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

"GROWTH WITH EQUITY"

Trade Union Statement
to the OECD Ministerial Council Meeting
15-16 May 2007

I. INTRODUCTION AND SUMMARY

1. The world economy is integrating fast, presenting the world's people with unprecedented opportunities, but also unparalleled challenges. With the entry of China, India, Russia and Central and Eastern Europe into the global economy, the integrated global labour force has doubled over the past 20 years. On the one hand, we have the opportunity to provide decent work for many of the billion people who are unemployed or underemployed and to relieve the poverty of the 1.4 billion people working for less than the two USD a day[1]. On the other hand, unless governments manage this enormous expansion of the global labour force, it threatens to undermine the wages and working conditions of workers. This will not only degrade living standards but will continue to generate resistance to globalisation and deny us the improved living standards globally which greater economic integration and growth promise.

2. Governments thus far have failed to manage globalisation and have failed to assure that workers participate equitably in the benefits of economic growth. This is evident in the falling share of wages as a proportion of national income throughout the OECD as shown in the graph. The benefits of globalisation in the industrialised countries have accrued disproportionately to the wealthiest families, while the majority of working families are excluded from sharing in increasing productivity and economic growth. As a result, the OECD notes that in 17 of 20 countries surveyed, income inequality has risen, undermining social cohesion and fuelling political alienation.

[1] ILO, Growth and Decent Work: Strengthening the Linkage, 2006

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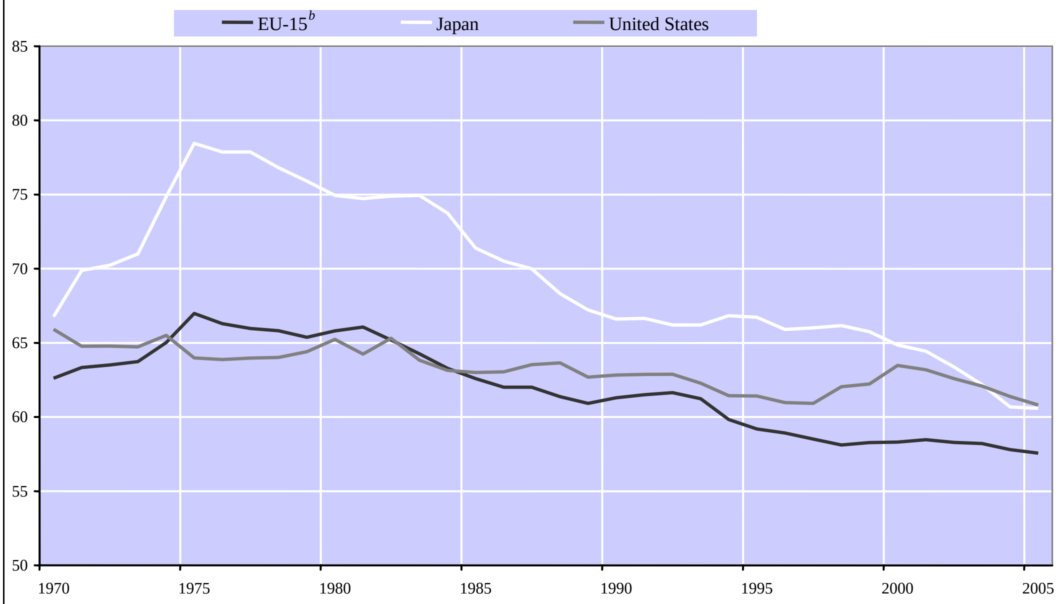
Wage Share of National Income
EU-15, Japan and the United States, 1970-2005



a) Total labour compensation, including employers' social security and pension contributions and imputed labour income for self-employed persons.
b) GDP-weighted average of the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Spain, Sweden and the United Kingdom.
Source: OECD Economic Outlook database.

3. OECD Ministers must commit themselves to achieve a more just and sustainable global economy, governments must exercise more active governance to ensure that the benefits of globalisation are shared more equitably with workers in both the developed and developing countries. This is the central challenge for the Ministers' meeting at the OECD. They must also work to rebalance growth across the OECD at high levels of employment and face up to the formidable adjustment challenges posed by climate change and its mitigation. They must act to bring a social dimension of globalisation that engages the responsibilities of the private sector. Moreover, they must deliver past promises to developing countries. At the Gleneagles Summit the G8 countries committed themselves to doubling development assistance to help meet the Millennium Development Goals, yet in 2006 overall aid fell by 5.1 percent in real terms.

