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The activities of the Organisation for Economic Co-operation and Development (OECD) in 2010-2011

Contribution¹

Social, Health and Family Affairs Committee

Rapporteur: Ms Marietta KARAMANLI, France, Socialist Group

1. Conclusions of the committee

The Social, Health and Family Affairs Committee congratulates the rapporteur, Ms Biruté Vésaitė on her report on the activities of the Organisation for Economic Co-operation and Development (OECD) in 2010-2011. The committee considers that economic development policies need to change in order to combat social instability.

The committee fully supports the draft resolution proposed by the Committee on Economic Affairs and Development and proposes some amendments to strengthen the draft resolution from the viewpoint of social rights.

2. Proposed contribution to the draft resolution

In the draft resolution, after paragraph 16, add the following paragraphs:

"17. The enlarged Assembly welcomes the results of the OECD ministerial meeting on 'Building a Fairer Future: the Role of Social Policy' held in Paris on 2 and 3 May 2011. It recommends that member states ensure a stronger commitment of the OECD to research and advice relating to social and health policy, such as social policies in the context of the economic recovery, policies to help families, young people and children, and solidarity between generations. In addition, it asks the OECD to ensure that its policies take due account of states' human rights commitments, and the resolutions and recommendations of the Parliamentary Assembly of the Council of Europe at the interface of human rights and social and economic policies, including [Resolution 1792 \(2011\)](#) and [Recommendation 1958 \(2011\)](#) on the monitoring of commitments concerning social rights, [Resolution 1800 \(2011\)](#) and [Recommendation 1963 \(2011\)](#) on combating poverty, and [Resolution 1828 \(2011\)](#) on reversing the sharp decline in youth employment.

18. The enlarged Assembly requests greater commitment by the OECD in the field of social policy, and in particular calls on the OECD to:

18.1 study the positive and negative effects of the taxation of wealth as a means of driving social justice, in order to reduce inequalities and ensure efficiency and economic stability, and make introducing equitable taxation of all profits in order to achieve a fairer distribution of wealth the subject of more particular attention;

18.2 advise member states to adopt ambitious policies to combat poverty, particularly through the building of social housing and through access to essential goods (water, energy, etc.);

1. Reference to committee: Standing mandate. Reporting Committee: Committee on Economic Affairs and Development. See [Doc. 12683](#). Contribution approved by the committee on 16 September 2011.



18.3 provide support to member states, in co-operation with the International Labour Organization, in an effort to find a coherent policy on negotiations on labour issues, taking account of the fact that improved action against unemployment and fairer pay depend at present on negotiating procedures involving employers and trade unions, sometimes at international level;

18.4 promote health policies which respect everyone's right to benefit from appropriate health care of high quality at reasonable prices for all categories of the population;

18.5 encourage all member states to maintain social rights, particularly in times of crisis;

18.6 call on all states to ensure young people's access to education, training and employment."

3. Explanatory memorandum by Ms Karamanli, rapporteur for opinion

3.1. Introduction

1. The rapporteur is concerned about the general context in which economic policies are pursued, as highlighted by the report of the Committee on Economic Affairs and Development. Not only is growth still modest, it is also fragile, as the latest available indicators show.² These figures effectively show that, in OECD countries, the private sector, which includes banks, continues to clear its debt, and budgetary policies are becoming restrictive. They also show that, in emerging countries, monetary policies are becoming more restrictive in order to combat inflation.

2. The rapporteur points to the matters on which the view expressed in the report of the Committee on Economic Affairs and Development is completely shared, matters requiring specific action by OECD member states, such as the maintenance and development of job creation policies, particularly for the benefit of young people (with the addition of measures to help women and older workers); the combating of inequalities; the need for measures to prevent the widening of the gap between rich countries, among them OECD member states, and emerging or poor countries; the development of renewable energies and a "green" industry; and the bringing into use of new indicators which take more account of quality of life, particularly housing and health.

3. The rapporteur welcomes the decisions taken at the OECD ministerial meeting on social policy, held in Paris on 2 and 3 May 2011, where ministers assessed the social impact of the global economic crisis and compared the approaches adopted by OECD member states to placing social policy at the service of economic recovery.³ In their final communiqué, entitled "Building a Fairer Future: the Role of Social Policy", the ministers reaffirmed their commitment to combating poverty and social exclusion and to providing adequate and financially sustainable social protection.

