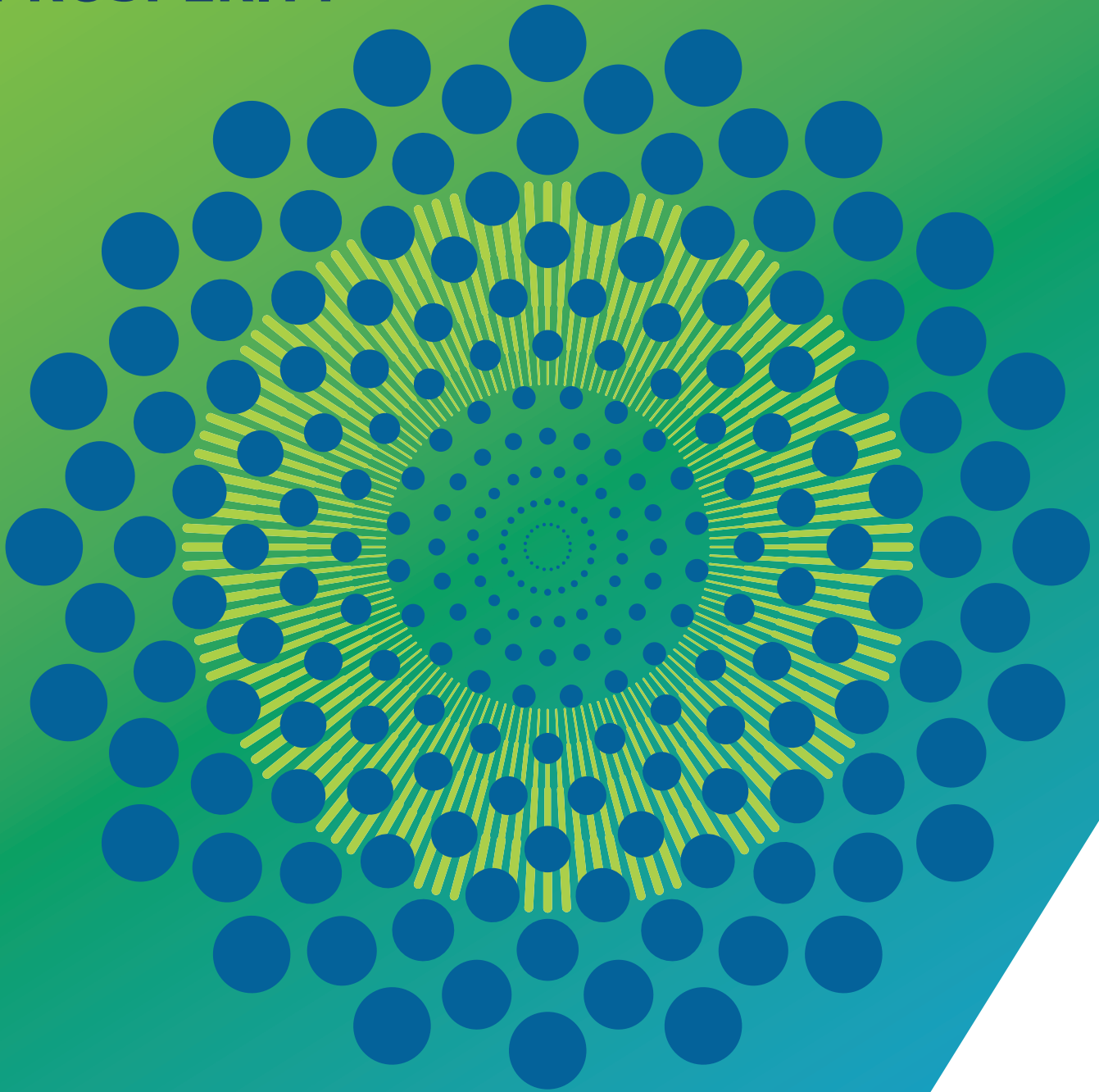


INVESTING
IN THE FUTURE
**PEOPLE
PLANET
PROSPERITY**

OECD Yearbook **2015**



OECD Yearbook **2015**

INVESTING
IN THE FUTURE
**PEOPLE
PLANET
PROSPERITY**

This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Periodical: OECD Observer

ISSN 0029-7054 (print)

ISSN 1561-5529 (online)

Editor in Chief: Rory Clarke

Editors: Brian Keeley, Patrick Love

Planning and development editor: Diana Klein

Co-ordination: Sandra Wilson, Denise Green, Jean de la Rochebrochard, Aline Pognonec, Danite Arefaine

Assistant editor: Neïla Bachene

Editorial assistant: Caroline Fouvet

Proofreaders: Erin Crum, Catherine Rowles-Holm

Data editors: Eileen Capponi, Margaret Simmons

Illustrations: Charlotte Moreau, André Faber, David Rooney

Production: Marion Desmartin, Sandrine Levain

Design and layout: Design Factory

Advertising management: Christine Clement, Aleksandra Sawicka, LD Media Development

The cut-off date for information published in the *Yearbook 2015* is 1 May 2015. Corrigenda to OECD publications may be found on line at: www.oecd.org/publishing/corrigenda.

© OECD 2015

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgement of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.

Table of contents

INTRODUCTION

- 6 Investing in robust and inclusive growth**
Angel Gurría, Secretary-General of the OECD
- 8 Unlocking investment for sustainable growth and jobs**
Mark Rutte, Prime Minister of the Netherlands and Chair of the 2015 Ministerial Council Meeting
- 10 A Magna Carta for the earth?**
His Royal Highness The Prince of Wales
- 12 A development agenda for our future**
Ban Ki-moon, Secretary-General of the United Nations

PEOPLE

- 16 Introduction**
- 18 Korea's work-life balance policies for sustainable growth**
Hee-Jung Kim, Minister of Gender Equality and Family, Republic of Korea
- 20 Why a push for gender equality makes sound economic sense**
Mari Kiviniemi, OECD Deputy Secretary-General
- 21 More women on board**
Baroness Mary Goudie, Co-founder, 30% Club
- 22 Why quotas work for gender equality**
Güler Turan, Member of the Flemish Parliament
- 23 Business brief: Nestlé**
- 24 More and better jobs for an inclusive recovery**
Martine Durand, Director, OECD Statistics Directorate, and Stefano Scarpetta, Director, OECD Directorate for Employment, Labour and Social Affairs
- 26 Myths to expel about schooling**
Andreas Schleicher, Director, OECD Directorate for Education and Skills
- 28 Business brief: LEGO Foundation**
- 29 Economic security rests on stronger, fairer growth**
Frances O'Grady, General Secretary of the British Trades Union Congress (TUC)
- 30 How rich are you...not?**
- 30 Databank: Pay gap**
- 31 Business brief: AARP**
- 32 We must harness the true strength of migration**
Peter Sutherland, Special Representative of the UN Secretary-General for Migration
- 34 Towards a more human economy**
Michel Landel, CEO, Sodexo

- 36 It is time to reverse an unfolding injustice**
Winnie Byanyima, Executive Director, Oxfam International
- 37 Data: Development**
- 38 Idea Factory: Development**

PLANET

- 42 Introduction**
- 44 We must change faster than the climate**
Simon Upton, Director, OECD Environment Directorate
- 45 Databank: Air pollution kills**
- 46 The opportunities and challenges of greener growth: Getting the whole policy package right**
Catherine Mann, Chief Economist, OECD
- 48 Life on a planet of 9 billion**
Marco Lambertini, Director General, WWF International
- 50 Improving water safety and global prosperity: Preparedness, participation and return**
Melanie Schultz van Haegen, Minister of Infrastructure and the Environment, The Netherlands
- 51 The way forward on climate**
Maria van der Hoeven, Executive Director, International Energy Agency
- 53 Farmers' markets and international trade**
- 54 Save our soil!**
Vandana Shiva, Founder, Navdanya
- 55 Data: Green Growth**
- 56 A win for the planet is a win for people**
Erik Solheim, Chair, OECD Development Assistance Committee
- 58 Economic growth can complement environmental conservation**
Susilo Bambang Yudhoyono, Chair and President, Global Green Growth Institute, and former President of Indonesia
- 59 How partnerships can spur our transition to a low-carbon economy**
Yvo de Boer, Director-General, Global Green Growth Institute
- 60 Solar flight**
- 61 Business brief: FGV**
- 62 From frenetic expansion to steady states**
Naomi Klein, Journalist and Author of *This Changes Everything*
- 63 Idea: A global climate trust?**
- 64 Idea factory: Low-carbon economy**