4. TUAC is therefore calling on OECD Ministers to:-

- Engage with the social partners to ensure the equitable distribution of the fruits of growth by raising minimum incomes, investing in social protection and upgrading skills, education and innovation. The effective rights of workers to organise and join unions must be respected in industrialised and developing countries alike. All of these policies require a strong commitment to gender equality (§5-14);

- Rebalance growth among OECD regions at high levels of employment and reduce risks of an unorderly correction of trade imbalances (§15-23);

- Construct an equitable social dimension to globalisation by strengthening rules covering core labour standards, the social and environmental responsibilities of business and regulatory measures to mitigate harmful effects of the financialisation of economies and to change the destabilising conduct of hedge funds and private equity firms (§24-37);

- Meet commitments made to help developing countries achieve the Millennium Development Goals through the creation of decent work and fulfil promises given for broader debt cancellation, the doubling of development assistance (§38-47);

- Put in place programmes for just transition and the creation of "green jobs" to meet the social and economic impact of climate change and the necessary mitigation measures (§48-55).

II. EQUITABLE DISTRIBUTION

Driving inequality: globalisation and the deregulation of labour markets

5. The impact of globalisation on employment, labour markets and wages, has become a key factor accounting for rising inequality. It has contributed to the process of downsizing and offshoring of industries, triggering increasing layoffs and involuntary displacement from permanent jobs. Both manual and non-manual workers displaced in many industrialised countries often experience extended periods of unemployment and a subsequent pay cut when re-employed. At the same time, firms wield an increased power in negotiations with unions because of competitive pressures, tax arbitrage and the threat of relocation and of "exit" from any given country.

6. The result has been the decoupling of productivity growth and income, most marked in so-called flexible labour markets such as the U.S., where – according to Bureau of Labor Statistics data - worker productivity rose 16.6 percent for the five years from 2000 to 2005, while median worker compensation rose just 7.2 percent, an increase which has been outpaced by inflation over the past three years. Family income figures further disguise growing inequality, having been pulled up by increases at the very top of the income spectrum. In the U.S. the top 1 percent's share of wage income has increased from 6.4 percent of total wages earned in 1980 to 11.6 percent in 2004. Across all sources of income the share going to the richest 1 percent of families doubled from 8 percent in 1980 to 16 percent in 2004.

7. The number of workers trapped in precarious low-skilled and low-paid jobs, often also contracted out, is increasing. This is often reflected in growing gender inequality. Employers are foisting risk on to their employees; human resource and production strategies based on low-cost approaches offer scant opportunity to upgrade skills, to work with modern technology or to move on to better paid jobs. As a consequence, as reported by the OECD[2], a relatively large portion of workers on temporary jobs as well as in low-paid work is at risk of alternating between precarious employment conditions and unemployment. A disproportionate number of these are women.

8. In a number of countries government policies themselves have tilted the balance of power against workers and in favour of employers, through what are claimed to be

[2] OECD Employment Outlook, 2006

employment-promoting reform policies, i.e. the deregulation of labour markets, downsizing of the welfare state, lowering taxes on high incomes and companies, and the side effects of workfare policies. Diminishing numbers benefiting from economic growth and globalisation is not only a threat to social cohesion; without appropriate policy responses the process adds to scepticism about free trade and thus lends support for proposals to erect barriers to global trade and investment. Re-establishing and developing effective public sectors are necessary.

Spreading the benefits of growth

9. Distributing fairly the benefits of globalisation whilst creating more and better jobs, must become the central priority of government policy. Combating unemployment requires effectively coordinating macroeconomic and social policies with systems of collective bargaining, based on social dialogue involving government, trade unions and employers. Restoring the effective rights of workers to organise and join trade unions is a priority in industrialised countries just as it is in the developing world. Where unions exist and do bargain, there is less low pay, more secure work, more worker training, less corruption; there are more efficient economies and more just societies.

10. Beyond this, in order to reduce precariousness and insecurity, active labour market policies are required, providing adequate income, basic protection in line with the requirements of decent work as well as opportunities to move up the income and skill ladders. Job protection and in particular prior notification of redundancy should not be seen as rigidity but as offering a possibility to prepare retrenched workers to find a productive job elsewhere.