4. The commitment to help families, young people and children necessitates specific measures, such as the setting up of high quality, accessible, and affordable childcare services. At the same time, the rapporteur notes the proposals made in respect of solidarity between generations, but points out that there is a need for consultation and a serious analysis of the possible consequences of the raising of the effective retirement age and pensions reform, especially in the countries where life expectancy is not as high as in some countries of western Europe and North America.

5. The rapporteur welcomes the proposals on future directions for OECD activities, particularly the evaluation of social policies, as well as the new strategic lines proposed, such as social policies to help young people, social housing and social protection arrangements.

6. The rapporteur nevertheless points to the need to ensure a degree of consistency with the activities already in progress on the same subjects in other international organisations, such as the Office of the High Commissioner for Human Rights (OHCHR), the United Nations Development Programme (UNDP) and the International Labour Organization (ILO), as well as the activities carried out by international organisations at regional level.⁴

2. See the study entitled "*Le freinage de la croissance mondiale n'est pas étonnant*" [The slowdown in global growth is unsurprising], 1 August 2011, Flash Economie, Natixis.

3. The rapporteur would suggest that states be asked to place economic policies at the service of social progress.

4. Particularly in Europe, within the Council of Europe (especially where implementation of the European Social Charter (revised) is concerned) and the European Union (where the Charter of Fundamental Rights is concerned).

7. Furthermore, the rapporteur emphasises that the proposals made in the OECD framework should take account of the mechanisms which exist to protect social rights at international level, particularly the United Nations mechanism, as well as at regional level, such as the Council of Europe conventions and, in particular, the European Social Charter (revised) (ETS No. 163), for the states parties concerned.

8. More specifically, where the right to health is concerned, the rapporteur points to the need to ensure that health policies are more respectful of everyone's right to benefit from appropriate healthcare of high quality at reasonable cost, and particularly healthcare for mothers and young children, and access to medicines for the poorest population groups.

9. Monitoring of the specific indicators as suggested in the Compendium of OECD well-being indicators will provide a far clearer vision on which to base more effective health policies and to set up more efficient health systems. States will be able to make their healthcare systems more effective by co-ordinating care and using new working methods, which information technologies will make more efficient.

10. The monitoring of data and of indicators of changing health needs will make it possible to find solutions to the new challenges at a fairly early stage. It has, for instance, been worked out that expenditure on dealing with dependency in OECD countries can be expected to double – or even triple – by 2050. According to a new OECD report,⁵ governments need to improve the budgetary sustainability of their relevant policies and give better support to family carers and care workers, so that they can meet long-term needs.

3.2. Observations and suggestions in respect of the lines along which the OECD should work in future

11. The rapporteur also notes matters which could be the subject of supplementary observations and comments. First of all, the questions arising out of the risk that all states might simultaneously cut their public expenditure, particularly that which paves the way for the future (education expenditure) or their active social expenditure (supporting all those whom the labour market no longer employs, or not on a full-time basis). Attention should be drawn to the additional risk of recession for everyone.

12. There is a need for effective public policies to be introduced to combat social inequalities, for these give rise to inequalities in respect of individuals' state of health and life expectancy and have repercussions in terms of violent behaviour.⁶ Ambitious employment policies should be introduced. New jobs could be created in the context of the fossil fuels crisis and the opportunities presented by “green” growth and sustainable development.

13. It is important to regard social investment⁷ as a component part of all comprehensive policies and of international trade, and to realise that growing inequalities have a social and economic cost. The principle of social investment is that priority is given to expenditure fostering the creation and maintenance of human capital. Arguing for and suggesting policies in terms of investment are a way of countering criticism of the welfare state for its social expenditure, regarded first and foremost as a burden and a cost. The introduction of means of helping disadvantaged children at the earliest possible stage – such as childcare facilities for babies and young children – will, for example, enable the objective of equal opportunities to be achieved.

14. Suggestions could be made for a greater OECD commitment in respect of social policies with a strong impact in the economic sphere, particularly in the following fields: taxation of wealth, combating poverty and international negotiations on labour issues.

3.2.1. Taxation of wealth

15. The rapporteur notes the need for an in-depth study of the situation in OECD member states regarding the taxation of wealth and income. Firstly, to ascertain the rate and method of taxation of earned income, and secondly to find out the rate and method of taxation of income from capital. The proposals to align the taxation of capital income with that of employment income⁸ and to introduce equitable taxation of all profits in order to

5. “Help Wanted? Providing and Paying for Long-Term Care”, OECD, 2011.