PROSPERITY

- 68 Introduction**
- 70 How to connect trade, investment and development**
Lilianne Ploumen, Minister for Foreign Trade and Development
Cooperation, The Netherlands
- 71 New Approaches to Economic Challenges: A sustainable and
inclusive growth agenda**
Gabriela Ramos, OECD Chief of staff and G20 Sherpa
- 73 Better innovation for better lives**
Andy Wyckoff, Director, OECD Directorate for Science, Technology
and Innovation
- 75 Middle-class economics**
Jason Furman, Chairman, US Council of Economic Advisers,
Executive Office of the President
- 76 The investment challenge**
Sigmar Gabriel, Federal Minister for Economic Affairs and Energy,
Germany
- 77 What we've learned—and have still to learn—from the
financial crisis**
Martin Wolf, Author and Chief Economics Commentator,
Financial Times
- 78 Databank: Productivity's wave goodbye?**
- 79 Prague: A single speed for progress,**
Adriana Krnáčová, Mayor of Prague
- 80 Business brief: The Czech Republic's fourth Industrial Revolution**
Rut Bízková, Chairperson, Technology Agency of the Czech Republic
- 82 Business brief: Randstad**
- 83 Citizen entrepreneurship: Creating space for a more
collaborative economy**
Tatiana Glad, Impact Hub Amsterdam
- 84 Holding business to account**
John G Ruggie, Berthold Beitz Professor in Human Rights,
Kennedy School of Government, Harvard
- 85 Business brief: EY**
- 86 China: Banking on a new international financial institution**
Interview: Yide Qiao, Secretary-General, Shanghai Development
Research Foundation
- 88 Investment and inequality: Stock markets for whom?**
Richard Trumka, President, AFL-CIO
- 90 Data: Growth**
- 92 Idea Factory: Investment**
- 94 Don't miss!**



10-31-1993 / Certifié PEFC / pefc-france.org

BETTER **POWER**, BETTER **FLUIDITY**, BETTER **SOCIETY**

Sustainable
and flexible
power generation



Smart
and sustainable
electrical grid



Innovative
and fluid transport



Affordable
and secure electricity

Sustainable solutions for sustainable development

Alstom and its partners are actively supporting the OECD's work by helping governments meet growing mobility needs and by developing solutions to tackle the energy trilemma.

We are committed to offer innovative and environmentally-friendly technologies and solutions to meet essential infrastructure needs, such as:

- Smart railway solutions that allow fluid, efficient, safe and integrated rail transport systems.
- Sustainable power generation and transmission systems that provide affordable and secure electricity and improve energy efficiency.

We help governments deliver sustainable energy for all, using locally available resources where possible and taking full account of social and environmental constraints.

www.alstom.com

ALSTOM
Shaping the future

Investing in robust and inclusive growth



Angel Gurría
Secretary-General
of the OECD

Nearly seven years have passed since Lehman Brothers collapsed in September 2008, marking the start of the worst financial and economic crisis in living memory. Although the worst is behind us and the global economy is gradually recovering, it is doing so at a much slower pace than in past cycles. Plenty of work and concerted effort will be needed to set us on a robust, inclusive growth path.

On the economic front, the hesitant recovery has yet to translate into more and better jobs. There are simply too many people unemployed, on precarious contracts or quitting the workforce. In addition, emerging markets have started to lose steam, dampening world trade and investment. None of this helps prospects in developing countries and makes it harder for all of us to address urgent challenges, such as climate change, rising inequalities, disease and poverty.

Low interest rates, cheaper oil prices and more favourable exchange rates may bring some relief, particularly in Europe, but a pickup in the headline numbers should not give room to complacency. People expect more than a temporary fix, and rightly demand a clear path to a brighter future.

In 2015 policymakers have a precious opportunity to live up to those expectations. Three major international summits stand out that could help spark new momentum towards achieving an inclusive, sustainable, global recovery: first, on the future of Development Finance at Addis Ababa in July; then on adopting the new Sustainable Development Goals at the UN in New York, in September; and last but not least, on combating climate change at the COP21 in Paris, in December. With the eyes of the world on these gatherings, world leaders must realise that failure is not an option.

This year, OECD Week will serve as a valuable prelude to these vital talks, when close to 2,000 policymakers and representatives from business, labour and civil society gather for annual

discussions at the OECD Ministerial Council Meeting and the OECD Forum, on 2-4 June.

A major overriding theme this year is investment, which has been sluggish for far too long. Already a priority in the G20, investment is top of the agenda for Prime Minister Mark Rutte of the Netherlands, who will chair the OECD Ministerial Council Meeting. The Netherlands has much to offer in terms of their own experience when it comes to long-term investment in people, infrastructure, technology and nature, having transformed this low-lying land into one of the world's most advanced countries.

Investment is a vital cylinder in the economic and social engine and concerns all three cross-cutting themes of this year's OECD Forum—People, Planet, Prosperity—which are explored in this *OECD Yearbook*. Structural reforms remain essential to reinvigorate investment.

Investment dipped sharply during the crisis in advanced economies and in 2008-14 private investment was running at some 25% below pre-crisis forecasts. Without more investment and innovation, we can neither grow nor develop the infrastructure, the institutions and the markets we need in order to address climate change and make the shift to a low-carbon economy, which in turn could become a harbinger of future prosperity.

Investment in capital needs to be complemented with investment in people, to maximise productivity and promote well-being and inclusiveness. Governments should devise comprehensive policy packages so that investment translates into more and better jobs. Such packages should focus on education, adult skills and basic research, and promote the knowledge-based capital that drives wealth creation in successful economies. They should also include measures to reinforce the social services that encourage workforce

“If we pull together,
2015 can end well
for everyone, for
our planet and our
future prosperity

participation, particularly among women, such as effective health systems and childcare.

Investment will also be a determining factor for development policies, not least for the success of the new Sustainable Development Goals. A challenge in the post-2015 landscape will be to mobilise private financing and domestic resources alongside development aid in productive and complementary ways. Official development assistance, which at US\$135.2 billion in 2014 matched previous highs, remains vital, particularly for poorer, fragile countries. But to plug the wide infrastructure gaps and develop potential in areas such as transport, renewable energy and skills, more private and institutional investment is required.

In 2012 and 2013 over \$1 trillion was injected to developing countries through foreign direct investment. However, most of the trade in value added takes place in East Asia, Europe and North America; Africa's share, for instance, is just over 2%. Reforms to reduce trade costs, integrate regional markets, tap into global value chains and stamp out corruption would boost this ratio. The financial sources for investment are there, in the cash reserves of corporations and the long-term investors such as sovereign wealth funds and pension funds. The OECD's Policy Framework for Investment, used by over 30 emerging and developing economies, should prove invaluable in helping policymakers devise programmes for attracting such funds.

Finance for investment presents challenges for OECD countries, too. Banks are still behaving cautiously, although thanks to various quantitative easing measures, liquidity is on the rise, as booming stock markets show. What is lacking is confidence, and an appetite for long-term investment; only 1% of the assets of insurers, pension funds and sovereign wealth funds worldwide are invested in infrastructure (almost all of it in developed and emerging countries).

Meanwhile, with small businesses looking for finance, a market has emerged in so-called innovative financing, with the likes of crowd-funding, green bonds and microfinance helping to support new activities, notably in the sharing economy, which is changing how we work, travel, book holidays and more. Policymakers should help these investments to scale up and provide the kinds of activities people clearly want.

As the articles in this *OECD Yearbook* show, while people want pragmatic, feasible solutions that are appropriate to them, they do not want to return to the pre-crisis world, and will not be fooled by old wine in new bottles. They want results. And with new technology and communications, people will not wait.

The OECD has learned a lot during the crisis, and has led a rich and informative discussion about new ideas and approaches under our New Approaches to Economic Challenges (NAEC) initiative. Thanks to our forums and worldwide public participation in the OECD Better Life Index, we are not only forming a clearer vision of what makes a better world, but believe change is within reach. What we need is the leadership, co-operation and determination to make it happen.

So far, 2015 has been a testing year, with the brutal terrorist attacks in Paris in January, massacres in the Middle East and Africa, the tragic deaths of migrants in the Mediterranean, many geopolitical tensions, and the devastating earthquakes in Nepal. Staying positive in this context is a challenge on its own.

But if we pull together, 2015 can end well for everyone, for our planet and our future prosperity. As the Dutch say, only the sun rises for free (*Voor niets gaat de zon op*). The rest is up to us. Let us grasp the light and make sure that 2015 goes down in history as the year in which we finally made it happen.

www.oecd.org/about/secretary-general
www.oecdobserver.org/angelgurria

Unlocking investment for sustainable growth and jobs

©Nia Palli



Mark Rutte
Prime Minister
of the Netherlands
and Chair of the
2015 Ministerial
Council Meeting

This year's OECD Ministerial Council Meeting, which we are honoured to chair, will address the issue of investment. The timing could not be better. Growth prospects have improved, but there is still a lot of work to be done. Investment has been hit especially hard since the crisis started and has yet to recover. At the same time, the need for investment has never been greater, since we are facing serious challenges on issues like climate, infrastructure, water, the digital economy and human capital. Luckily, the circumstances are quite favourable to investment. We need a common effort from all players, public and private, to unlock investment for sustainable growth and jobs. The OECD Forum, which precedes the ministerial meeting, provides a perfect opportunity to initiate this approach.

In advanced economies, private-sector investment has declined by 25% on average compared with pre-crisis forecasts. And in some of the countries hit worst by the crisis, it has declined by as much as 40%. These are serious falls. Moreover, investment remains weak, and is only slowly beginning to pick up.

One reason is that companies are not investing because they think the economic outlook is bleak. Another factor is more structural: OECD economies are increasingly producing services instead of goods, and this may be less capital intensive. We see more digital services, more companies increasingly dependent on research and development or their brand name for their competitiveness, and promising start-ups offering "the next big thing". Their value is harder to measure, but it is investment all the same.

