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Trades Union Congress

Rt Hon Margaret Thatcher MP
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10 Downing Street
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Your reference:

Our reference:

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Date:

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11/7

Dear Prime Minister

Paris Summit Meeting

I am writing to draw your attention to the views of the TUC and of the International Trade Union Movement in advance of your visit to Paris for the World Economic Summit.

I attach a statement which has been drawn up by the Trade Union Advisory Committee to the OECD and which has also been submitted to President Mitterand as the host of the Summit.

The TUC fully supports the points made in the TUAC statement and I hope that you will give the points made careful consideration in your preparation for the Summit and in the deliberations in Paris. The statement was drafted before the brutal suppression of the pro-democracy demonstrators in China. In a letter to President Mitterand, the President and General Secretary of TUAC stated that these events reinforce the message in the statement that economic relations with China as well as with the Soviet Union and some countries of Eastern Europe should be extended in ways and on conditions which promote the free practice of trade union and other basic democratic rights.

You will see that the TUAC statement also deals with a number of issues including employment, equality, production capacity, poverty, debt and development, international trade and investment, and the working and living environment.

All these are important issues and I would particularly emphasise the need to make progress on the debt issue. The International Confederation of Free Trade Unions has warned of the risks to fragile democratic institutions of the reversals

to development and of the human suffering caused by the burden of debt repayment. I hope that progress on this issue can be made at this year's summit.

I am writing in similar terms to the Chancellor of the Exchequer.

Yours sincerely

Norman Willis

General Secretary

Encs:

Réf.

TRADE UNION STATEMENT
TO THE OECD MINISTERIAL COUNCIL
AND THE PARIS SUMMIT
May - July, 1989

(Adopted by the TUAC Plenary Session
Paris, 11 - 12 May, 1989)

Introduction

1. The recent economic growth rate of 4% in the OECD area is to be welcomed and needs to be sustained. But despite this strong growth almost 30 million people in OECD countries remain unemployed and many millions more find only precarious work; persistent poverty exists in the midst of affluence; many industrial regions continue to decline; and, most developing countries face grave deprivation which threatens democratic institutions.

2. Sustainable prosperity and economic efficiency cannot be based on these widening divisions. Groups of people must not be allowed to lag far behind in enjoying the benefits of economic growth that other groups already enjoy. Governments are responsible for the task of spreading the benefits of economic growth and for providing opportunities for people to contribute to that growth. Full employment in good quality jobs and the relaunch of balanced economic development must be the aim of policy makers.

3. Any reappearance of high and rising levels of inflation in OECD countries would be damaging to working people and would worsen the prospect of achieving this aim. It must be avoided. Yet this must not be done by deliberately slowing growth, through restrictive monetary and fiscal policies resulting in higher unemployment. The task is to sustain growth and reduce unemployment and inflation at the same time. Central to this must be policies which raise productive capacity and which provide workers with the necessary skills through training and retraining, so as to ensure that new employment opportunities are created. Achieving this will require a genuinely common approach by governments in consultation with trade unions and employers.

4. To achieve this, OECD countries have the following tasks to accomplish:

- To sustain and make sustainable the high rate of economic growth achieved during the past year, so as to improve significantly the employment situation.
- To use selective investment policies to channel profits into productive activities and active manpower policies to upgrade and expand training and retraining.
- To enable "declining industrial regions" to recover and contribute to balanced economic and employment growth. Their industrial structures need to be modernised, and much economic and social infrastructure investment is required.
- To ensure that the benefits of growth are distributed equitably to all in society, especially to the substantial numbers of people living - and working - in conditions of chronic poverty or hardship.
- To relaunch economic and social development in both the poorest and the middle income developing countries. Debt reduction and an increase in official development assistance are required, under conditions which create improved economic performance worked out in consultation with the social partners.
- To strengthen the multilateral trade and investment system through explicit social obligations on those benefitting from trade and investment liberalisation. OECD governments should co-ordinate their policies concerning the growing economic links of the Soviet Union, some countries of E. Europe and China with the OECD countries.
- To take urgently the necessary practical measures to improve and safeguard the external environment and the working environment.

