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The OECD and the world economy

Contribution¹

Social, Health and Family Affairs Committee

Rapporteur: Mrs Maria de Belém Roseira, Portugal, Socialist Group

1. First of all, the rapporteur wishes to congratulate Mrs Papadopoulos on her excellent report on the OECD and the world economy. The rapporteur is aware that it is difficult to cover the whole range of the OECD's activities. In her contribution, she wishes to focus on the so-called 'globalisation paradox' and its impact on employment policies in the OECD economies.
2. The rapporteur very much agrees with the approach advocated by the latest *OECD Employment Outlook* that debate about the social impact of globalisation is characterised by a paradox. On the one hand, most economists highlight the lessons from economic history, namely that more open markets tend to be associated with greater prosperity. Indeed, freer trade and foreign direct investment (FDI) help realise the welfare gains associated with exploiting comparative advantage. On the other hand, however, there is concern in the public opinion in many OECD countries about the risks that globalisation may entail in terms of jobs and wages.
3. The rapporteur believes that this paradox can be explained, first of all, by the unprecedented scale of globalisation. The range of countries which participate in globalisation is much broader than was the case in earlier episodes of international economic integration. In particular, Brazil, the Russian Federation, India and China (the so-called BRICs in the terminology of the OECD) are becoming major trade and investment partners.
4. This development has entailed a major increase in the number of workers whose outputs compete on world markets – it is significant that these four countries account today for 45% of the world labour supply, compared with less than one fifth for OECD countries as a whole.
5. More fundamentally, a unique feature of the ongoing process of globalisation is that it concerns many labour-intensive services as well – and not just primarily industry as in the past. This is because globalisation goes hand-in-hand with the rapid adoption of information and communications technology. New technology and declining transportation costs, facilitate the fragmentation of the production of both goods and services, and offshoring of certain tasks to other countries.

¹ See Doc. 11357 tabled by the Committee on Economic Affairs and Development.

6. On the other hand, a major factor explaining the globalisation paradox is that economic integration is occurring in the context of wider earnings inequality and perceptions of job insecurity.

7. The latest *OECD Employment Outlook* has indeed shown that trade deepening and offshoring is a potential source of vulnerability for workers. An analysis covering trade and labour market developments since 1980 indicate that jobs and wages have become more vulnerable to external shocks.

8. The rapporteur feels that it is crucial to address these concerns: Public support for furthering international economic integration (and the structural reform agenda more broadly) could wane if the perception that many workers do not benefit from it takes root.

9. In this respect, it is fundamental for policy makers to realise that they can play a major role in making the most from globalisation and reducing workforce adjustment difficulties. Countries with similar trade and FDI patterns – even members of a regional trading area – have widely different employment and unemployment rates and wage disparities. And this reflects different policy settings among countries.

10. The rapporteur wishes to stress in this context the importance of the “decent work agenda” of the International Labour Organisation (ILO). This concept refers to more than mere dignity. It involved four objectives: minimum standards of work, the minimum wage, social security and social dialogue between workers’ representatives and employers. The decent work agenda indeed encompasses the “core labour standards” which set the minimum basis of social rights established by the international community.. As an international legal framework on social standards it aims to ensure a level playing field in the global economy.

11. In other terms, the rapporteur believes that “globalization begins at home” which means that national policies and actions still matter. Good economic and social governance at the country level is indeed a prerequisite to successfully address the globalisation paradox..

12. In this context, it appears that in Europe a consensus could be obtained among politicians and social partners in favour of flexibility that respected the balance between demands of the market and those of social protection for workers (which is the essence of the so-called *flexicurity* debate). In this respect, the rapporteur wishes to underline the importance of the so-called “good faith principle” in the discussion of flexicurity tools so that the adaptability of enterprises and the social protection of workers could be effective.

13. Globalisation requires first and foremost mobility to ensure that workers are not trapped in jobs which have no future. In this regard, tying dismissal regulations to existing jobs will tend to weaken workers’ mobility opportunities.

14. Flexicurity means being ready for change, managing change and establishing a balance between flexibility and security on the labour market. Equipped with the right skills, “old Europe” can succeed in global competition. Well-functioning labour markets and quality in working life are the key to the kind of innovative Europe we want to emerge.

15. We cannot improve our adaptability without increasing flexibility. But creating new employment security, based on partnership and lifelong learning, must be part of this approach. In other words, the flexicurity approach requires comprehensive national strategies with the right mix of economic and social measures to foster job creation and help people to maximise their chances on the labour market.

16. The rapporteur favours an approach that combines strong social systems with active measures to assist workers during periods of transition, as is the case in Scandinavian countries. She believes that flexicurity limited to compelling employees to abandon their fundamental rights and agree to more precarious jobs is unacceptable insofar as it would be a source of insecurity and therefore counter-productive. Flexicurity should create a win-win situation for workers as well as for companies.

17. In this respect, the rapporteur also wishes to underline the essential role of social partners. They are ideally placed to identify new ways of working. Many of the solutions linked to improving flexibility and security in the workplace lie at business or branch level and depend largely on good cooperation between the two sides of industry. The discussions will not be easy, but the full backing of the social partners is vital. A joint contribution from them on the issue of flexicurity would be a very important step forward in Europe's quest for more and better jobs.

18. Finally the rapporteur agrees with the general conclusion of the OECD study that well-designed domestic policies are instrumental for enhancing the benefits from globalisation while addressing the adjustment and inequality concerns. These policies would also help strengthen public support for freer trade and investment policies, and promote perceptions that globalisation is an opportunity for all.

Amendment 1:

After paragraph 6 of the draft resolution insert a new paragraph:

“The enlarged Assembly stresses that concrete steps by the international community in order to implement the decent work agenda of the International Labour Organisation and well-designed domestic policies – in particular those concerning social responsibility of companies - are essential for enhancing the benefits from globalisation while addressing the adjustment and inequality concerns in the OECD economies. These policies would also help strengthen public support for freer trade and investment policies, and promote perceptions that globalisation is an opportunity for all.”

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