Investment will recover when the economy recovers, but we should set the bar higher and support the recovery more actively

by making structural changes. We can do that by ensuring that the public and private sectors work together, with the private sector mobilising the necessary investment, while the public sector assures the right enabling environment.

Governments should provide smart, not overly burdensome regulation and a stable regulatory environment, as well as guarantee the rule of law and a level playing field. As the OECD's work has shown, there is plenty we can do to improve our policies, whether they concern the transition to a digital economy and clean energy, or assuring free trade and investment. The OECD calculates that its member countries could expand by up to 10% on average if they undertook a wide range of reforms, so the potential gains are significant. Once there is a stable policy environment, the private sector can pitch in while we make sure everybody contributes to public goals.

The good news is that the conditions for investment are actually quite favourable. Interest rates are at record lows in most countries, which is a boon to investment. OECD research shows that the severest problems in financial markets have mostly abated, though some small and medium-sized enterprises still face difficulties. Larger companies are becoming more profitable and are holding large amounts of cash, so finance is no longer the constraint it was at the height of the crisis. In addition, companies increasingly see the business case for sustainability. Nowadays, responsible business conduct must be front and centre if companies are to turn a profit. More and more business leaders are adopting this strategy.

Above all, the need for investment has never been greater. There

“The need for investment has never been greater, since we are facing serious challenges on issues like climate, infrastructure, water, the digital economy and human capital

are several challenges, such as climate, energy, innovation, water and development. Where will our energy come from in 2050? How will we deal with the impacts of climate change? How can we ensure enough safe food for the world's growing population?

We should not promote investment just for the sake of it; investment serves specific and important goals. In the short term, investment is needed to create growth and jobs, and in the longer term it will allow us to reap major benefits.

Take climate, for example. Worldwide investment in prevention and adaptation runs into trillions. As a country locked in a never-ending struggle with the sea, we in the Netherlands know what we're talking about. The International Energy Agency estimates that energy investment in excess of US\$50 trillion will be needed by 2035 if we are to prevent more than 2°C of warming.


Investment in innovation is urgently needed. With ageing populations, a rise in productivity is required to maintain growth and guarantee the sustainability of pensions, healthcare and other public services. Furthermore, innovation requires investment in human capital—also crucial yet hard to measure. We must make sure that everyone who wishes to help address these challenges is able to do so. This is why we must work together. In the Netherlands this has been our approach to energy, for which, after concerted dialogue with all the stakeholders involved, we drew up a long-term plan. It is too early to predict the plan's outcome, though encouragingly, the OECD has given it a positive assessment in its valuable peer reviews. I'm confident that agreements like this are the future for solving global

challenges. It is one of the best practices we would like to share at the OECD, so that everybody can benefit from our experience.

At a global level, the OECD Ministerial Council Meeting provides an excellent opportunity to take the first steps towards international agreements and to exchange best practices in a range of policy areas. This is one of the OECD's greatest strengths, as it provides the knowledge and the forum for fact-based discussions on the best policy response to global challenges.

It's my ambition to invest in the future. Together, we can unlock investment for sustainable growth and jobs.

Visit www.government.nl/government/members-of-cabinet/mark-rutte



Order this now!

Browse and order at www.oecd.org/bookshop

A Magna Carta for the earth?

©John Paul/Australian Women's Weekly



**His Royal Highness
The Prince of Wales**

The international discussions under way in the course of this vital year—including July’s Finance for Development Meeting in Addis Ababa, the agreement of a new set of universal Sustainable Development Goals at the UN in September and the climate change summit in Paris at the end of 2015—represent a remarkable and unprecedented opportunity to establish what might be called a “Magna Carta for the earth” for our times.

At a time of great fragility and uncertainty, compounded by ever-growing appalling conflict and humanitarian tragedy, I am more concerned than ever before that our collective demands on the earth are outstripping what our planet can sustainably supply, and that if we are to avoid further unpleasant consequences we will need to make fundamental changes to how we approach growth and development.

The Magna Carta—the 800th anniversary of whose signing in England we celebrate this year—established some of the central principles of human rights and individual liberty that hold today. Such a totemic document has proved extraordinarily valuable over the years and, in the same vein, I cannot help wondering if the Sustainable Development Goals and the climate agreement in 2015 could form the basis for a similarly long-standing contract for the earth and humanity’s relationship to it.

There is, after all, an immense amount at stake, and that is why the focus of this year’s OECD Forum on these issues could not be more welcome. While there is much complexity and many potential focal points for action, four points of focus strike me as being potentially transformative.

The first relates to the urgent need to reduce and reorient existing fossil fuel subsidies. I have been struck by the emphasis

that the OECD has itself placed on this subject, and by the ever-growing international impetus behind shifting from “perverse” subsidy regimes to more environmentally, socially and economically helpful ones.

Meaningful and systematic fossil fuel subsidy reform would surely make a very considerable contribution to reducing emissions while bringing many other benefits too, for example through cleaner air and the improved health and well-being that would ensue. If taken forward in tandem with new carbon-pricing measures, the positive effects could be profound.

Secondly, it seems to me that new economic tools and a broader economic understanding are urgently needed to help sustain the ecosystems and biodiversity that we rely upon for nearly every aspect of our welfare. A number of studies, including a global initiative called The Economics of Ecosystems and Biodiversity, or TEEB, have compellingly demonstrated the true economic value of biodiversity and ecosystems. They demonstrate convincingly how, if this value were to be properly internalised into our decision-making, we would radically alter the economic calculus of our activities in favour of the protection, conservation and sustainable use of the natural capital that in turn sustains us, and upon which we depend.

The global meetings in 2015, not least of all the Finance for Development meeting in July in Addis Ababa, offer golden opportunities to make decisive progress in this area, and I can only pray that the efforts under way in a number of countries and companies to account more fully and in an integrated way for “natural capital” will continue to deliver results and be widely replicated.

Thirdly, it seems to me that as much emphasis as possible

“Will we just go on and on compromising the future of our children and grandchildren for the sake of business as usual, or will we finally recognise that 2015 presents us with a wonderful opportunity—perhaps our last of this kind—in which to change the paradigm?”

should be given to what is being increasingly referred to as the circular economy. This economic system, based on restoration and intelligent use, is a potentially transformative concept that could lead us towards a vastly more secure, sustainable and resilient global economy. It strikes me as worthy of support at the highest levels. Whether as a means of combating the proliferation of plastic debris in the world's oceans, capturing nutrients or preventing the waste of scarce minerals in defunct consumer goods, the benefits would be wide-ranging and have local, national and international benefits. It is my fervent hope that more OECD member countries and their companies might take up this idea, make it their own and innovate to make it a reality, including through developing such circular economic indicators for the OECD Better Life Index.

Fourthly, and finally, I would like to address the issue of infrastructure in cities. Given the enormous anticipated growth in the built environment over the next 10 years, it seems to me to be essential that we recognise the unsustainable burden that this will place upon our natural ecosystems, perhaps particularly with regard to water, but also upon human and social systems if we fail to transform the planning and design of urban development and break the conventional mould of “business as usual”. In view of the trillions of dollars that will be spent, it is essential to ensure that this investment addresses not only the fundamental systemic relationships between cities and the natural environment, but also that it is designed to improve human well-being and human communities.

In conclusion, if we are to make the transition to true sustainability in time to avoid the worst environmental effects of current business-as-usual economic growth, we must act quickly to reorient the world's ever-growing economy onto

a sustainable, long-term and resilient path. No one group or sector can make this transition alone and each set of actors has a vital role to play, whether governments, sovereign wealth funds, academics, journalists, institutional investors, financial regulators, banks, companies, mayors, civil society or citizens.

But the question remains, will we act? Will we just go on and on compromising the future of our children and grandchildren for the sake of business as usual, or will we finally recognise that 2015 presents us with a wonderful opportunity—perhaps our last of this kind—in which to change the paradigm? I can only wish you well at the OECD Forum and greatly hope that you can make progress in addressing the questions that history will undoubtedly judge as the most pressing of our age.

Visit Prince Charles's website at www.princeofwales.gov.uk

For more on the Magna Carta, visit the British Library website at www.bl.uk/magna-carta

A development agenda for our future

©Matthieu de Marnignac/OECD



Ban Ki-moon
Secretary-General
of the United Nations

In the coming months, the international community will gather three times and on three different continents, to build a sustainable development agenda for generations to come.

In July we will meet in Addis Ababa to agree on a comprehensive financing framework for the future development agenda. In September leaders will converge in New York for the United Nations special summit for the adoption of a universal and transformative post-2015 development agenda. And in December, governments will gather in Paris for COP 21 on climate change, where they have pledged to forge a new path forward and adopt a meaningful, universal climate change agreement.

These efforts will rely on the full engagement and leadership of the member countries of the OECD. We must translate the post-2015 agenda into action around the world. The OECD is a vital forum for helping to build such momentum. You can inspire and inform the policy changes we need.

I put forward six essential elements in my synthesis report last December to help frame and bring clarity to the post-2015 development agenda: dignity, people, prosperity, planet, justice and partnership.

