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**TRADE UNION STATEMENT TO THE 1998 OECD COUNCIL MEETING AT  
MINISTERIAL LEVEL AND TO THE BIRMINGHAM G8 ECONOMIC SUMMIT**

*As had been mentioned in the version distributed on 16 April, the Trade Union Statement has been amended by the TUAC 100th Plenary session, held on 16 and 17 April 1998. Herewith is the new version of this Statement.*

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**TRADE UNION STATEMENT**  
**TO THE 1998 OECD COUNCIL MEETING AT MINISTERIAL LEVEL**  
**AND TO THE BIRMINGHAM G8 ECONOMIC SUMMIT**

**The Crisis of Globalisation**

1. The Asian crisis is the most serious crisis that has faced the new "global economy" that has emerged since the 1980's. Its implications go far beyond financial markets revealing the deep structural flaws within the multilateral system. Working people and their families are paying the price for imbalanced approaches to globalisation reflected by the lack of political and corporate accountability, the inadequacy of international economic governance and the lack of adequate regulation of financial markets. The crisis also risks spreading with a deflationary effect on the world economy compounding the lack of balanced demand in the world economy.

2. The political and economic stakes facing policy makers are therefore very high. The effective response to globalisation is neither to continue the blind deregulation of the 1980's, nor to retreat to protectionism. It must be to establish effective governance over markets, whether at a local, national, regional or global level so as to develop a pro-growth, pro-employment multilateral system. It must also be to manage change by giving workers security and confidence in the change process. Fifty years ago governments showed vision and leadership in establishing the Bretton Woods Institutions after the Second World War. Today, the process of globalisation demands that governments show vision and leadership to establish mechanisms of governance to make sure that global markets deliver growing and widely shared prosperity.

3. The G8 Ministers who attended the London Jobs Conference recognised that trade unions are essential for making these initiatives work. The existence of strong democratic unions is a required force for transparency and accountability in business and government and ensuring the just distribution of the fruits of growth. Guaranteeing basic worker rights on a global basis and developing well functioning labour market and social security systems are the starting point for managing change in a socially acceptable way.

4. The key governmental actors in the global economy, meeting at the OECD Ministerial Council and Birmingham G8 Summit have to demonstrate collective leadership and act quickly. They must:-

- implement a coordinated strategy which sustains global growth and supports balanced domestic demand (§ 5-7);
- establish as a priority an International Commission to develop a new financial architecture which is required to govern international capital markets (§ 8-9);
- develop a social and democratic dimension to globalisation and move decisively to ensure that core labour standards are guaranteed in the global trade and investment system (§ 10-13);

- build on the principles established at the London G8 Jobs Conference and implement a strategy for employability and social inclusion through non discrimination, quality labour market policies, lifelong learning, a partnership for workplace change, combating low pay, and the attenuation of unemployment and poverty "traps" in social benefit systems (§ 14-15);
- implement a strategy for sustainable development (§ 16-17).

### **A Global Growth Strategy for Employment**

5. As the fall out from the Asian crisis spreads, the prospects for economic and employment growth rates remain uncertain and uneven across the industrialised countries. Unemployment fell in some OECD countries, but it still rose in ten countries to reach over 35 million in 1997. In the United States job growth remains strong, but there remain greatly widened income inequalities. In continental Europe the long awaited recovery is now taking place, but substantial spare capacity remains. Japan's economy meanwhile remains seriously depressed.

6. This is against a background of disinflation and sharply reduced budget deficits. The burden of adjustment is falling on low and middle income earners, the unemployed and their families, either through depressed wages, and in-work insecurity or cuts in welfare and unemployment benefits. Trade union collective bargaining strategies have given priority to employment in many countries. There has been a decade of wage moderation. However, depressed domestic spending power in many countries is too low to sustain vigorous recoveries. Added to this the risk now facing the global economy in the wake of the Asian crisis is deflation, with the IMF reducing its forecasts for world GDP growth this year by 1.2 per cent. This represents the difference between falling and rising unemployment in many OECD countries and compounds the problem of low consumer confidence. Of a qualitatively different order is the non-payment of wages for many millions of Russian workers, which is stalling both growth and structural reform.