Well-set wage floors

11. Minimum wages that are set intelligently through government regulation or collective bargaining between the social partners are important to provide a floor in labour markets and prevent a further rise of wage inequality. Nevertheless, minimum wages are not a magic bullet in overcoming precariousness and inequality. Based on the findings reported in the OECD *Employment Outlook 2006,* we strongly urge governments to link labour market programmes providing in-work benefits to decent minimum wages. Otherwise the benefits risk being undermined by lower wages and appropriated by employers instead of supporting workers. These in-work benefits must be integrated with progressive taxation systems.

Social protection: to give confidence for change

12. Improved social protection systems are necessary to give workers security throughout the process of economic change. By investing in social policies, countries can offer new mixes of innovation and productivity instead of trying to compete on the basis of cuts in transfer incomes or low wages. On the crucial issue of the welfare state it is sometimes claimed that tax-financed social security, welfare programmes and active labour market policies go along with high economic costs and put growth and economic development at risk. However, there is no negative international relationship between employment rates and the main welfare state indicators, such as the share of transfers in GDP or the statutory generosity of unemployment benefits. Nor is there evidence that employment rates are lower in countries with high overall marginal tax rates[3].

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[3] OECD Employment Outlook, 2006

Investing in skills, education and innovation

13. Of central importance is the need for industrialised country governments to invest in education systems and raise skill levels. OECD governments must deliver on past commitments to invest in lifelong learning by:-

- Implementing active labour market policies in order to allow socially acceptable restructuring and company-based schemes for paid educational leave;
- Providing adequate financing for education and lifelong learning, ensuring that employers also invest in skills and that all individuals have the motivation to undergo lifelong learning;
- Encouraging and facilitating agreements between employers and trade unions to make feasible their participation in lifelong learning;
- Pursuing policies to strengthen equal opportunities and close gender gaps and other forms of discrimination in education, training and employment;
- Pursuing policies to promote both high-performance work systems and the effective use of the skill potential of the workforce, especially workers' insights and experience.

Trade unions are prepared to step up their action as negotiators of training and manage change in order to support such an approach; but they have to be engaged as key actors in this process.

14. Going beyond questions of labour, governments must implement innovation and industrial policies aiming to:

- Maintain and improve the research infrastructure;
- Broaden the portfolio of research in public institutions (universities, research centres);
- Ensure that fundamental, long-term research remains a priority;
- Pursue targeted policies in order to improve the contribution of R&D to sustainable development;
- Encourage businesses to increase their expenditure on R&D;
- Promote new forms of working and work organisation, such as teamwork and high performance work systems;
- Develop and diversify the economic base of regions specifically stricken by structural change.

III. BALANCING GROWTH IN THE GLOBAL ECONOMY AT FULL EMPLOYMENT

15. The global economy in 2006 again experienced strong GDP growth. Yet this has not been reflected in the creation of secure and good jobs and widely spread improvement of living standards. Unemployment is predicted to start increasing in 2007 and 2008 in those OECD countries with more deregulated labour market regimes. The predicted decrease in unemployment for European G8 countries and Japan is welcome. Nevertheless, some 35 million workers remain unemployed in the OECD, among them shameful numbers of younger workers. For G8 countries excluding Japan, the unemployment rate among young adults aged 15 to 24, remains in double digits. And in three of the G8 countries, France, Italy and Russia, the unemployment rate of the young exceeds 20 percent.

16. The unsustainable imbalances in global trade, in consumption and in savings constitute a threat to economic stability. Despite optimistic commentaries from the OECD and IMF that the narrowing of growth differentials between the United States, the Euro area and Japan

represents a process of "smooth rebalancing" of global growth, the risk that there will be disorderly and costly global economic adjustments remains grave. The costs are likely to be borne disproportionately by poorer countries and by working families in industrial countries.

17. The rebalancing of growth between regions must take place in a way which promotes employment growth. The countries and regions both inside and outside the OECD which have trade and savings surpluses and spare labour and capacity should expand their domestic demand faster. This includes Germany and Japan, as well as Russia, the energy exporters of the Middle East plus China which needs to adjust its growth to a more domestically orientated and sustainable path.