To secure a future of dignity for all, we must radically reform our economies, tackle inequalities and protect our planet. We need to ensure the full participation of women and eliminate gender inequalities. We must engage our youth and change mindsets and behaviours that will address destructive patterns of production and consumption. We must ensure no one is left behind and build resilient and cohesive societies, in pursuit of a more peaceful and just world.

Poverty eradication will remain at the heart of our efforts. We must tackle the unfinished business of the Millennium Development Goals, consolidate achievements and fill the remaining gaps.

But we cannot stop there. We are faced with global challenges that affect all countries, developing and developed.

This is why the post-2015 agenda will be universal, addressing the needs and seeking contributions from all people across the planet. It will aim for economic progress, social inclusion and environmental sustainability.

Sustainable development will be at the core of this agenda. To successfully deliver this agenda and the Sustainable

Development Goals (SDGs), we will need a global partnership to help mobilise financing and other means of implementation. This partnership and the comprehensive financing framework must match the ambition of the SDGs.

The financing needs for sustainable development are indeed enormous. Global savings are plentiful, but current investment patterns do not deliver sustainable development. The Addis conference on Financing for Development is a unique opportunity to change this trajectory.

Working together, we should ensure three key outcomes of the conference: a cohesive and holistic financing framework for sustainable development; concrete deliverables, particularly in crucial areas such as infrastructure, agriculture, social needs, and small and medium-sized enterprises; a strong follow-up process to ensure that no country is left behind.

I would like to highlight six key components of the draft Addis Ababa Accord now being negotiated. First, the draft addresses the full remit of financing resources, including public, private, domestic and international financing sources, and the domestic and international enabling environments and systemic issues. But it goes further, by addressing all the financial and technical means to achieve sustainable development.

Second, the draft emphasises the importance of domestic resource mobilisation and fighting illicit flows. This includes both strengthening domestic capacity and international tax co-operation. The draft welcomes the important work of the OECD and the Global Forum on Transparency and Exchange of Information for Tax Purposes, but it calls for more inclusive deliberations to ensure that these efforts benefit all countries.

Third, official development assistance (ODA) will remain critical, particularly for least developed countries and small island developing states. But it calls on all of us to do more. Ensuring more ODA is our collective responsibility.

Fourth, the draft also emphasises the important role of development banks in implementing the new agenda. Fifth, the draft stresses the important role of private investment, in sustainable infrastructure, for example. Sixth, the draft includes chapters on the importance of international trade, debt sustainability, systemic issues, and technology and capacity building.

The OECD has a leadership role in many of these areas. If we leave Addis with a strong outcome in hand, I am convinced we can also succeed in New York and Paris.

Let us continue our co-operation for development, for climate, for the sustainable prosperity of all people and our planet, our common home.

Visit www.un.org

OECD*iLibrary*





How do you measure a Better Life?

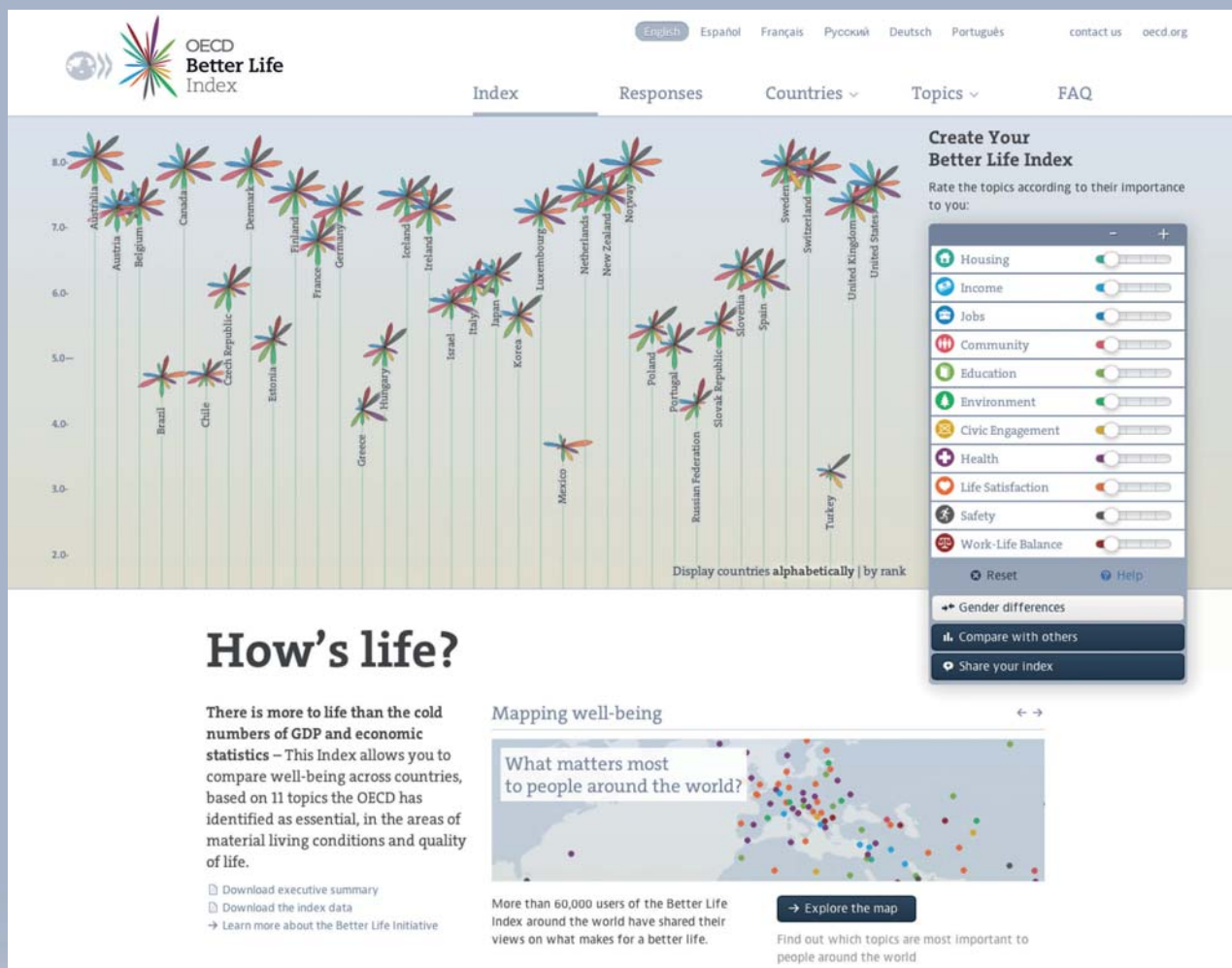
For nearly a decade, the OECD has been working to identify societal progress – ways that move us beyond GDP to examine the issues that impact people's lives. The OECD's Better Life Index is an interactive tool that invites the public to share their thoughts on what factors contribute to a better life and to compare well-being across different countries on a range of topics such as clean air, education, income and health.

Over five million visitors from around the world have used the Better Life Index and more than 90000 people have created and shared their personal Better Life Index with the OECD. This feedback has allowed us to identify life satisfaction, education and health as top well-being priorities. What is most important to you?