7. Coordinated action is therefore needed to establish and sustain above-trend economic growth across the OECD. Governments attending the OECD Ministerial Council and Birmingham Summit should move quickly to:-

- coordinate macroeconomic policies to achieve or maintain low real interest rates to boost employment growth across the OECD, so as to maintain the momentum of US growth, and ensure that EMU provides a platform to promote the demand led growth in Europe necessary to meet the EU employment guidelines. At the same time sustained tax cuts and increased public spending are needed in Japan;
- broaden the objectives of central banks including the European Central Bank to include the attainment of the maximum possible growth and employment alongside low inflation;
- maintain and develop stable fiscal bases through avoiding negative tax competition and so ensuring fair levels of taxation on capital and profits, while switching the burden of taxation away from labour;
- accelerate infrastructure investment, and bring forward the trans-European infrastructure programmes;

- improve on and accelerate the implementation of the "Heavily Indebted Poorer Countries" initiative of the IMF and World Bank so as to bring genuine debt relief for the world's poorest countries;
- in Russia, break out of the vicious circle of financial crisis leading to the non-payment of wages, which leads to lost tax revenue and further financial crisis.

### **An International Commission on International Financial Market Regulation**

8. The Mexican peso crisis and the continuing aftershock of the Asian financial crisis are stark reminders of the havoc that unregulated international financial markets can bring. Systemic risk and contagion effects magnify their potential to immediately transmit shocks around the world. Benefits brought about by financial liberalisation are being swamped by the associated economic, employment and social costs. Current austerity measures in Asia implemented to "restore investors' confidence" are pushing economies into recession.

9. Set against this the series of measures to promote financial market stability called for and enthusiastically endorsed by Heads of State since the 1994 Naples G7 Summit show clearly the inadequacies of the current approach. Neither the much heralded IMF "early warning system" nor the Basle Committee's Core Principles for Effective Banking Supervision have had any impact on this most serious crisis of globalisation. This failure proves the need for a new architecture to control the international financial system and now is the time to design it. The February 1998 meeting of G7 Finance Ministers called for a "profound and broad ranging debate" on the lessons of the crisis and the need to "strengthen the international monetary system". The aim of this must be to re-harness financial markets to facilitate long-term productive investment so as to secure growth and widely shared prosperity. There is a democratic deficit in the debate over financial market reform. Governments must therefore establish as a priority a broad-based Independent International Commission whose mandate is to report rapidly on the institutional and policy changes needed to establish an effective international regulatory framework. This should:-

- re-define the role and responsibilities of the Bank of International Settlements (BIS), the IMF, World Bank, OECD and the Basle Committee on Banking Supervision to implement a global system of governance for international financial markets;
- review the role of the IMF and World Bank in particular as called for by the UN's Copenhagen Summit for Social Development, so that structural adjustment programmes promote good governance and respect for human rights, increased employment and poverty reduction, and not austerity and blind deregulation. The review should include the need for external support to maintain or initiate spending on social safety nets in countries facing difficulties. Similarly, the review should focus on the experience of countries suffering from the policies of high interest rates that have compounded the crisis of adjustment with major recessions;
- lay the foundations for the implementation of an international tax on foreign exchange transactions;
- recognise the role of minimum deposit requirements to discourage short-term speculative monetary inflows. The Multilateral Agreement on Investment currently under negotiation at the OECD should include a general exemption covering this;
- agree that the emerging reserve currency blocks of the Dollar, Yen and Euro generate stable parities, along with the progressive removal of current account deficits and surpluses;

- require the effective regulation of financial markets, and their certification covering quantified and acceptable risks with capital standards and prudential controls. Associated regulatory bodies must be effective, transparent and accountable. Limits to the exposure of foreign currency liabilities should be allowed, especially for institutional investors, notably pension funds;
- ensure that banking systems be transparent and bound by effective disclosure criteria with satisfactory minimum reserve requirements.

### **A Social Dimension to the Global Trade and Investment System**

10. Governments are extending their systems of national laws governing intellectual property and investor rights to the global level. They must now act decisively to enforce basic labour and human rights worldwide. The Asian crisis and the debacle over the MAI have shown the failings of allowing the social dimension of globalisation to be ignored. The Asian crisis is a graphic example of the result of not keeping social progress in line with economic development. The miracle years masked the failure in many of the crisis countries to allow let alone encourage, democratic trade unions to develop along with other participative institutions reflecting a functioning civil society.