6. Urban violence reveals the extent to which social inequalities may give rise to tensions, stir up deep anger and intensify the feeling of exasperation. This is further aggravated by the lack of integration of some social groups and by a widening of social divides. See Wilkinson R. and Pickett K. (2010), *The Spirit Level, Why Equality is Better for Everyone*, Penguin Books Ltd.

7. See also Delors J. and Dollé M. (2009), *Investir dans le social* [Investing in the social sphere], Editions Odile Jacob, Paris.

achieve a fairer distribution of wealth⁹ should be the subject of more particular attention. Among the wholly positive effects, such as a reduction in public debt, the rapporteur believes that greater taxation of high incomes and capital would enable excessive risk-taking in the financial sector to be reduced.

16. The fiscal provisions in force need to be evaluated and their economic effectiveness in the service of growth for all need to be verified, with modifications being made to them if need be, taking account of considerations of equity and the current need for revenue, particularly when high- or very high-income groups have in the past benefited from an easing of their overall tax burden. In this case, progressive tax rises, achieved for example through a tightening of compliance with the rules, as was the case, for instance, with France's "*règle de gage*" rule on compensation for fiscal expenditure,¹⁰ and through a broadening of the tax base, may be a far better way of finding extra revenue to be used for budget stabilisation.

17. Reforms along the same line also help to achieve some narrowing of the increasingly marked gap between high and low incomes.¹¹ The income discrepancy is not necessarily justified by economic activities or results. Reducing the gap may improve economic efficiency. A serious study of public policies in this field, comparing them at international level, could be undertaken by the OECD.

3.2.2. Combating poverty: towards a more equitable society

18. Poverty is on the increase among households with children in almost every OECD country. Across the OECD area as a whole, average public expenditure on family benefits is only just over 2.2% of the gross domestic product (GDP). Public authorities need to ensure that social support policies protect those most vulnerable, as recommended by the OECD report entitled "Doing Better for Families".

19. As mentioned by the ministers in the final communiqué issued by the ministerial meeting of 2 and 3 May 2011, "redistributive policies and strong growth of quality employment remain key elements in strategies to close income gaps and contribute to reducing income inequality".

20. Protection of the poorest and most deprived, protection against risks as collective insurance in case of unemployment, sickness, motherhood or retirement are objectives attained through redistributive policies.

21. Public expenditure covering the essential needs of persons without an income, enabling them to meet such needs, should be analysed – whether these needs are for healthcare, housing or even food. Vertical redistribution to reduce financial inequalities and horizontal redistribution to provide social protection for all are important levers, determining not only each individual's well-being, but also the stability of society as a whole.

22. It is essential to take steps to ensure that every person, irrespective of status, including the degree of poverty, manages to live a dignified life. OECD member states should ensure that everyone's rights are respected and that the principle of access to social rights without discrimination is applied in order to guarantee social cohesion, stability and the long-term effectiveness of economic policy decisions taken by governments.

23. People should be brought into the centre of economic policy-making by having their voice heard and needs taken into account across the different sectors.¹² Economic growth is no longer enough to ensure a country's economic and political stability. It needs to go hand-in-hand with a reduction in inequality. Poverty and inequality prevent growth, cause domestic demand to decline and hinder national economic development.

8. According to some national estimates relating to France, capital as a whole is effectively taxed at a rate of 18.8%, while labour as a whole is subject to an effective tax rate of 44.5% (see Smagghe D. (2010), *Partage de la richesse et taxation du capital* [Sharing of wealth and taxation of capital]).

9. Ibid.

10. In pursuance of Article 12-II of the 2009-2012 public finance programme law, "new or higher fiscal expenditure ... shall be offset by deletions or decreases ... of an equivalent amount, in accordance with the arrangements set out in the report appended to this law ...". This rule was not complied with in either 2009 or 2010. Thus new or higher fiscal expenditure for 2009 was €1.2 million more than the gain from deletions or decreases, with the equivalent gap being estimated at €1.9 million for the year 2010. See the 2011 annual public report of the *Cour des Comptes*, February 2011.

11. See issue paper, Session 1. "Economic Crisis and Beyond: Social Policies for the Recovery", presented to the OECD ministerial meeting on social policy, Paris, 2 and 3 May 2011.

12. Social Policy, Policy Note, by Isabel Ortiz, Senior Interregional Advisor, Department of Economic and Social Affairs, United Nations, 2007.