Create and share your Better Life Index with us at:
www.oecdbetterlifeindex.org

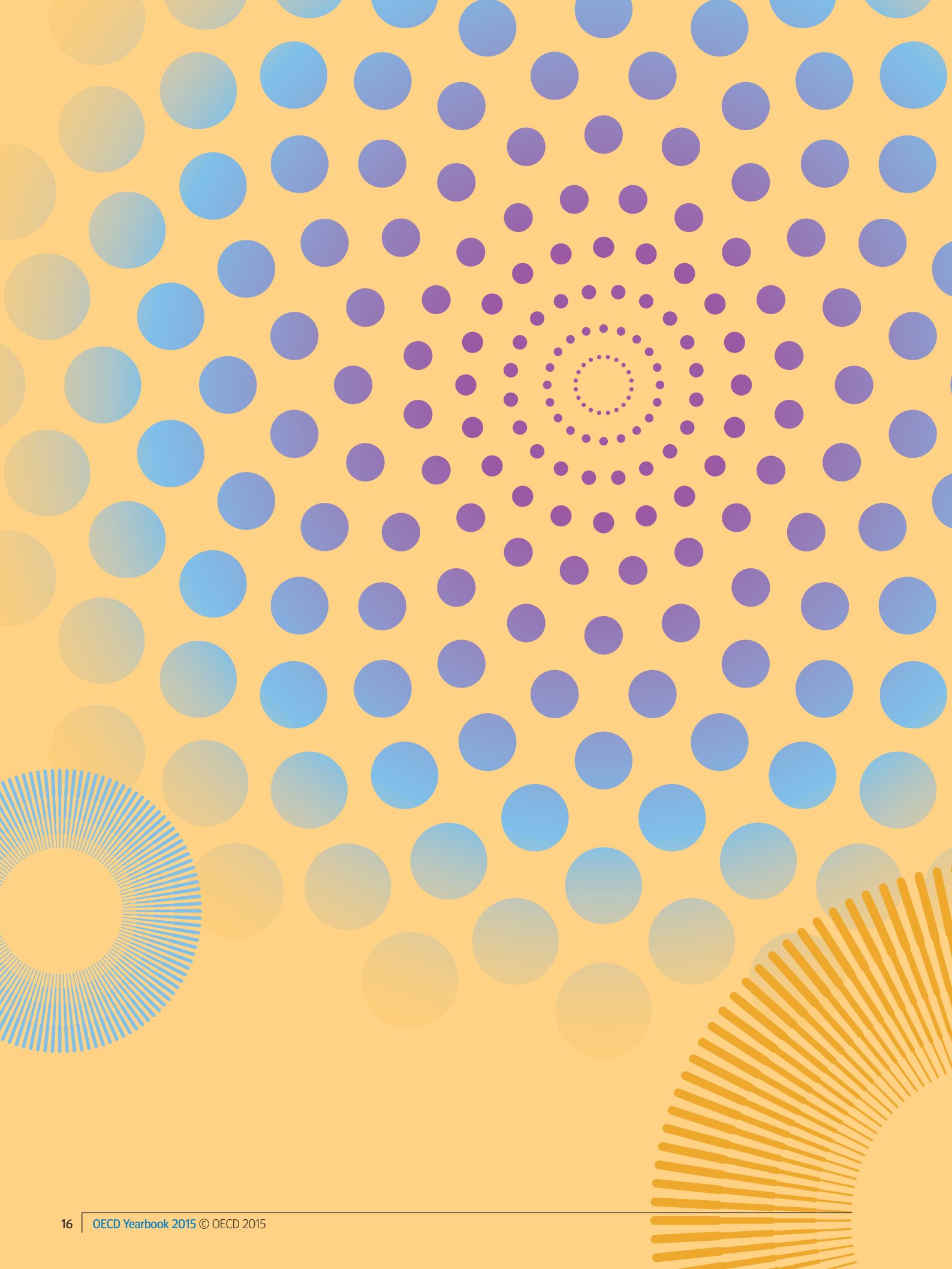


OECD
Better Life
Initiative



The OECD Better Life Index enables you to rate countries according to the importance you give 11 topics. Each petal of the flower represents one topic and the size of the petal the country's rating for that topic.

Find out more about how life compares in OECD countries by ordering the book *How's Life? Measuring Well-Being*. Available now on the OECD Online Bookshop:
<http://www.oecd.org/bookshop>



People

Economies are all about people: about us, our well-being, development and health. We are the drivers of the economy, as consumers, workers, innovators and entrepreneurs. And as citizens and stakeholders, we rightly expect better policies for better lives.

A recovery cannot be complete unless it produces more and better jobs. Some 200 million people are out of work worldwide. This hurts prosperity for everyone, and increases the risk of poverty, ill health and exclusion. The job market remains bleak for most job seekers, while many employed people face lower pay and more precarious working conditions. Inequalities in wealth, education and opportunities have also widened, as the top 1% of income earners accumulate gains, while the middle class and poorer people in developed and developing countries face greater uncertainty and difficulty, not to mention ongoing austerity. Migration has been a route for many people seeking better lives, but poses challenges in fraught economic environments.

In this chapter, OECD and guest writers explore how policymaking that puts people first can address these challenges.

Hee-Jung Kim argues that women are a most underused resource, and explains Korea's policies for bringing more women into the job market. **Mari Kiviniemi** echoes this view and presents the economic case for gender equality. **Baroness Mary Goudie** describes how her 30% Club is getting more women on to boards and **Güler Turan** shows how quotas have worked for Belgium. **Martine Durand** and **Stefano Scarpetta** explain that more and better jobs can go together, and present new data to prove it, while **Andreas Schleicher** dispels myths about education and underlines the important role of teachers to boost school performance. **Frances O'Grady** questions the quality of the UK's recovery and decries the decline in working conditions and living standards. **Peter Sutherland** deplores the tragic deaths of migrants at sea, and calls on the international community to harness the true value and strength of migration as a sustainable development goal. **Winnie Byanyima** also wants progress on the sustainable development goals, and demands more justice for developing countries when it comes to climate change and development policies. **Michel Landel** describes how Sodexo puts people at the centre of its supply chain policies. In our "Business briefs", **Andrew Bollington** explains the importance of starting young to improve lifelong learning, **Luis Cantarell** outlines Nestlé's youth investment drive, and **Bradley Schurman** makes a plea for caregivers who take time out to look after elderly people.

Korea's work-life balance policies for sustainable growth



Hee-Jung Kim
Minister of Gender Equality and Family
Republic of Korea*

©Korean government

Of the abundant resources given to mankind, what is the most underused resource of our time? Without a doubt, women!

The potential of women must be fully tapped if we are to secure a path to sustainable development and address the ever-decreasing working-age population in the post-2015 era.

Everyone will agree that harnessing the female labour force is essential for sustainable development. In the case of Korea, if by 2030 women's economic participation rate were to increase to the men's rate of 2010, the total labour force size would increase by about 10 percentage points in that time, according to the OECD. In addition, evidence from developed countries shows that women's employment rate, fertility rate and gross domestic product (GDP) per capita are closely correlated. To this effect, since she took office in 2013, Korea's first female president, Madame Park Geun-hye, has been stressing the importance of creating a society where no social or cultural limitations hinder women's career development.

With its Roadmap to a 70% Employment Rate by 2017, the Korean government puts employment at the top of its agenda for sustainable and stable economic growth. The roadmap underlines the need to maximise the utilisation of the female labour force as the key driver of Korea's growth engine. Accordingly, the government's goal is to raise the current employment rate of women from 54.9% to 61.9% by 2017, creating over 1.65 million new jobs for women.

To expand women's economic participation and increase the female employment rate, the four Rs—recruitment, retaining, restarting and representation—must be well-balanced by creating a career-friendly social environment for women throughout their lives. Recruitment processes must be fair to both genders; retaining a female workforce must be facilitated by policies that prevent disruption in women's careers; restarting work among women who have left the labour market needs to be

eased through appropriate measures; and the representation of women should be enhanced by cultivating more female leaders.

The Park government has successfully lowered barriers to ease women's entry to the labour market. The next step is to focus on strengthening measures to help women maintain and develop their careers and to reinforce re-employment mechanisms, with the ultimate goal of promoting women leaders globally.

In this respect, work-life balance should first be achieved by women and men, rather than taking a one-sided perspective just for women. The government is promoting this approach, while concentrating on finding practical ways to help workers take full advantage of those work-life balance policies and benefits already available.

Take, for example, the Best Family-Friendly Management programme, in which the government certifies the most family-friendly companies that promote a good work-life balance among their employees, including proper implementation

Our Best Family-Friendly Management programme certifies the most family-friendly companies

of leave entitlements and flexible workplace arrangements. Companies and organisations with the certification enjoy a wide range of benefits, such as interest rate benefits for bank loans. Since the programme was launched in 2008, the number of certified companies has grown sharply, from 14 initially to 956 in the first quarter of 2015. The government will continue to encourage more organisations, especially local governments and small and medium-sized enterprises, to embrace family-friendly management, and we will support certified companies so that they continue to set an example with their good practices.

To better facilitate the adoption of family-friendly management, two campaigns—Family Day and Father's Month—have been launched. Every Wednesday is designated as a Family Day in order to encourage the overworked Koreans to finish work on time at least one day a week so that they can spend time with their families. In addition, every last Wednesday is now Culture Day which families can enjoy, thanks to the likes of discounts and free admissions to theatres, shows and exhibitions.

Father's Month, introduced in October 2014, aims to encourage men to take their parental leave; instead of receiving only 40% of their normal wage in the first month of leave as was the case before, they now receive full pay. In the meantime, the government also subsidises funds for hiring substitute workers to fill in for those on parental leave.

To enhance the delivery of work-life balance programmes, the first Centre for Working Mums and Dads opened in April 2015. The biggest challenge for double-income families is simply finding the time to search for information on the diverse government programmes that are available to help families,

such as education courses, advice and other family services. The new centre is open on weekends and late in the evenings for maximum public benefit.

Meanwhile, Women's Re-employment Centres have developed well, providing comprehensive career services including tailored career counselling, job training, internships, employment liaison and post-employment management. These centres have been instrumental in getting women back

Two initiatives—Family Day and Father's Month—have been launched

to work, particularly after child-rearing. With 10 additional facilities planned this year, a total of 150 centres will soon be in place to help women's reintegration into the workforce.

The centres are constantly evolving to meet the government's aim of creating more and better jobs. Some areas are test-launching specialised centres, with some focusing on career development among, say, those in farming, fishing, or various professions. A customised centre may focus exclusively on women in their 30s, who make up over half of the total number of women sidetracked from their career, with a view to enhancing their re-employment and skills.

In the public sector, the government is also taking a lead in advancing the representation of women and breaking glass ceilings. Quotas have been set to raise women's participation

in government committees to 40% and the ratio of women in managerial positions in central government to 15% by 2017. Further efforts are ongoing to promote female leaders through the Academy for Promising Women and the National Female Professionals' Database.

Thanks to our government's wide-ranging policy initiatives, the female participation rate in Korea has been consistently growing, from 49.4% of the workforce in 2010 to 51.3% in 2014. Moreover, the participation of prime age women (in their 30s) is clearly on a rising trend, up from 55.3% in 2010 to 58.4% in 2014.