11. The OECD and G8 governments attending the WTO Ministerial meeting must press for:-

- the inclusion of core labour standards as one of the subjects for negotiation in any new round of WTO negotiations;
- practical measures to strengthen cooperation between the ILO and WTO;
- the consideration of core labour standards into trade policy reviews.

12. Urgent progress is also necessary at the ILO to establish a solid declaration on fundamental workers' rights with an effective enforcement mechanism.

13. Governments must learn the lessons from the latest failure to meet the deadline for the conclusion of negotiations on the Multilateral Agreement on Investment (MAI). The fears of citizens of the effects of unbalanced trade and investment liberalisation are real. A failure by governments to recognise this will lead to a popular backlash against globalisation, and in particular any future investment agreement. Any agreement must not challenge the ability of government to regulate, nor lay governments open to perverse claims of expropriation, nor should the effects of social or industrial disputes be subject to such claims. Governments must be able to maintain effective public services when delivered through not-for-profit activities in such fields as health, social and educational services. Future negotiations must agree, among other things, a binding clause in the MAI that commits governments not to lower or not enforce domestic and internationally agreed labour standards and environmental standards in order to attract investment, and not just specific investments. Governments and the MAI will be judged by whether the granting of legally binding rights and protection for investors is matched by reciprocal rights for workers and for the protection of the environment. These are key issues in the domestic debate on the ratification of any emerging agreement.

## A New Agenda for Employment and Social Inclusion

14. The 1997 OECD Labour Ministers' meeting, the 1997 European Union Jobs Summit and the London G8 Jobs Conference each reflected a shift in the debate on how to raise growth and how to translate this growth into good quality employment, with more social inclusion and less inequality. The era of driving for crude de-regulation of labour markets has passed and the OECD Jobs Strategy follow-up must recognise this.

15. Adaptable labour markets are therefore necessary to encourage innovation, facilitate investment in human capital throughout the workforce and working life, work against social exclusion and produce results which are both efficient and fair, and which give workers confidence and security in the change process. Trade unions are a key element in achieving this and are ready to work with governments and employers if there is a positive agenda for change. This requires integrated policies:-

- *Entrepreneurship and a partnership for "socially responsible businesses"*. The encouragement of entrepreneurship cannot be allowed to become synonymous with an absence of necessary regulation, standards and sweat-shop labour. Companies, irrespective of size must base their strategies for competitiveness on establishing high performance and knowledge intensive workplaces through technological innovation, changing work organisation based on higher and more diversified skills of workers, and high trust relations within firms and less hierarchy. Too few firms have followed such a path, too many remain obsessed with short-term flexibility, characterised by "downsizing", "delayering" and "outsourcing". Fear and insecurity are created in the workplace; training is neglected and workers oppose change, rather than embrace it. Worker involvement and the recognition and active involvement of trade unions is necessary to bring about this "high route" to workplace change. Governments can facilitate this. They should create a climate of security through a guaranteed floor of employment rights. Through a combination of innovation policy and incentives, they can encourage good practice in workplace change.
- *The prevention of long-term unemployment*. Active labour market policies must be used to assist the unemployed back into work rapidly. This must be based on providing opportunities not penalizing the victims. They work best when there is high labour demand. They need to be proactive - targeting retraining and job placement measures before change takes place and before unemployment becomes long-term. Experience has shown that linking employment services and training agencies and decentralised services works best. Trade union involvement in the design and implementation of policies is essential.
- *Implementing lifelong learning for all*. If lifelong learning is not just to remain an empty slogan, a social partnership involving trade unions, employers, parents and teachers is necessary to implement lifelong learning. There needs to be:-
  - public investment in basic education to raise educational quality, particularly for the underprivileged;
  - continuous monitoring and improvement in educational practices;
  - the widening of access to further and higher education and its integration with adult education;
  - the introduction of benchmarks for training and retraining in companies;
  - the involvement of trade unions in the design, monitoring, assessment and promotion of systems to recognise work based qualifications and skills;

