crucial to the effective protection of migrants' rights.
- (v) Such effective management must rest on a set of principles of good governance developed and implemented by the international community that will be acceptable to all and which can serve as the basis for cooperative multilateral action. Existing ILO Conventions defining the rights of migrant workers, in particular C96 and C143, provide many of the key principles, but a sound comprehensive framework should include additional elements notably core labour standards, but also other instruments aimed at the protection of the well-being of migrants (on health and safety, protection of wages, freedom of movement, etc) as well as measures to strengthen labour institutions, labour markets and social cohesion.