Everyone shares the ideal that the full employment of women and an improved work-life balance are essential for revitalising society and boosting competitiveness. Only when all members of society, regardless of gender or sector, culture or creed, are free of stereotypes and discrimination, can we overcome low birth rates and low growth, and set forth an era of truly sustainable development.

It is my hope that the strong commitment of the readers of the *OECD Yearbook* will help lead the march towards a gender-equal world.

*Korea is vice-chair of the OECD Ministerial Council Meeting 2015

References

OECD (2012), *Closing the Gender Gap: Act Now*, OECD Publishing.

Visit <http://english.mogef.go.kr/index.jsp>



Order this now!

Browse and order at
www.oecd.org/bookshop

Why a push for gender equality makes sound economic sense



Mari Kiviniemi
OECD Deputy Secretary-General

©Michael Dean/OECD

This year's OECD Forum coincides with the celebration of the 20th anniversary of the Beijing Declaration, which was an important milestone to promote gender equality worldwide. Much has been achieved since 1995, but unfortunately, a lot remains to be done to close the gender gap and increase women's participation in our economies and societies.

There are a number of reasons why we must tackle gender inequality once and for all; the most obvious one is moral, ethical and human: how can we justify having more than half the globe's population being treated less fairly than their male counterparts?

Addressing gender inequality is first and foremost a question of fairness. Women still have fewer career opportunities, and earn on average 16% less than men. Unpaid work with children and household tasks keeps women busy even outside normal working hours—on average five hours more per week for women than for men.

It is also a question of economic performance. There can be no robust growth economy without gender equality, a critical ingredient of any strategy for durable, resilient and more inclusive growth.

Investment in women boosts economic development, competitiveness, job creation and GDP. We estimate that on average, across the OECD, a 50% reduction in the gender gap in labour force participation would lead to an additional gain in GDP of about 6% by 2030, with a further 6% gain (12% in total) if complete convergence occurred. Frankly, I don't think that our economies can afford to ignore such huge potential.

Third, it is a question of sound governance. Countries with a larger number of women as ministers or in parliament tend to have lower levels of inequality, more confidence in government and higher spending on health. More women decision-makers and influencers in our public sectors means a more balanced perspective in designing and implementing new rules and laws, and a more inclusive approach to policymaking and service delivery.

Forty years ago women like Margaret Thatcher and Golda Meir cut rather lonely figures on the male-dominated world stage. Nowadays, there are several iconic women in positions of influence, people like Angela Merkel, Michelle Bachelet and Helle

Thorning-Schmidt, and indeed Christine Lagarde at the IMF. In addition to me in our organisation, the OECD's chief of staff, chief economist and chief statistician are all women. But despite such breakthroughs, there is considerable room for further advancement. On average, women represent less than one-third of decision-making posts in all branches of power in OECD

An OECD Recommendation should spur governments to improve the gender balance in public life and empower women to serve in key decision-making positions

countries. A range of barriers hinder women's progress and leadership in public life, although all of these can be overcome, from resisting gender-stereotype roles and job descriptions within the workplace to addressing external barriers, such as childcare and training practices that are not adjusted to women's or family's needs or ambitions.

A whole-of-government approach is crucial to advancing the role of women. How can the OECD help?

The OECD will present a draft Recommendation on Gender in Public Life to member countries at the Ministerial Council Meeting in June 2015. Fully complementary with the 2013 Recommendation on Gender Equality in Employment, Education and Entrepreneurship, this new tool focuses on three main areas: good governance and accountability for gender equality; closing leadership gaps in public life; and equal access to public employment. The initiative also complements efforts in institutions such as the Council of Europe and the UN, and builds on decades of OECD work to promote gender equality. By implementing the 2015 OECD Recommendation, governments can further improve the gender balance in public life and empower women to serve in key decision-making positions. This can spur progress in the private sector and in the wider economy, too, and help the G20 realise its goal of reducing the gap in labour participation between men and women by 25% by 2025.

Governments and businesses have a key role to play in reducing the gender gap, but they cannot act alone. Each and every one of us is personally responsible as well. Both men and women must engage, commit and embrace this effort. We must share our experiences with the younger generation, too, and empower them to overcome social bias and clichés. We need more role models, too. The spirit of the Beijing Declaration must continue to inspire us to work ever harder together for true gender equality, and a stronger, fairer, more inclusive world.

Adema, Willem (2014), "Closing the gender gap can boost the economy" in *OECD Observer* No 298, Q1 2014, OECD Publishing.

Clarke, Rory (2014), "Forging a gender-balanced economy" in *OECD Observer* No 300, Q3 2014, OECD Publishing.

Visit www.oecd.org/gender

More women on board



Baroness Mary Goudie

Co-founder, 30% Club

© Mary Goudie

The 30% Club is a group of company chairmen, chairwomen and CEOs committed to achieving better gender balance at all levels of their organisations through voluntary actions.

Business leadership is key: this takes the issue beyond a specialist diversity effort and into mainstream talent management. This is a collaborative approach to creating change.

The 30% Club launched in the UK in 2010 with an aspirational goal of 30% women on FTSE-100 boards by the end of 2015. There are now 120 members of the UK club and the proportion

Business leadership takes the issue beyond a specialist diversity effort and into mainstream talent management

of female FTSE-100 directors has risen from 12.5% to 23%. So there is still work to be done.

The 30% Club does not believe in mandatory quotas and instead believes the right approach is voluntary action to achieve meaningful, sustainable change.

The 30% Club is becoming an international, business-led approach focused on developing a pipeline of senior female talent. It is complementary to individual company efforts and existing networking groups—adding to these through collaboration and visible commitment of senior business leaders.

Scarce representation of women at senior levels is a global phenomenon. Business leadership combined with a measurable goal can create a paradigm shift. Beyond the UK, 30% Clubs have been launched in the US, Hong Kong-China, Ireland, and southern Africa and east Africa. We are picking up pace this year with clubs expected to be launched in Canada, Australia, Malaysia, Italy, Poland, Japan and the United Arab Emirates.

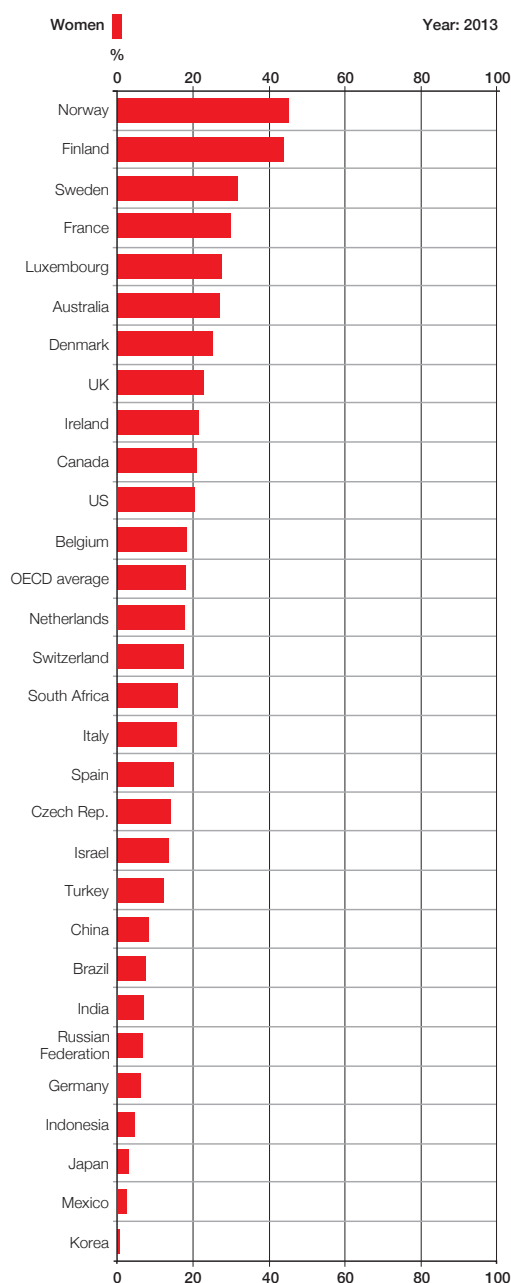
Companies should be working to create a better gender balance at all levels—this requires a sustained series of talent management efforts and agile working to develop the pipeline.

Ultimately, there needs to be an acceleration towards gender balance at all levels, with men and women working together for real change.

More information on the 30% Club can be found on <http://30percentclub.org>. Follow on Twitter @30percentclub

» Share of women on boards of directors in Forbes Global 500 companies

Proportion of seats on the board of directors in Forbes Global 500 companies that are held by women, by country, 2013



Source: OECD estimates

Why quotas work for gender equality

©Rights reserved



Güler Turan

Senator
Member of the Flemish Parliament
Member of the Committee on Economic
Affairs, Employment, Social Economics
Innovation and Science

Gender inequality is one of the most primitive and oldest forms of inequality. Sadly, it is still very much a reality in most parts of the world. In many countries women do not have equal access to education, healthcare, safety, work or political decision-making.

In Belgium, the battle against gender inequality is fought using the controversial instrument of quotas, in politics, business and beyond.