Towards Full Employment

5. The OECD's Founding Convention pledges governments to cooperate in order to "achieve the highest sustainable economic growth and employment and a rising standard of living in Member Countries". The fight against unemployment requires sustained economic growth of both a quantitative and a qualitative kind. Over the past two years, job creation in the OECD area has exceeded labour force growth so that finally unemployment has started to go down. This trend must be reinforced, because unemployment remains intolerably high. Trade imbalances between OECD countries should be reduced within the context of higher not lower growth.

6. The rise in interest rates is unnecessary. It damages growth, employment, and investment and it increases the debt burden of developing countries. It demonstrates a heavy-handed readiness to put on the economic brakes and an unwillingness to sustain non-inflationary growth by other means. This contrasts with the variety of tools which are available yet which remain little used to tackle the real problems and deficiencies.

7. Shortage of productive capacity and price pressures are not general but are sector specific and regionally concentrated. These can be overcome through investment policies and improved productivity and through broadening the base of growth and spreading the benefits of growth. The persistence of inflation fears, at high levels of unemployment and when regions are still in crisis, is an indictment of the investment performance of firms and the inadequacy of structural policies introduced by governments.

Expanding Productive Capacity

8. For working people, the quality of jobs is as important as the quantity of jobs created. Unregulated and insecure employment is growing fast, especially though not exclusively for women workers, and this leads into a serious degradation of working conditions in many sectors. Nor does this contribute to high productivity of the economy as a whole.

9. Although productive investment has taken place over the last years, it ~~remains~~ inadequate. Structural policies should identify the shortages of capacity and the necessary policies to improve and extend the productivity of OECD economies. Profits have risen spectacularly since 1980 but too much of this increase has been diverted into speculative activity. The focus of corporate activity has shifted to short-term returns. This damaging trend has been aggravated by a flurry of predatory take-overs and threats of take-over which prevents management from acting responsibly to develop production.

10. Selective investment policies, including but not limited to public investment, are needed to channel profits into productive uses. Specific measures, including taxation, should be introduced to control and discourage speculative activity in order to make it less profitable than real investment. Government legislation and regulations on institutional investors should be revised so that they may better contribute to long-term productive investment. Furthermore, the alarming gaps which have appeared in the public infrastructure, as identified by a number of trade union and business groups, still remain to be filled.

11. Active manpower policies are urgently required to anticipate labour market problems and to reintegrate those groups suffering from what has become a dangerously fragmented and polarised employment situation in many countries. Programmes should contain measures targeted towards the wide variety of unemployed and employed people in order to save and

improve the quality of existing jobs, to enable the creation of good new jobs and to equip the disadvantaged and potentially disadvantaged groups with skills necessary for access to these jobs. Measures must result in improvements to the basic and vocational education systems, a significant increase in the volume and quality of training and retraining, and special schemes for vulnerable workers and those in precarious jobs. In many cases this requires an increase in public resources for training and retraining measures. Reductions in working time, including limits on overtime working are needed. Accelerated technological change has provoked or renewed discussion on life-long learning. An important initiative would be the establishment by OECD governments of the right for all workers to receive regular and paid educational leave, irrespective of their employment status.

12. Growth within OECD countries is regionally imbalanced, and with the growing internationalisation of investment this problem has taken on a new dimension. Besides the long-standing issue of the development of peripheral regions, the last decade has seen an intensification of the decline of those industrial regions where contracting sectors are concentrated and where many of the long-term unemployed live. A process of deterioration was allowed to occur without anticipatory counteracting measures being in place to provide adequate alternatives for restructuring. It is repeatedly claimed that labour mobility would be a remedy; in fact, outward migration dangerously exacerbates the problems of such industrial regions and is no solution. These regions face a major task to modernise their economic structures and provide jobs with a future. This would contribute to the balanced development of the OECD economies overall.

13. Fulfilling this task combines sectoral, regional and social policies. Solving the problem requires initiatives in the regions concerned, but also - and importantly - it requires national and international policies to improve the chances of success of regional initiatives. The OECD is well equipped to evaluate the issues involved and identify those policies most likely to bear fruit. A major programme on restructuring the industrial regions needs to be launched by the OECD, akin to its work already underway on rural restructuring.

