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The activities of the Organisation for Economic Co-operation and Development (OECD) in 2009-2010

Contribution[1]
Social, Health and Family Affairs Committee
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1. Conclusions of the committee

1. The Committee on Social, Health and Family Affairs welcomes the report by Mr Moscoso del Prado Hernández (Spain, SOC), which rightly concentrates on the main lessons to be drawn from the economic crisis and discusses issues of corporate governance and tax evasion. However, the committee believes that the economic system should be reformed so as to deliver higher levels of human well-being and an equitable distribution of income and wealth within natural environmental limits. The financial system, in particular, should become the socially and economically "useful servant" of the productive economy rather than the "greedy master". Furthermore, the committee appreciates the special focus given to unemployment and to appropriate labour market and social policies aimed at promoting a job-rich recovery as well as to labour-market programmes that support workers at greater risk of becoming long-term unemployed, in particular the young. The committee also encourages the OECD to shed light on the situation of older workers, who are also facing a sharp increase in long-term unemployment, and to further analyse the issue of decent pensions in times of crisis. In addition, as stressed by the OECD in view of the growing health spending, the committee warns of the risks of cutting spending in public health care which may threaten equal access to health in OECD countries.

For a more socially responsible economy

2. With regard to the overall approach adopted by Mr Moscoso del Prado Hernández, the committee would have welcomed a deeper analysis of the reasons for the crisis and the lessons to be learnt from it, as well as a sharper focus on the social responsibility of the financial sector in particular.

3. According to this report, the main tool with which to tackle the crisis and to improve the current economic outlook seems to be stronger, cleaner and fairer growth. However, the committee observes that only government intervention prevented a further meltdown; the report itself mentions multi-billion public stimulus packages paid out from the outset of the crisis. In the committee's view, this means that the economic growth of the last fifty years is now publicly financed and therefore a burden on the shoulders of future generations. Past and current generations of leading economists in the western world, including at the OECD, do not seem to question the core concept of economic growth, and research into alternatives in this area is still quite embryonic.

4. The committee believes that, having taken stock of the current crisis in the global economic system and the circumstances that caused it, a rethinking is inevitable in order to stabilise the economy and to lay the foundations for a new economic order which serves the societies it is built on. The problem is not so much disparate consumption and savings rates as suggested in paragraph 9 of the draft resolution (which

1. Reference to committee: standing mandate. Reporting committee: Committee on Economic Affairs and Development. See Doc. 12340. Contribution approved by the committee on 4 October 2010.

governments have little, if any, possibility to influence anyway, since these rates are, more often than not, linked to historically shaped national savings mentalities and consumption patterns). Rather, what is necessary is the successful unwinding of government emergency support measures, in particular those linked to excessive government borrowing which siphons off resources, but also the provision of adequate social protection and decent pensions.

5. Injecting liquidity into the system without fundamental structural changes, and looking for signs of recovery in consumer binge-spending on the high street does not seem to be the right answer. Structural change and strengthened co-operation between economies are crucial elements to take into account. While developing countries need growth in order to pick up, western economies may need to shrink whilst restructuring, especially if facing a declining population over the coming decades. One way to restructure the economy is to concentrate on green technologies, which would not immediately trigger growth. Other options include incentives for training and life-long learning and improving the situation of lower social classes. This would also translate into an immediate growth effect, due to increased consumption.

6. The committee takes the view that high unemployment may not be overcome by growth, as mentioned in the report. Research shows that the increase in unemployment is mainly due to the structural sort. Developed countries have to be prepared therefore to hand over their technologies to developing countries in order to help them. While developed economies concentrate on green technologies and public health care (namely developing programmes, finding solutions to open the market in pharmaceutical research, etc.), developing countries could take over the manufacturing of goods.

7. The committee would also like to point out that in the past century, the implementation of a truly social 'market' economy has been hindered by the power of the lobbies, including the financial sector, which have so far managed to maintain old barriers and build up new ones.

8. As outlined by the "new economics" thinking, our financial system has long since failed to do the basic job required of it – to underpin a productive economy and to value and protect the fundamental social and natural operating systems upon which we all depend. These have been variously neglected or taken for granted by finance. "New economics" regard finance as a means, not an end. Its role is to provide a support for other areas of the economy. It should support society's vital operating systems: the core economy of family, neighbourhood and community, and the natural economy of the biosphere, oceans, forests and trees. This is what must be valued and invested in, not the hollow, unsustainable and destructive promises of easy credit, consumerism and unsustainable economic growth.[2]

Unemployment and the right to decent pensions for all

9. According to the *OECD Employment Outlook 2010*, unemployment may have peaked in the OECD area, having reached 8.6% in May 2010. The OECD warns that the risk of cyclical unemployment might become structural. The committee endorses the OECD's advice that creating jobs has to be a top priority for governments and its warning that maintaining effective support for the people most in need is vital, notably young people and the long-term unemployed. The committee strongly supports the idea that governments must resist the temptation to cut benefits or reduce funds for re-employment services to save money in the short-term.