- the expansion of job rotation schemes between long-term unemployed and workers wishing to take training leave;
  - the setting up of training banks for small and medium sized enterprises with the involvement of the social partners.
- *Managing the organisation of working time and extension of learning time.* Productivity gains should be more widely distributed as a general reduction in working hours so as to strengthen the link between growth and job creation.
- This can be achieved where workers have a joint say over work reorganisation and working time. Across a range of countries and sectors, as part of wider negotiations, trade unions have agreed to flexible working time arrangements in exchange for working time reductions.
  - The "knowledge-based" economy and the move towards the information society requires more learning time for workers to adapt to structural change and innovation in workplace organisation. A reduction and reorganisation of working time should therefore also be used for an extension of learning time and training by and in firms.
  - There should be equal employment rights for part-time workers so as to put part-time work on the same footing as full time work and eliminate involuntary part-time and temporary work. This would facilitate socially acceptable job-sharing and opportunities for voluntary chosen part-time work.
- *Eradicating poverty and exclusion.* The growth of low paid jobs and in-work poverty is not an acceptable solution to unemployment. It encourages firms to develop strategies of competition based on low wages and outmoded work organisation. Low paid workers often remain trapped in these jobs, family poverty increases and there is a threat to social cohesion. OECD economies must create jobs and combat low pay and social exclusion at the same time. There is a key role for both legally set and collectively bargained minimum wages to set wage floors which eliminate the exploitation of low paid workers. A fairly set wage floor can stimulate joint action to raise worker productivity, particularly in low paid sectors. The tax and benefit system has an important complementary role to play. Tax credit systems have worked effectively to reduce poverty amongst low income working families. They are a central form of solidarity, but not a panacea for dealing with all problems of inequality appearing in the labour market.
- *A policy for active ageing.* A full response to the challenge of ageing societies must be based on a full dialogue with the social partners and include:-
- efforts to ensure and stabilize future pension provisions, which offer decent standards of living, which avoid an increase in social inequality, and which prevent poverty among older people;
  - efforts to restructure the retirement process, which in combination with measures of labour market and employment policy:
    - . avoid mandatory early retirement as well as an abrupt transition to retirement,
    - . enlarge the opportunities for a more flexible approach to the transition from work to retirement (via gradual retirement, age specific part-time work),

- . ensure that employers are contributing fully to the costs of earlier retirement,
  - . protect the health and safety of employees against increasing demands of performance and work loads,
  - . promote training and employability of older workers.
- *Gender policies to eliminate discrimination.* Labour markets will remain segregated without strong policies to stop sex discrimination and break down the barriers surrounding "feminized professions". This is necessary primarily on grounds of social justice but also on economic grounds to make use of the potential increase in labour supply coming from ending the employment "gender gap".

### **The Challenge of Sustainable Development**

16. Providing workers with the confidence and security in the change process is also essential for the implementation of sustainable development. Growing evidence of Climate Change has made clear that the world's environment continues to deteriorate at an alarming rate and that the implementation of effective programmes for change must become a top priority. Recognition of the fact that every part of society must become actively involved if real change is to take place is making evident that workers and trade unions must be involved to ensure the success of concrete implementation programmes, especially through actions at the world's workplaces aimed at substantially changing the current production and consumption patterns.

17. The engagement of workers to strengthen implementation measures can only come about by trade unions being allowed to take a leadership role, along with employers in coordinating activities, developing targets, monitoring progress, both locally and internationally. This can only come about if measures to implement sustainable development incorporate:-

- *Trade and investment* policies which ensure that competitive advantage is not gained at the expense of the environment, and labour standards;
- *Market intervention* through economic instruments and targeted regulation, such as internationally coordinated eco-taxes as a means of providing cost-effective environmental protection measures;
- *A focus on workplaces* as the hub of the production and consumption cycle. Workers must be empowered to fully participate in setting targets, monitoring activities and evaluating progress; and,
- *Social and employment safeguards* in proposed transition plans. Jobs will be affected, both due to the effects of environmental deterioration itself and to the measures to prevent or mitigate them. This requires a strategy for sustainable employment.