14. A number of key requirements for successful regional regeneration have been shown to be:

- the existence of a body or authority capable of developing a strategy, mobilising local activity and coordinating approaches at a regional level; this should involve both public and private sectors;
- undertaking education, training and regular retraining to equip workers with new skills and to develop local management abilities;
- the renewal of infrastructures, investment in which has declined in many countries over the last decade in areas

such as transport, telecommunications, environmental services, housing, energy conservation and new sources of energy;

- the improvement in the environment and quality of work and life;
- the reconversion and reclamation of land given over to industrial uses;
- new technologies (e.g. environmental technology) as the basis of company modernisation, for the creation of new companies and to develop new sources of economic activity. This requires an effort to develop human skills and facilities for research and development, improve university-industry links and encourage product innovation, particularly in new areas of socially useful activity.

Poverty in OECD Countries

15. The presence of poverty in OECD countries is one indication that balanced growth is not being achieved. Estimates based on national definitions indicate that in both Europe and North America between 10 and 15 percent of the population are living in poverty, that in some countries this proportion is growing, and that many already poor people are falling deeper into poverty. The growth of long-term unemployment has been a major cause of poverty. But in addition the growth of poor quality jobs and squeezed social expenditures have taken their toll on the standard of living and have pushed whole families into hardship. Providing economic security for the whole of the population would increase economic efficiency as well as being socially just.

16. Inequalities are increasing and persistent hardship is the reality for new groups of people who previously have not faced such a situation. The escalation of housing costs in many urban areas has pushed new groups into poverty and homelessness. Although unemployment remains the major reason for poverty, having a job is no longer any guarantee against poverty. Minimum wage regulations have been eroded. Insecure jobs, low-paid jobs, recurrent spells of unemployment and involuntary part-time work have augmented the numbers experiencing hardship. Furthermore, such employment is frequently outside employment protection and social insurance schemes. Workers are trapped in low productivity work and are dispensable employees whenever restructuring takes place. They must be given the right of access to training or retraining.

17. It is the responsibility of governments, who are not using the range of policies to restore full employment in good quality jobs, to remove the underlying causes of poverty. The situation facing the poorest people today cannot be divorced from the consequence of governments' actions to restrict expenditure on social security systems, to undermine or abolish

minimum wages, to reduce unemployment compensation and other social benefits and to restrict access to facilities. This has to be considered against a trend towards whole groups of workers who are often not covered at all by social security, e.g. part-time workers and workers with precarious employment status.

18. The social protection systems of OECD countries must be able to protect citizens, given the economic and social changes which are taking place. The OECD should develop comparable indicators by which the extent of poverty in different OECD countries can be measured. This would serve as a basis for judging the effectiveness of policies to eliminate poverty.

Debt and Development

19. Solutions to the debt crisis must serve to strengthen democracy and development, not place added strains on fragile institutions and economies. The outflow of resources from debtor countries and continued austerity are undermining efforts to create jobs and increase investment needed to generate the wealth through which loans could be repaid. Rather, chronic deprivation and violence results from the present debt strategy.

20. The way out of the debt crisis is through the development of productive capacity, the creation of jobs and the alleviation of poverty. This will create the basis for a stable pattern of growth and improvements in developing countries' balances of payments. Trade unions must be closely involved in formulating the economic and social policies needed to achieve this growth. Neither the governments nor the creditor banks nor the IMF and World Bank can hope to gain the confidence of working people for the economic changes that are required without consulting the organisations which represent them.

21. Sustaining such development requires the building of institutions and structures which help development, but this must also be supported by increased financial flows from OECD countries. This is not a question of generosity but of common interest and shared responsibility. Given the harm already done, Official Development Assistance has an added role in overcoming the consequences of austerity policies. Most OECD countries fail to meet the UN target for official development assistance of 0.7% of GNP. The target must be met: - aid, credits and other resource flows to developing countries can and should be increased and devoted to tackling poverty and encouraging sustainable development rather than being syphoned off for debt servicing. Programmes and projects which enable environmental protection and improvement need to be supported by the OECD countries, IMF and World Bank. In consultation with the social partners, the conditionality, policy advice and surveillance of the IMF and World Bank have to be re-directed towards their original functions of support for broad-based productivity growth and viable development. Private investment needs to be integrated in developing country economies so as to

meet these objectives. They need to work closely with ILO in this area.