10. While unemployment is dropping for younger age groups, the committee notes that older workers are also finding themselves out of work for long periods of time in many Council of Europe member states. Workers aged 50-plus are facing a sharp increase in long-term unemployment and continue to see a rise in redundancies, an issue which the committee thoroughly discussed in Mr Jacquat's report on promoting active ageing: capitalising on older people's working potential.[3]

11. The committee takes the view that the governments of OECD countries cannot afford to leave people in their 50s behind on the road to economic recovery. Long periods of unemployment for older workers now will deny them the opportunity to build up a decent pension, making them more dependent on state benefits in retirement.

12. The committee is greatly concerned by the large increase in expenditure on pensions and financial gaps which are likely to emerge in several OECD members, and by the risk posed by the consequences of the economic crisis, the over-indebtedness of states and the demographic evolution to the maintenance of safe, adequate and sustainable pensions.

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2. . New Economics Foundation (NEF), From the ashes of the crash – 20 first steps from new economics to rebuild a better economy, 5 November 2008.

3. . See the report prepared by the Social, Health and Family Affairs Committee (Doc. 12431).

13. It shares the concern recently expressed by the OECD as regards the ratio of workers-retirees, which has fallen to 4 to 1 in 2010 and by 2020 will be only 2.2 to 1. It further notes that, in 2007 public spending on pensions accounted for 10% of Gross Domestic Product (GDP) in the European Union, and by 2060, that figure will rise to 12.5%.[4]

14. The committee strongly believes that by increasing the number of healthy and active older workers – while accounting for differences in job arduousness in view of working conditions – governments can provide more generous assistance to those in need of health care and long-term care and make public funding available for education, training, welfare services as well as decent pensions for all.

15. However, the committee stresses that encouraging people to take more personal responsibility is not a substitute for social security systems based on solidarity. On the contrary, these measures can ensure that social security systems survive and thrive for the benefit of those who need them most. An adequate safety net should be available for those for whom employment is an unrealistic option.[5]

16. The committee is also concerned by the situation of the elderly, which is one of the vulnerable groups that have been deeply affected by the economic crisis and that will be hit hard by pension reforms. The committee would like to deal with this issue in the coming months. As recently pointed out by the European Commissioner for Human Rights, the risk that several generations will face poverty as they grow old is a reality that seemingly still has not been fully understood by everyone.[6] In this regard, the committee welcomes the European Commission's initiative to launch a Europe-wide public debate on how to ensure adequate, sustainable and safe pensions and how the European Union can best support national efforts.[7]

17. Many European workers, especially women, are concerned that they will not have enough resources in retirement.[8] There are several factors that will change the retirement landscape for this generation and the next. A wave of retirees will add strain to retirement systems in OECD and Council of Europe countries, and the economic downturn has wiped out many people's retirement savings. Retirement security is not just a public sector issue or a trade union issue. As regards company funded private pensions, some companies are exiting pension plans altogether, or moving to inferior plans.

18. The committee takes the view that governments need to enact better legislation to protect existing workplace pension plans from bankruptcy, high-risk investments and underfunding from employers. Governments, trade unions and employers must work together to ensure that more people are able to retire with dignity.

19. In the light of the above, the committee would like to encourage the OECD to further focus on ways to achieve the right balance between work and retirement and to facilitate a longer active life. It also urges the OECD countries to ensure a sustainable pension system for all that would be safe in the wake of economic crisis and which would allow elderly persons to lead a decent life.

Ensuring equal access to health care

20. The committee also shares the OECD concern as regards growing health spending which puts pressure on government budgets.[9] The OECD rightly argues that factors pushing health spending up – technological change, population expectations and population ageing – will continue to drive costs higher in

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4. . OECD, Pensions in France and abroad: 7 key indicators, 14 April 2010.

5. . For a thorough analysis on the issue, see the Assembly report on promoting active ageing – capitalising on older people's working potential. In short, the committee believes that what is needed to raise the employment rate of older workers is a more attractive workplace, the introduction of more work flexibility, high quality working conditions which help workers to maintain their physical and mental health, skills development through life-long learning and the promotion of a positive approach among employers to older workers. Governments need to reconcile the idea of a competitive economy and labour markets with the right to dignity at work and the value of inter-generational solidarity.

6. . Elderly across Europe live in extreme hardship and poverty, statement by Commissioner Thomas Hammarberg, posted on 2 August 2010.

7. . European Commission, Green Paper – Towards adequate, sustainable and safe European pension systems, 7 July 2010.

8. . A recent European Social Survey reveals that women in almost all 38 countries covered by the survey in 2008 were especially concerned that their income in retirement will be too small to see them through their later years, and that these concerns are most marked in many eastern European countries – where there is already more overall concern. For a thorough analysis of the issue, see also Assembly Resolution 1752 (2010) and Recommendation 1932 (2010) on decent pensions for women.