Europe: the ECB must let domestic growth strengthen

18. In Europe growth over the past year has at 2.8 percent been stronger than anticipated and, combined with the effects of structural change, has been successful in bringing down unemployment in the Euro area from 8.9 percent in 2004 to an estimated 7.4 percent this year. This reduction in unemployment has been brought about without inflationary pressure. Barely 3 percent of firms in the Euro area report labour shortages or difficulties in recruiting staff. Real wage growth remains below productivity growth. The challenge is now to sustain robust growth so as to further reduce unemployment. There is no reason for the European Central Bank to slow European growth because of baseless fears of a take-off in inflation. The two main sources of price increases in the Euro area, energy imports and domestic taxes, have not lead to second round effects in collective agreements. The Stability and Growth Pact must not be allowed to restrict spending on necessary structural initiatives based on human capital investments, skills adaptation and on better security to confront the changing job market and to avoid efficiency losses from unemployment. Beyond this the European framework for macroeconomic policy is in need of reform. Member states should construct national plans for growth based on the Lisbon priorities.

Japan: real wages need to rise

19. In Japan, growth over the past two years has recovered from the long-lasting recession, but stagnant real wages and declining disposable income due to increases in tax and social security contributions by working households remain serious problems. The challenge is to ensure that growth is more equitably shared and sustainable by encouraging rising wages and incomes and domestic demand. This year trade unions have obtained higher increases in real wages than in 2006 in the spring round of negotiations. However, they fall short of increases necessary to stimulate stronger household spending and domestic growth. They must be backed up by fiscal policy in support of household consumption. The Bank of Japan should for the time being shy away from further increases in interest rates that could choke off potential recovery.

United States: relink working families' incomes to growth

20. Faster growth in the rest of the world will help adjustment in the U.S. economy, which is unbalanced, internally and externally, and disturbingly fragile. Productivity has risen at twice the rate of wages since 2000. Median wages have been falling, reflecting higher inequality. The federal budget deficit exceeds four percent of GDP and the external account is running a deficit of seven percent of GDP. United States' fiscal policy must focus both on reducing the deficit without stalling recovery and on protecting incomes of middle- and low-

income families. The need for working families' security must also be addressed through the development of a universal health care system. The growing U.S. trade deficit is unsustainable yet must be reduced without transmitting a shock to the global economy. This is only possible if other countries take up the slack and pursue expansionary policies. International cooperation to stimulate growth, particularly in Europe and Japan is required to avoid a further slide in the value of the U.S. currency.

Emerging Economies: require an institutionalised dialogue with the G8

21. During the past year 40 percent of world output growth and 50 percent of income growth measured in purchasing power parities have come from emerging economies or newly industrialised countries. The major new economic powers have to be included in a more institutionalised dialogue with the G8 on managing the global economy and developing its social dimension. The OECD could play an important role in this.

China: make growth sustainable and enforce workers' rights

22. The spectacular growth of the Chinese economy over the last decade is often credited with lifting 200 million people out of poverty. However, the Chinese growth model is threatened by serious risks – imbalances between regions, growing inequality and social unrest, capital inefficiency, as well as resource depletion and environmental degradation and damage. A generation of migrant workers within China constitute an exploited underclass. The model of export-led growth and the insertion in global supply chains of foreign companies accounting for 60 percent of China's trade, has increased competitive pressures on workers in the rest of the world with an adverse impact on labour standards in developing countries. The export orientation of growth is based on the suppression of workers' core rights, all in order to obtain labour-cost advantages linked to an undervalued foreign exchange rate.

23. The priority for China is to evolve from being an outlier in terms of respect for internationally recognised standards and to shift to better balanced and qualitative growth that is sustainable both socially and environmentally. With the growth of the private sector, state authorities should introduce and enforce decent labour-market regulation and social protection to protect workers against the extremes of the market system and to manage change in a socially acceptable way. Enforcing regulation requires a vibrant civil society, fundamental civil and political liberties plus strong and effective unions operating under ILO standards of freedom of association and the right to collective bargaining including the right to strike. The transfer of clean energy technology, enforcement of the OECD MNE Guidelines and assistance to stop the catalogue of mining disasters should focus the attention of the OECD in their cooperation with China.

IV. REGULATING GLOBAL MARKETS

Trade, employment and core labour standards

24. Globalisation draws dramatic attention to the need both to ensure that national states maintain their necessary regulatory role and to ensure better governance at global level. A central priority is the need to strengthen the protection of workers' rights at the global level. Core workers' rights as defined by the ILO - freedom of association and of collective

bargaining, to be free from discrimination, forced labour, prison labour and child labour - are fundamental human rights and must be respected. When these rights are respected and workers are free to form unions this is also a key part of the solution to growing inequality. Unions both balance and enhance market outcomes.