22. So far, last year's Toronto Summit initiative for the Sub-Saharan African countries has had little impact and has been interpreted in a very narrow way. Previous "plans" have been unsuccessful in tackling the problem of the middle-income developing countries' debt. In its current spirit, IMF conditionality has set back development for a generation as well as widening the gaps between rich and poor. Austerity when applied in already poor developing countries has catastrophic results. This is compounded by the unstable functioning of the international monetary system resulting in higher interest payments and by the burden on deficit countries to restructure and contract, without corresponding obligations on surplus countries.

23. The goal must be the removal of debt. As their rising profits have shown, creditor banks have yet to take their fair share of losses as the price of past imprudence in lending. They must be prepared to accept more far-reaching methods for debt reduction. Such methods are necessary to build a basis for development that in the long term supports a pattern of growth in which financial commitments can be met out of increased export earnings. OECD governments must reduce the interest burden on outstanding debt, maintain high rates of demand in the OECD area for exports of developing countries and facilitate the restructuring and writing down of debt to levels commensurate with developing countries' ability to pay.

International Trade and Investment

24. Far-reaching structural changes are being induced by internationalisation through trade and investment. This is also leading to greater instability and social tension as trade and investment flows are distorted by major imbalances between countries and as a larger amount of trade is non-competitive (eg. countertrade, intrafirm trade). Persistent trade conflicts and rising suspicions over the activities of multinational enterprises and corporate raiders are the inevitable outcomes. The hardest issues in the current GATT Round remain to be resolved and the outcome will be determined by the broader environment.

25. Further economic integration is no reason, and cannot be an excuse, to undermine social standards. The multilateral trade and investment system must be strengthened through the explicit incorporation of social rules to be observed by those benefitting from trade and investment liberalisation. Such obligations are not a source of further uncertainty; on the contrary, they are the necessary basis for effective multilateral rules which would obviate many unilateral measures.

26. Between countries of equivalent economic development and strength, major differences in social and working conditions accord an unfair competitive advantage to those with the lower

standards. Social provisions and working conditions have, therefore, to be harmonised so as to generate the highest standards. This is not an automatic process. National regulations and international agreements are needed to achieve the necessary social basis for sustainable economic integration. The newly industrialised economies have to achieve, as a matter of urgency, a re-orientation of their economies towards improved social provision and working conditions.

27. International restructuring by multinational enterprises, the growth in direct foreign investment and the damaging aspects of hostile takeover activity are affecting more and more people directly and indirectly. An alarming amount of this is fuelled by financial speculation. There are serious risks to the international flow of investment if such activities are not regulated. As a first step, the good practice provisions of the OECD Guidelines for Multinational Enterprises have to be enforced and put on a par with the right of establishment and national treatment provisions. In addition, competition authorities must cooperate to strengthen their regulations covering merger and takeover activities to prevent the raiding of assets and to safeguard the social rights of the employees. Workers need to be better protected in circumstances where, as happens, the same employees find themselves over a short space of time working for different employers from different countries with different corporate objectives. Such an environment not only destroys good industrial relations but also undermines the efficiency of the companies.

28. OECD countries must improve access for exports from developing countries and remove discrepancies which exist among themselves in this respect. It is also necessary to ensure a stable and sufficient level of earnings from commodity exports. However, no government should be allowed to violate internationally agreed worker and trade union rights and minimum labour standards in order to capture export markets and to attract foreign investment. The benefits of greater participation in international trade must contribute to the social and economic progress of developing countries' populations. OECD governments should ensure that international support is built up for the inclusion of a Social Clause embodying them in the GATT.

Economic Relations with the Soviet Union, E. Europe and China

29. The TUAC has noted with close interest the increasing economic links of the Soviet Union, some countries of E. Europe and China with the OECD countries. There is a strong prospect of an intensification of these links in the near future. The TUAC also notes the process of change in this same group of countries which offers prospects for the development of pluralistic democratic systems. TUAC welcomes these positive indications for political development and urges OECD governments to ensure that the provision of aid, credit, loans, trade preferences, guarantees, investments and other forms of

economic relation are extended in ways, and on conditions, which promote the free practice of trade union and other basic democratic rights as well as bringing about economic development and material benefit for working people in the countries concerned. The OECD and Member countries have some information about economic and social developments there but need to equip themselves to be able to analyse the economic situations and to monitor the expanding economic links and their social and political impact. The OECD governments should co-ordinate their policies in this area, making use of the OECD forum.