24. Developing countries where inequality prevails tend to grow more slowly.¹³ In contrast, countries where inequalities are less, such as the Nordic states, are in a better economic situation and provide better social protection.¹⁴ A low-pay policy has harmful effects on productivity and encourages countries to compete on the basis of cheap labour, in a levelling-down process, bringing real wages to an even lower level. Poverty and inequality are obstacles to social progress and may give rise to social conflict and political instability.

25. Social and economic policies are complementary and may draw strength from each other. On the one hand, economic growth makes possible sustained investment in social development, while, on the other, human development increases each individual's capacity to contribute to growth. Thus social cohesion is a major factor in economic development, political stability and wealth creation.

3.2.3. *International negotiations on labour issues*

26. Procedures for negotiations between employers and trade unions are effective means of combating unemployment and ensuring fairer pay.

27. Such negotiations, held at national level, are not enough, however. Globalisation creates development opportunities which could also produce harmful effects if fundamental standards in terms of social rights, including the right to work, are not respected. In order to counter the risks of globalisation “in fear of neither God nor man”, it is necessary to guarantee compliance with the standards and to ensure international consultations and negotiations. It is very important to ensure that there is active participation in OECD activities by both the Business and Industry Advisory Committee to the OECD (BIAC) and the Trade Union Advisory Committee to the OECD (TUAC). This participation may bring greater consistency to current economic developments, prevent the risk of conflict and enable solutions to be found to systemic problems in the world of work.

28. The rapporteur also notes that the OECD could make a substantial contribution to respect for human rights through these international negotiation processes. She believes that the recommendations in Chapter IV, on “Human Rights”, of Part I of the 2011 update of the OECD's Guidelines for Multinational Enterprises could contribute to the setting of firm and full standards for enterprises' responsibility in terms of human rights.¹⁵

29. International negotiations should cover, in particular, the steps which should be taken to protect fundamental rights – whether workers' rights or the rights of native populations affected by business activities. As enterprises may affect virtually every single internationally recognised human right, they have a responsibility to respect all those rights.

30. International negotiations on labour issues should take account of states' commitments in terms of international human rights law and of the treaties concluded within the International Labour Organization. This was emphasised in particular by the Special Representative of the United Nations Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie, in his report and the appended Guiding Principles.¹⁶

31. The OECD should ensure that future activities relating to enterprises' responsibility take full account of international standards. More specific standards could be introduced by OECD member states, obliging enterprises to account for the negative effects which they have on persons, groups of persons – such as native populations – and the environment, wherever in the world they operate.¹⁷

13. Ibid.

14. This reduction in inequalities is a key component of Nordic capitalism. Tackling the question of which are “the most outstanding characteristics of Nordic society that are specifically relevant to the efficiency of its economy”, Henrik Berggren and Lars Trägårdh say that “Traditionally, outside observers have put a strong emphasis on social solidarity – an ability to subordinate individual interest to collective rationality. Often, this stress on solidarity has been understood in opposition to the fundamental logic of the market: certain ... goods ... have been ... effectively removed from the cold logic of the market society. ... [Sweden] had found a way to a healthy balance between altruistic socialism and selfish capitalism”. See Berggren H. and Trägårdh L. (2011), *The Nordic Way*, Global Utmaning.

15. The OECD Guidelines for Multinational Enterprises, Part I: Recommendations for responsible business conduct in a global context, OECD Publications, 25 May 2011.

16. Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, Appendix: Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework, A/HRC/17/31, 21 March 2011.

17. See the public declaration issued by Amnesty International, 23 May 2011.

4. Conclusions

32. There is an urgent need for OECD member states to introduce sustainable policies to ensure a fairer future. Decisions taken within the OECD could help to set up more effective human rights-based systems to ensure that economic reform processes do not lose sight of the human dimension.

33. Economic recovery, policies to help families, young people and children, access to health care of high quality at reasonable cost and solidarity between generations remain economic policy priorities. Economic policies will take due account of states' commitments to human rights, including social rights, within the United Nations, as well as commitments under conventions concluded in this field at regional level, such as the Council of Europe's conventions for its member states.

34. Taxation of wealth in order to reduce inequalities, the combating of poverty in order to ensure a decent life for all, and reforms in the labour sphere capable of creating quality jobs with adequate pay, including for young people, are measures that need to be taken urgently in order to ensure stability and social cohesion.