25. Some of the most flagrant cases of repeated violation of union rights in countries such as Colombia, Burma, and Belarus, have been exposed and clearly condemned under ILO procedures. Core workers' rights are under threat in export-processing zones and in many developing countries as companies threaten to shift production to China or other countries where the rights of workers to organise are not respected. Core workers' rights as defined by the ILO must become an international benchmark applied through different international institutions – the IMF, World Bank, the OECD and the World Trade Organisation. Assuring the human rights of workers must be recognised as being at least as important an objective of international trade and investment agreements as protecting intellectual property rights or rights of foreign investment.

26. A fair, rule-based trading system can make a major contribution to global development. A successful outcome of the Doha Round has to contribute to this objective. However, not all countries and regions automatically gain from trade and investment liberalisation. The OECD noted at the 2005 Ministerial Council that "... in the short run, job turnover associated with offshoring is not costless and may disproportionately affect certain regions, sectors and firms". Current demands on developing countries in the NAMA negotiations in the WTO Doha Round could lead to significant job losses and are not acceptable. In industrialised countries governments should implement adequate policies to accompany and limit the social cost of restructuring resulting from the NAMA negotiations. The ILO's World Commission on the Social Dimension of Globalisation called for respect for workers' rights by all international institutions including the IMF, World Bank and the WTO. The growing international concern on the impact of trade on employment was reflected in the publication in 2007 of a joint report by the WTO and ILO on "Trade and Employment". This significantly concluded that "Freedom of association and collective bargaining rights do not harm the export potential of developing countries and may even stimulate it[4]. Further work on trade, employment and labour is now needed by the OECD, WTO and ILO in cooperation.

The social responsibility of business

27. In addition to introducing more binding and effective international regulation, governments can improve the social responsibility of business through a range of measures. Governments should support efforts by the social partners to jointly address issues of corporate responsibility. To date, more than 50 multinational enterprises have signed Framework Agreements with Global Union Federations, constituting formal recognition that the companies have social partners at the international level and providing a means to regulate labour practices throughout the companies' operations. OECD member states also have to implement the instruments that they have already adhered to. Their commitment to the OECD Guidelines for Multinational Enterprises is of no value unless they have effectively operating National Contact Points (NCPs) involving trade unions and other engaged parties[5].

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4 WTO-ILO "Trade and Employment: Challenges for Policy Research", February 2007, page 66

5 See TUAC analysis of cases raised with National Contact Points, www.tuac.org

28. Seven years after the revision of the Guidelines in 2000, a significant number of NCPs only exist on paper. A great number of the world's multinational enterprises stem from the OECD countries which mean that they have a special responsibility to enforce good corporate practices. OECD governments should start by ensuring that government policy is always in accordance with the Guidelines whether it concerns public procurement, export credits, trade policy, investment policy or other issues. But above all, they must ensure that alleged violations of the Guidelines are properly investigated by NCPs.

29. The global scope of the Guidelines, together with the fact that non-OECD countries are asking to adopt them, reinforce the applicability of the Guidelines as an international tool for all companies. The merits of the Guidelines, however, have remained unpublicised. Governments should therefore devote more resources to their dissemination particularly in developing countries. Trade unions also invite governments to implement the OECD Risk Awareness Tool as a complement to the Guidelines for investors in weak governance zones.

30. Trade unions call on governments to ensure the effective implementation of the OECD Anti-Bribery Convention. Bribery and corruption remain an important impediment to growth and development, distorting as they do the use of an economy's resources. Recent events have damaged governments' credibility in fighting corruption. The OECD should take measures to restore confidence in governments' commitment to the Convention and the fight against corruption.

Rules for the "new investors": hedge funds and private equity

31. Private equity and hedge funds have in a short period become owners and movers of vast pools of capital, significant swathes of the economy and of employment. Private equity transactions accounted for over a quarter of all mergers and acquisitions in the US and the EU in 2005. Private equity buy-outs have expanded their reach to large-size companies, industries, household brands and even companies linked to public services. Hedge-fund transactions account for a third to a half of daily trading volumes on main stock exchanges. These alternative funds are largely "leveraged" (i.e. debt financed) and are exempt from many of the regulations that apply to traditional collective investment schemes, to banks and to insurance companies, notably in the areas of investment prudential rules and reporting requirements.