In the political world, quotas ensure that parliament truly reflects the population it represents. When a parliament consists only or mainly of men, it becomes very hard to gain broad support for political decisions, and to demonstrate that every citizen can be elected.

It is unacceptable that political leadership is still very much a predominantly male privilege. According to Phumzile Mlambo-Ngcuka, executive director of UN Women, it will take another 50 years to achieve gender equality in the political sphere at the current rate of change. Patiently waiting for that to happen is not an option. Tough measures are needed, and quotas for women in parliamentary meetings is the most important one.

Over the last 15 years, Belgium has introduced legislation governing increasingly ambitious quotas. The pioneering Tobback-Smet Act led to an increase in the proportion of female members of parliament from 16% previously to 25% in 1999 (Chamber of Representatives). Under this act, political parties were required to fill at least a third of their electoral lists with members of the under-represented gender group, in this case, women.

Following the implementation of stricter legislation governing quotas, the Chamber of Representatives saw the percentage of women rise to 38% by 2007. This new legislation dictated that the difference between the number of candidates from each gender on every electoral list a party submits should not exceed one. Furthermore, the first two candidates on the list should be of the opposite sex. Since then, the percentage of female representatives has risen further, and in 2014 women made up 41% of the Chamber of Representatives, 44% of the Flemish parliament and 50% of the senate.

For comparison, the equivalent figure is 43.6% in Sweden, 42.5% in Finland, 14.4% in Turkey and 9.5% in Japan.

Gender equality is not just a problem that affects politics, but

concerns the business world, too. Research has shown time and again that the more female managers a company has, the more profitable it is. Economy and society have every interest in tapping all the talent in their midst.

Quotas in the business world can put an end to the “old boys” networks and ensure that qualified women are no longer denied

Quotas helped boost the proportion of female members of parliament in Belgium’s Chamber of Representatives from 25% in 1999 to 41% in 2014

access to management positions because of their gender. The quotas are by definition temporary measures, aimed at eradicating an inequality that has built up over time. Once that is done, the quotas will be lifted in accordance with the principle of equal treatment as it is interpreted by international courts of human rights.

Since 2011, quotas have applied to listed companies in Belgium. By law, executive boards of listed companies (depending on their size and other particularities) must consist of a minimum of a third and a maximum of two-thirds of members of one or other gender by 2017 or 2019. In the run-up to the statutory deadline, Belgian companies are stepping up their efforts to adopt gender equality policies. The majority go the extra mile not to waste women’s talents and are examining why women all too often fail to climb the career ladder. Meanwhile, most directors are satisfied with the results of the quotas, which have brought fresh blood on to executive boards without affecting quality.

Belgium still scores below the European average, with women making up 16.7% of the executive boards of (large) listed companies, compared to 17.8% in the EU as a whole. While marked progress is expected in the years ahead, we cannot afford to rest on our laurels as far as gender equality is concerned. The proportion of female professors in Belgian universities, for instance, is a shockingly low at 10%.

Quotas help rectify women’s under-representation in prominent positions, and make it entirely normal for women to take up managerial roles in the political, economic and academic systems.

Encouragingly, the quotas have even had the opposite effect. In some constituencies in Belgium, for instance, political parties are struggling to find enough suitable male candidates to fulfil quotas. In the end women and men are equal after all.

Visit Güler Turan’s website at www.guler.nu

Nestlé needs YOUTh

©rights reserved, Nestlé



Luis Cantarell

Executive Vice President Nestlé S.A.,
Zone Director for EMENA (Europe, Middle
East and North Africa)

Investing in the future while tackling youth unemployment

At Nestlé, we have a long tradition of recruiting young people directly from schools or universities. We invest in them, build their capabilities and develop their professional career. We do so while embracing diversity of cultures, traditions and opinions. In Europe with one in four young people (about 5.6 million people) out of work, we felt like we could do even more to help address youth unemployment. This is why we launched the three-year programme “Nestlé needs YOUTh” in 2014.

Below are the key areas of the programme:

- Direct recruitment: to hire 10,000 young people below the age of 30 over a three-year period.
- Apprenticeships and traineeships: to strengthen our apprenticeship and traineeship programmes to reach 10,000 young people.
- Employability: to deploy readiness-for-work activities mobilising our employees to help young people improve their employability in their entry to professional life.
- Engage our suppliers: we encouraged our business partners and European suppliers to participate in this initiative for an even greater impact, which led to the creation of the Alliance for YOUTh.

Our overall target is to offer 20,000 job opportunities for young people across all our European businesses and offices. This goal has been communicated to the European Commission and the media in full transparency and is included as a formal commitment in our Creating Shared Value–Nestlé in Society report 2014.

Delivering on our commitments

The programme was successfully launched across all European markets and has delivered a mixture of jobs, apprenticeships and traineeship opportunities across all areas of the business, from the factory floor to business managers to young people (from those with vocational skills to newly qualified graduates). The 2014 results demonstrated the high relevance of our initiative for the young people as well as for Nestlé business.

In total, 11,832 young people were helped to find a job or apprenticeship/traineeship opportunity.

- 7,690 regular and temporary employees were hired;
- 4,142 young people were offered traineeships and apprenticeships;
- From those, 1,500 were hired in factories and distribution centres (often located in rural areas).

Regarding the readiness-for-work initiatives, 1,677 events (CV clinics, job fairs, unemployment offices etc) have been organised across Europe with more 5,600 Nestlé employees mobilised.

In parallel, we are working to implement VET/apprenticeship schemes in EU countries with no tradition (notably southern Europe) or where they had disappeared (eastern Europe). Currently Nestlé subsidiaries are liaising with local authorities and education providers, with new apprenticeship programmes already agreed in a number of factories in the Czech Republic, Italy, Portugal, the Slovak Republic and Spain. The capabilities can be then replicated by others to make a systemic change in the relevant countries.

The creation of the Alliance for YOUTh led to the mobilisation of around 200 companies from all over Europe that joined the initiative in 2014. These efforts will lead to more than 100,000 opportunities for young people in the coming years. All partners of the Alliance for YOUTh have agreed to sign the pledge of the European Alliance for Apprenticeship, an EU project promoting apprenticeship schemes across Europe. The Alliance for YOUTh has launched All4YOUTh, a new social platform on Facebook aimed at helping young people find a job. The platform has been designed by young people with powerful content linked to job offers, CV clinics, and job interview tips presented in a creative and youth friendly tone.

The way forward

The success of this initiative across Europe and versus all stakeholders and the positive impact on our employer branding has demonstrated its relevance for our business to attract young talent at an early stage and develop the right skills for the business.

In this respect it was decided to launch the Global Youth Initiative worldwide to support young people's employability in their transition from education to work and to develop at the same time the next generation of Nestlé employees and leaders.

Nestlé, with its global presence, has a unique opportunity to leverage youth's potential around the world, contributing even further to tackling youth unemployment (73 million unemployed and more than 200 million underemployed young people).

The focus of the Global Youth Initiative will be the following:

- Implement or strengthen existing apprenticeship and traineeship programs
- Enhance “readiness for work” activities in all markets.

The Global Youth Initiative is currently being implemented and was officially launched in Mexico in February 2015.

In Europe, we will continue delivering on our commitments and reinforcing the Alliance for YOUTh with the same conviction and determination.

Visit www.nestle.com/jobs/graduates-entry-level/europe-youth-employment-initiative

Sponsored by



Nestlé

More and better jobs for an inclusive recovery



©OECD



©Michael Dean/OECD

Martine Durand, Director, OECD Statistics Directorate

Stefano Scarpetta, Director, OECD Directorate for Employment, Labour and Social Affairs

The world is still repairing the damage done to employment prospects and social equality by the crisis. Governments are trying to create not just more jobs, but better jobs. A new OECD framework helps them to define what job quality means and to measure whether their policies are succeeding.

The scars of the crisis are still visible on the job market, despite the recovery now under way. The unemployed have borne considerable personal, economic and social costs, particularly those who have endured long spells of joblessness, and young people who have failed to find their first job. But an increasing number of those who kept their job or managed to return to work quickly have also experienced economic hardship as a result of stagnant or even declining earnings, and greater work pressure and growing insecurity.

The crisis has also deepened labour market inequalities. Job creation has disproportionately taken the form of fixed-term or temporary jobs in many advanced economies, while in emerging economies new jobs tend to be in the informal, unregulated economy. These developments are reinforcing pre-crisis trends towards atypical and often precarious work, and further increasing the number of people insufficiently covered by social protection and labour regulations.

Clearly, there is a need to promote the creation of not just more jobs, but also better jobs. This is now the defining challenge for many governments around the world, as also clearly indicated in the G20 Leaders' Declaration at their summit in Brisbane in November 2014.

The increasing importance of job quality in the policy debate has not yet translated into concrete policy action. Partly, this is because job quality is hard to define and quantify. What aspects of job quality are most important for workers' well-being and how can they be measured? How does job quality vary across countries and socio-economic groups? What can policymakers do to promote job quality and help to create jobs when the labour market recovery is still fragile?

Job quality framework

To address these questions, the OECD has developed a new framework for measuring and assessing job quality. Following

the influential report by the Stiglitz Commission on the Measurement of Economic Performance and Social Progress, and in line with the OECD Better Life Initiative, the OECD job quality framework focuses on individual outcomes and their distribution across workers, and on mainly objective features of job quality. The framework identifies three complementary dimensions as the most salient for workers' well-being and amenable to policy interventions.