30. The TUAC therefore calls on OECD governments to develop a co-ordinated approach based on the OECD Guidelines for Multinational Enterprises and relevant ILO instruments and to ensure that these standards are fully respected by OECD-based companies operating in E. Europe, the Soviet Union and China. In particular, OECD governments should influence the growing economic relations so that ILO Conventions 87 and 98 concerning freedom of association, the right to organise and to bargain collectively are fully applied; and that basic standards in ILO instruments on occupational health and safety and on other aspects of conditions of work and life are respected.

The Working and Living Environment

31. National and international measures are urgently needed before it is too late to stop the irreversible destruction of the environment. The potential damage of global warming due to atmospheric pollution and deforestation illustrates the dangers of not taking preventive action. Growing concern with the environment is a result of intense public pressure raising awareness of the scale of the threat. But although environmental risks are well known in many cases this is not reflected either through the market mechanism or through agreement on national or international regulations. Indeed, immediate economic pressures often encourage the unsustainable exploitation of natural resources. A global programme for environmental recovery is required.

32. Improvement of occupational health and safety is also essential. Tens of thousands of workers are killed or injured each year, due to the dangers in the working environment. This is preventable. Workers are exposed to hazards and pollution at work many times worse than that which society as a whole is prepared to tolerate. In many cases the risks are known but preventive measures are not taken because competitive advantage can thereby be gained. In yet other cases, safety is mainly a question of proper training, the right to information and good industrial relations, but these are not practiced. Governments have to encourage the active involvement of employee representatives in the improvement of both working and living environments.

33. A mixture of price policies (taxes, incentives, subsidies) and regulations are needed, which are internationally

compatible and enforceable. The aim should be both a change in consumption patterns and increased investment, in newer technologies which embody environmentally cleaner products and processes. Economic, employment and environmental goals are not in contradiction to each other. The key to future economic development is the efficient utilisation of natural resources. A market in environmental technology has started to develop but it remains necessary for such technology to be made widely available and disseminated on a world wide basis so that developing and other non-OECD countries can make use of low cost applications. The composition of economic growth, but not its rate, is affected by ensuring that industry meets better international environmental standards. These will mean that economic growth will be more sustainable and job-creating over the long-term.

34. The polluter-pays principle, or the "risk-creator pays" principle, is sound. But it needs to be reviewed to ensure that anti-pollution practices are introduced at a fast pace - not at the pace of the slowest firm. Anticipatory adjustment policies should be introduced where necessary to cope with any resulting job displacement in a socially acceptable manner. Trade unions in the industries affected should, therefore, be fully involved in such measures.

35. In sum, the practical measures which are required include:

- enforcement of mandatory energy saving targets which encourage energy conservation and investment in new, ~~environmentally sound~~ energy sources; the IEA has shown that 30% energy savings could still be made with existing technologies;
- improved research into the environmental impact of new and existing chemicals, and the tightening and enforcement of chemicals regulations in the workplace and in the external environment;
- greater resources devoted to R&D in renewable energy sources and "clean" technologies;
- adjustment assistance for workers affected by stricter environmental standards;
- a major increase in infrastructure investment, an improvement in the environmental and energy conservation standards of the infrastructure, and investment in environmental services;
- identified responsibility for headquarters' management in multinational enterprises for the environmental performance of their operations as a whole;
- investment in forest protection and reforestation; and, projects to improve the environment in the aid and debt reduction programmes for developing countries, through bilateral channels and multilateral institutions.

36. The OECD has a particularly important role to play. In conjunction with the IEA, it needs to advance a major programme on energy conservation and research into clean sources of energy. The work on chemicals control and biotechnology, and on major accident prevention, needs to be strengthened and extended. And an infrastructure evaluation and development programme needs to be launched. But many of these issues go beyond the OECD countries and environmental standards and programmes have to be established which apply to both developing and other non-OECD countries. The coordination between different international organisations in the environmental field should be improved and the OECD should play a leading role in this.