32. The impact of alternative investors on the real economy and sustainable development has yet to be impartially and comprehensively researched. However, trade unions' experiences with employment and working conditions linked to private equity are alarming. The high rates of return required to finance private equity debt-driven buy-outs can jeopardise target companies' long-term interests and provision of decent employment conditions and security for employees. Studies, of which the most recent have been conducted in the UK, suggest that wages in private-equity-backed companies grow more slowly than in the private sector as a whole, and that the private equity management culture is not consistent with quality employment[6]. Rather than corporate restructuring for the purpose of shared productivity gains and increased competitiveness, private equity firms now appear to be looking at extracting maximum value over a short period before reselling the company at a substantial premium. Systemic risks to financial market stability are exacerbated by the opacity in which these highly leveraged investors are operating. We therefore call on

[6] "Inside the dark box: shedding light on private equity", Work Foundation, March 2007

governments and Central Banks to start preparations for a “Basel III” agreement covering the sector of non-banks.

33. The growth of private equity and hedge funds across the OECD and in key emerging countries requires a coordinated regulatory response by the international community. Regulatory reforms should address four areas:

- Transparency, prudential rules and risk management: There needs to be a level playing field between those alternative funds and other collective investment schemes with regard to transparency and reporting on performance, risk management and fee structure. The investment policies of hedge funds and private equity within the OECD zone should be regulated according to prudential rules aimed at both financial market stability and long-term asset value creation. Minimum funding rules are required.

- Workers’ rights to collective bargaining, information, consultation and representation within the firm should be regarded as key mechanisms by which the long-term interests of private-equity-backed companies can be secured and promoted. In particular, workers and their representatives must have sufficient information on the strategy and the business plan that the private equity firm intends to impose on the management of the company.

- Tax regulation: needs to be reconfigured to cover hedge funds and private equity regimes so that tax systems are not biased toward short-term investor behaviour. Comprehensive answers should be developed so that the expanding activity of hedge and private equity funds does not jeopardise government revenues from corporate taxes.

- Corporate governance: Current national corporate governance frameworks focus on publicly traded companies and have far weaker requirements for unlisted companies. The responsibility and powers of the boards of directors to preserve long-term interests of companies under private equity regime or whose ownership structure includes hedge funds need to be reconsidered so as to improve responsible business conduct and prevent conflicts of interests.

34. Global unions have called on the G8 to establish an international regulatory task force on private equity including the OECD, the IMF, the Financial Stability Forum, relevant UN agencies, and the ILO.

Counterfeiting and piracy: absence of decent work and lack of corporate responsibility as drivers

35. Responding to concerns expressed predominantly by businesses in industrialised countries, the OECD has initiated activities to protect intellectual property rights (IPRs) against violation. Particular attention has been given to counterfeiting and piracy. A recent study conducted by the OECD estimated the volume of counterfeiting and piracy at around 2 percent of world trade, a volume equal to about US$ 200 billion. The OECD study identified high profit margins, weak governance, in particular a lack of enforcement regarding IPRs as drivers of counterfeiting and piracy. Information analysed during the study suggest that counterfeiting and piracy are taking place in virtually all economies. In addition to legal and economic issues they also raise serious health, safety and security issues for governments and consumers.

36. Simply calling for an enforcement of the existing IPR regime and related laws and for stronger legal penalties regarding copyright infringement and counterfeit trade is not enough. Both the absence of decent work and a lack of corporate accountability facilitate the manufacturing of counterfeits. According to information based on the volume of seizures, provided by custom agencies of OECD countries, the following economies were most often listed as the five largest sources of counterfeited and pirated products: China, Thailand, the UAE, Korea, Turkey and India. These countries, with the exception of Turkey, have not ratified the ILO conventions on Freedom of Association and Collective Bargaining. Several have serious decent work deficits.

Globalisation, science, technology and intellectual property rights: we need to know more

37. The functioning of existing IPRs raises concerns in both developed and developing countries. Particular concerns are related to the fact that the submission of patent applications has increased tremendously in recent years, reflecting strategies to extend monopoly power by establishing strategic patent positions. Moreover, the IPR system does little to stimulate research on diseases that particularly affect poor people. A crucial issue is to ensure that IPRs do not hinder developing countries in gaining access to necessary technologies. In order to improve access to generic medicines, TRIPs issues should be reconsidered, as suggested by the ILO World Commission on the Social Dimensions of Globalisation.