9. . OECD Health Data 2010: in some countries the recent economic downturn, with GDP falling and health care costs rising, led to a sharp increase in the ratio of health spending to GDP. The share of government expenditure devoted to health increased in most countries, rising from an average of 12% in 1990 to an all-time high of 16% in 2008.

the future. The OECD points out that, given the urgent need to reduce their budget deficits, many OECD governments will have to make difficult choices in order to sustain their health care systems: curb the growth of public spending on health, cut spending in other areas, or raise taxes.

21. The Assembly has recently analysed the way in which the H1N1 influenza pandemic was handled by the World Health Organization as well as by the competent health authorities at the level of the European Union and at national level.[10] The Assembly concluded that some of the consequences of decisions taken and advice given were particularly troubling, as they led to distortion of priorities of public health services across Europe, unjustified scares and fears about health risks faced by the European public at large and also a waste of large sums of public money. Public spending on health is an issue which is directly linked with the issue of good governance, democratic accountability and transparency in public health decision making.

22. The committee is greatly concerned about the risks of indiscriminately cutting spending on public health care. This will result in greater inequalities in access to health, information and care, with the well off and well educated part of the population enjoying easy access to the resources allocated and disadvantaged groups experiencing greater difficulties in many OECD countries and Council of Europe member states.

23. At a time when expectations of health care systems are rising, due to population ageing and the rise of chronic and non-communicable diseases, governments face the central question as to how health care should be funded. Concerns about scarce resources have led to the introduction of major changes in OECD countries in how health care is organised and financed, via public and private mechanisms.

24. The committee worries that the impact of different funding methods and of recent societal changes will fall most heavily on the poor or the sick and may involve a loss of equity and be a threat to equal access to health. It would therefore like to deal with this issue thoroughly in the coming months. These concerns are also shared by the European Union, which is currently dealing with the issue of tackling health inequalities across the European Union.[11]

25. In addition, the committee noted that many Council of Europe member states have responded to the increasing presence of undocumented immigrants by strengthening their fight against “illegal” immigration, with different multi-level measures that include the curtailment or denial of social security rights such as access to publicly funded health care. Although significant differences exist between national health systems with regard to legislative provisions, access to health care for undocumented migrants is generally limited to situations that are life threatening (emergencies) or pose a risk to public health (for example infectious diseases). In practice, strong barriers to access exist even in those situations.

26. Because the health care needs of undocumented migrants are not being met, access to health care for this population should be an issue of utmost concern to both policy makers and the public. National legislation and implementation practices need to be upgraded in order to grant undocumented migrants effective access to health care. That is feasible and not necessarily incompatible with current immigration policies.[12]

27. The committee encourages the OECD member states to look into the issue of good governance in the health sector, given the importance of democratic accountability and transparency in public health decision-making, and to recognise that the protection of health as a human right is an essential condition for social cohesion and economic stability. Equal access to health care and treatment should be ensured to everyone living in OECD countries, without any discrimination on the basis of immigration status or financial means. The committee also invites the OECD to pay attention to the health needs of migrants, including undocumented migrants and asylum seekers.

2. Proposed amendments to the provisional draft resolution

28. Whilst emphasising its support for the draft resolution tabled by the Committee on Economic Affairs and Development, the Social, Health and Family Affairs Committee proposes to include some additional paragraphs in the provisional draft resolution.

Amendment A:

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10. . See Assembly Recommendation 1929 (2010) and Resolution 1749 (2010) on the handling of the H1N1 pandemic: more transparency needed.

11. . Communication from the European Commission on “Solidarity in health: reducing health inequalities in the EU”, 20 October 2009.

12. . See the pertinent analysis by Román Romero-Ortuño, “Access to health care for illegal immigrants in the EU: should we be concerned?”, European Journal of Health Law, 11 (2004), pp. 245-72.

Add the following paragraphs after paragraph 14:

> *"1. The enlarged Assembly commends the work undertaken by the OECD in recommending responsive, fair and effective labour market policies that could respond to the current unemployment crisis and beyond. It encourages the OECD to invite its members to step up efforts to create jobs and to maintain effective support for the people most in need, notably young people and the long-term unemployed. It remains, however, particularly concerned about the situation of older workers, who face a sharp increase in long-term unemployment, and of the elderly who will be hit hard by pension reforms. The enlarged Assembly therefore urges the governments of the OECD countries to strengthen their policies aimed at achieving the right balance between work and retirement and at facilitating a longer active life, and to ensure that pensions are sufficient to allow elderly women and men to lead a decent life and that pensions are safe in the wake of economic crisis.*

Amendment B:

Split paragraph 8 into two paragraphs before the words "The enlarged Assembly", and insert the following words after "has been undermined":

> *"The enlarged Assembly fears that our financial system no longer does the basic job required of it – to underpin the productive economy and the fundamental operating systems upon which we all depend. Finance should be a means, not an end, and support society's vital operating systems: the core economy of family, neighbourhood and community, and the environment."*

Amendment C:

In paragraph 9, replace the last three sentences with the following sentence:

> *"This should include the successful unwinding of emergency support measures, in particular those linked to excessive government borrowing which siphons off resources, but also the provision of adequate social protection and decent pensions."*