V. DELIVERING PROMISES TO DEVELOPING COUNTRIES

The OECD must fulfil promises

38. At the G8 Summit in Kananaskis in 2002, governments adopted an action plan on Africa in support of the New Partnership for Africa's Development (NEPAD). This action plan contained commitments for peace and security, capacity-building for economic and corporate governance, human rights, measures to combat corruption including strengthening the implementation of the OECD Anti-Bribery Convention, trade and investment, education, HIV/AIDS, increasing agricultural productivity and water resource management. OECD Development Assistance Committee members made parallel commitments to increase aid at the 2002 Monterrey Conference on Financing for Development.

39. Further promises were made at the 2005 G8 Summit in Gleneagles where donors agreed to a new partnership with Africa focusing on debt cancellation, universal access to treatment for AIDS-victims, provision of vaccines for the poorest countries, a doubling of official development assistance as well as the introduction of innovative methods of development finance. As G8 leaders meet, few of these commitments have been acted upon. OECD figures show that official development assistance fell in 2006. Deadlines for meeting the Millennium Development Goals (MDGs) look ever more unattainable without a fundamental shift in priorities on the part of the OECD countries. Nearly one and a half billion people still lack access to safe drinking water. The world continues to face the scourge of an AIDS and malaria emergency with 40 million adults and children infected with HIV AIDS. More than 100 million children lack access to primary education and 860 million adults are illiterate. Trade unions, therefore, call on governments to fulfil their promises and report on the measures that have been and will be taken in order to fulfil these commitments.

Aid, debt relief and decent work

40. Full implementation of debt relief commitments, including the Multilateral Debt Relief Initiative regarding debt owed to the multilateral institutions themselves, is essential in making progress towards the MDGs. The IMF and World Bank should eliminate their unreasonably strict conditions and requirements that are delaying the process, and instead adopt an approach that includes ongoing monitoring and cooperation with the countries concerned. But debt cancellation is also needed for a larger group of countries.

41. OECD governments must honour their commitment to increase ODA and in particular to double aid to Africa from 25 billion USD in 2004 to 50 billion USD in 2010. However, the latest figures showing falling aid and the uncertainty as to whether the goals will be met reduce the efficiency of development aid because of the lack of predictability. Donor agencies and receiving countries cannot plan their activities if they do not know the actual volumes of aid flows at their disposal. Even if contributions rise again up to 2010, they are unlikely to be sufficient. Several G8 members (the U.S., Japan and Canada) would not even reach 0.3 percent of national income in development aid in 2010. The OECD countries should therefore sharpen their ambitions and aim to allocate 0.7 percent of national income on aid to developing countries, in accordance with UN recommendations, by 2010.

42. Larger aid volumes and debt relief, while necessary, remain insufficient to tackle poverty, as are policies for higher growth and investment that do not take into account distributional effects. Donors should focus on how they can support pro-poor growth based upon the creation of decent work. Although world GDP rose by 5.2 percent in 2006, the number of working poor continued to grow. The number of working people living on 2 USD a day reached 1.37 billion in 2006 according to the ILO. In many developing countries, workers are required to accept unprotected and informal work or low quality self-employment. Many informally employed workers are also employed in formal work, but do not earn enough to make a living. To lift them and their families out of poverty governments should together with companies invest in decent jobs and in ensuring that labour and social protection extend to all their citizens.

43. The situation in Sub-Saharan Africa is particularly alarming. The ILO estimates that over 151 million people earn as little as 1 USD a day, while more than 235 million earn only 2 USD a day. The only sustainable way to reduce poverty is to create decent work covering freely chosen employment, rights at work, social protection and social dialogue. This is particularly important from a gender perspective as women constitute approximately 60 percent of the working poor. Decent work should be put at the heart of the donors' development assistance programmes.

44. The Paris Declaration on Aid Effectiveness could be turned into an important instrument to reform aid practices. However, the Declaration focuses in the main on government relationships and improving the capacities of state actors in developing countries. It takes into account neither the role of civil society organisations nor of trade unions. Furthermore, aid effectiveness cannot be separated from broader development goals such as decent work, human rights and gender equality. The High Level Forum to be held in Accra in 2008 to review progress in the implementation of the Declaration will be a significant test of the usefulness of the Declaration.

Managing migration requires a rights-based approach and co-development strategies

45. The OECD's decision to undertake a major cross-disciplinary project on migration is welcome but it must lead to receiving countries adopting policies for managed migration and integration that are based on recognising the rights of all citizens including migrants as well as co-development strategies with sending countries to reduce involuntary migration. In receiving countries special attention must be given to the education of migrant children and young people, and to their prospects of finding decent work. The consequences of failing to act, in terms of threats to social cohesion and security in all our communities, are dramatic.

46. The grotesque effects of human trafficking must be confronted and tackled. Illegal and clandestine migration is a growing source of human suffering and exploitation in many societies, and it is clear that a growing gap between rich and poor will aggravate such problems. Legal frameworks for migration based on ILO Conventions 97 and 143 and fully equal rights for migrant workers are obviously necessary, and should be respected. Yet, it is clear that illegal migration cannot be addressed successfully by legislative means alone. Demonstrable equity among all humans is a prerequisite for social cohesion, together with job security and the engagement of civil society in the management of change.

47. The case for social cohesion applies with even greater force for many millions of families who have moved legally into OECD countries to build better futures. If the second or third generations of such migrant families perceive no worthwhile prospects for their future, if they have no hope, disillusionment emerging from their midst will and already does confront countries with grave challenges. In the absence of effective policy measures, the potential for large-scale breakdowns in social cohesion is dangerous. The OECD project must provide robust analysis of the many dimensions of migration issues, and for sound policy advice.

VI. CLIMATE CHANGE AND ENERGY – THE NEED FOR INNOVATION

48. Climate change is a global threat requiring urgent global action. The leading international network of climate change scientists (IPCC) have now said clearly that the world is already undergoing warming, shifting weather patterns and rising seas, resulting from the build up of greenhouse gases in the atmosphere. But they confirm that global warming can be substantially mitigated by prompt action.

49. The OECD governments must meet the current greenhouse gas reduction target (5% of 1990 level) agreed under the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC) and accept a much stronger commitment for reduction beyond 2012. The spring 2007 European Council decision to reduce CO^2 emissions by 20 percent with commitment to increase this to 30 percent if commitments become global, is a good starting point for negotiations. This would open the door for commitments on the parts of governments of emerging economies to engage in constructive action for progressively adopting targets for greenhouse gas reduction, stabilization or controlled increase. This should be complemented by targets for example for renewable energy use.

50. Such targets can only be reached via significant changes in the current energy mix, and by action to achieve overall increases in energy efficiency. OECD and emerging economies need to invest in a mix of clean, green and sustainable energy sources, including wind power, solar power, some forms of biomass, micro hydro energy, clean coal, and natural gas.

51. Aggressive policies promoting energy efficiency are also needed, through demand side policies, via increased incentives for and use of collective transportation, the development of energy services such as relighting and insulation in housing, among others. There is huge potential for progress through higher fuel efficiency of vehicles, high efficiency building construction and heating and more efficient coal-fired power plants, combined with micro generation strategies for households.

52. To bring this about, the true cost of carbon emission must be reflected in energy prices. Yet it requires a broader approach regarding climate and energy policies. In other words, achieving environmental protection, economic growth and social progress simultaneously demands harmonious coordination that is the basis of sustainable development.

53. Such coordination will have implications for working families particularly by taking into account the effects of these policies on jobs. All signatories to the UNFCCC are obliged to provide “national communications” on the implementation of the Convention. As a first step these should report on social and employment impacts and be drawn up in consultation with trade unions. It is essential to move beyond the sterility of the “jobs versus the environment debate”. There are potential gains for employment in clean technologies, environmental industries as well as in the adoption of energy efficiency policies. Significant employment opportunities will appear due to “green” production, especially through renewable energy such as wind, wave, tidal and solar power, as well as through use of bio fuels, energy conservation and clean coal technology. There is great scope for developing decent work in these sectors.

54. However, new jobs will not automatically be created in the same sectors and places where they are lost. Attention must be paid also to those who will require assistance for the transition, and policies should be designed to ensure social cohesion. The OECD governments should develop a programme for ‘Just Employment Transition’, linked to adequate compensation, training & education and re-employment support. Linking such a transition plan to a “Green Job” strategy is necessary and the governments should develop a set of principles that recognise the importance of global warming through a set of options, including incentives, standards, regulations, and research establishing a balance between the social costs of change, including effects on employment, and fair mechanisms to address them. The UNEP, ILO and other relevant institutions should work with trade unions to bring this about.

55. The OECD governments have a duty to ensure that a serious, robust, global platform exists for adapting to climate change, concomitant weather phenomena and the associated social disruption of affected areas. Coherent global management of resources and programmes for disaster relief, social support, public health and emergency services need to become an objective. The social and economic barriers to effective adaptation and rehabilitation should also be identified, not excluding those relating to employment dislocation in places, regions and circumstances where population displacement will occur.