First is **earnings quality**, which captures the extent to which the job contributes to workers' material living standards. Earnings quality covers both the level of earnings and their distribution

An important finding for advanced countries is that there is no apparent trade-off between job quality and job quantity

across the workforce. Average earnings provide a key benchmark for assessing whether having a job ensures good living conditions, while the way earnings are distributed across the workforce matters for well-being and economic performance.

The second dimension is **labour market security**. For the advanced economies, this focuses on the risk of unemployment and the income support workers are entitled to if unemployed. For the emerging economies where there is widespread informality and weak social insurance, hidden unemployment and under-employment on extremely low pay are taken into account.

Quality of the working environment, the third dimension in our framework, captures non-economic aspects of job quality and is summarised by the incidence of job strain that can impinge on workers' health and well-being. Job strain occurs when high demands on workers, such as time pressure or unhealthy working conditions, are combined with low resources available to address them, such as a lack of work autonomy or training.

Not mission impossible

Job quality along the three dimensions of our framework can be scored alongside a traditional indicator of job quantity—the employment rate, which is the share of the working-age population in employment—for 35 OECD and emerging economies.

Cross-country differences in earnings quality are primarily driven by gaps in average earnings, although differences in earnings inequality also play a significant role. Earnings quality is highest in Denmark and Norway and lowest in Mexico and South Africa. It is lowest in Mexico and South Africa because of both the low level of earnings and the widespread inequality in these countries. With respect to labour market security, the best performing countries are those where the risk of unemployment is low, such as Norway and Switzerland, or where compensation systems are effective in cushioning unemployment's negative effect on income, as in France and Germany, for instance. Other

countries, such as Spain, South Africa and Greece, face the daunting challenge of reducing the risk of unemployment.

With respect to quality of the work environment, the best performing countries are those that succeed in coupling high availability of resources with workers with a low share of overly demanding jobs. Interestingly, the performance of some countries like Italy, France and Spain is dragged down by low resources, despite a relatively low incidence of very demanding jobs.

Young people and low-skilled workers are the most likely socio-demographic group to combine a high risk of joblessness with low-quality jobs, while highly skilled workers tend to be more often employed and to have the best-quality jobs along all three dimensions. Women also face some clear disadvantages, with wide gender gaps in employment, earnings quality and labour market security.

An important finding for advanced countries is that there is no apparent trade-off between job quality and job quantity. In fact, job quantity and the different dimensions of job quality tend to be positively related across countries, across population groups, and across individuals over their lifetime. This implies that with the right mix of policies and institutions it is possible for

labour markets to perform well across all dimensions. To reduce inequalities in both the quantity and quality of jobs, policies should target those workers, particularly young people and the low-skilled, who tend to do poorly.

By contrast, in emerging economies, job quantity and job quality often do not go hand in hand. The main issue for these countries is generally not unemployment, but the lack of better paid and more protected jobs. This calls for policy actions on job quality, which can and should be a win-win strategy for economic growth, social stability and inclusiveness.

Visit www.oecd.org/employment/emp/oecdemploymentoutlook.htm and www.oecd.org/statistics/howslife.htm

Durand, Martine (2012), "Progress: From compass to global positioning system", in *OECD Yearbook 2012*, OECD Publishing.

Scarpetta, Stefano (2014), "Jobs are key for inclusive growth", in *OECD Yearbook 2014*, OECD Publishing.

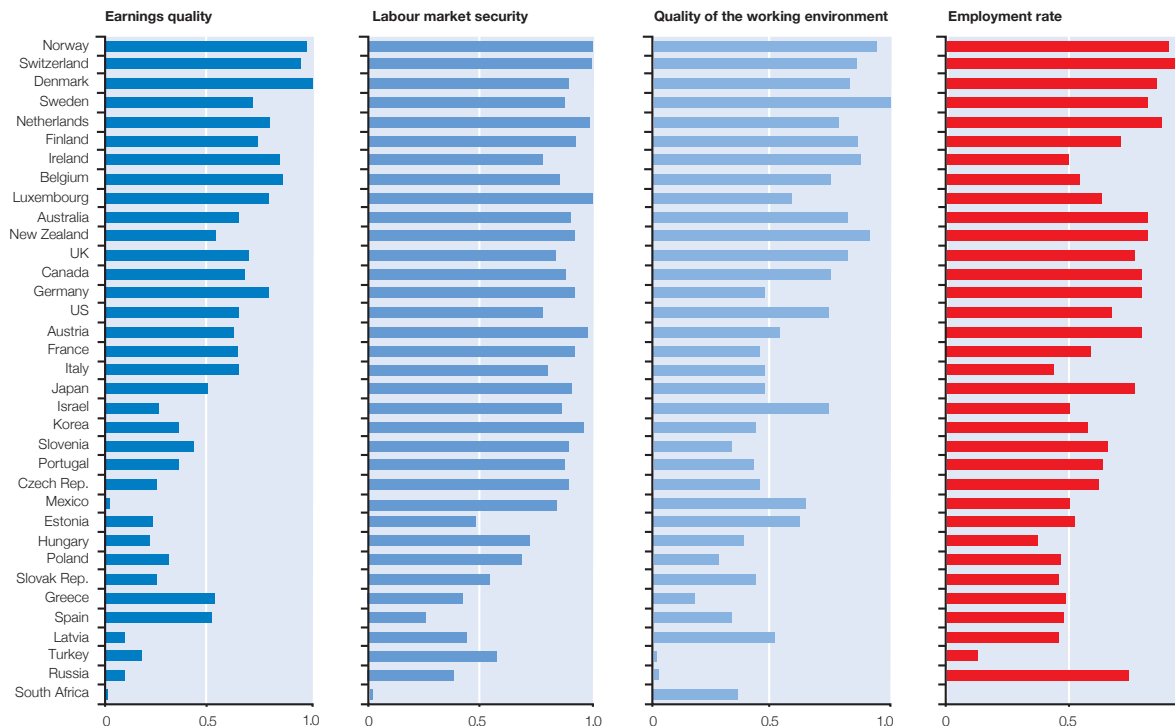
OECD (forthcoming), *OECD Employment Outlook 2015*, OECD Publishing.

OECD (2014), *OECD Employment Outlook 2014*, OECD Publishing.

OECD (2013), *How's Life Measuring? Measuring well-being*, OECD Publishing.

» Job quality versus job quantity?

OECD and selected emerging countries; normalised score between 0 and 1



Source: OECD Employment Outlook 2014 and OECD Employment Outlook 2015

StatLink <http://dx.doi.org/10.1787/888933132355>

Myths to expel about schooling



Andreas Schleicher

Director, OECD Directorate for Education and Skills

©OECD

The OECD PISA surveys of educational competence among 15-year-olds have revealed many lessons—and myths—since the programme was launched in 2000.

Deprivation is destiny

Teachers all around the world struggle trying to make up for social disadvantage in their classrooms. Sceptics believe that deprivation is destiny. And yet results from OECD PISA show that the 10% most disadvantaged 15-year-olds in Shanghai have better mathematics skills than the 10% most privileged students in the US and several European countries. In fact, children from similar social backgrounds can show very different performance levels, depending on their school or their country. The point is that education systems where disadvantaged students succeed are able to moderate social inequalities. They attract the best teachers to the most challenging classrooms and the most capable school leaders to the most disadvantaged schools, which steers all students to high standards, too.

Immigrants drag down overall school performance

Integrating students with an immigrant background can be challenging, but results from PISA show no relationship between the share of students with an immigrant background and the overall performance of students in that country. Even students with the same migration history and background show very different performance levels across countries, suggesting that where students go to school makes more of a difference than where they come from.

It's all about money

Without investment in skills, people languish on the margins of society, technological progress does not translate into productivity growth, and countries can no longer compete in an increasingly knowledge-based global economy. And yet educational expenditure per student explains less than 20% of the variation in student performance across OECD countries. For example, students in the Slovak Republic, which spends around US\$53,000 per student between 6 and 15 years of age, perform at the same level at 15 years old as students in the US, which spends over \$115,000 per student. Korea, the highest-performing OECD country in mathematics, spends well below the average per-student expenditure. Educational success is about how money is spent, not how much is spent.

Educational quality and personalisation is about class size

Everywhere, teachers, parents and policymakers fuss about small classes for more personalised education. Reductions in class size have driven up expenditure per student in most countries

over the last decade. And yet PISA results show no relationship between class size and learning outcomes, either within or between countries. More interestingly, the highest performing education systems in PISA tend to systematically prioritise the quality of teachers over the size of classes. They invest in competitive teacher salaries, ongoing professional development and a balance in working time that allows teachers to contribute to their profession and to grow in their careers. The quality of teachers counts more than class size.

Success in education is about talent

The writings of many educational psychologists, from Terman on, have fostered a widespread notion that student achievement is mainly a product of inherited intelligence, not hard work. This is also mirrored in results from PISA where students in the Western world reported that they needed good luck rather than hard work to do well in mathematics or science. Meanwhile, a comparison between school marks and the performance of students in PISA also suggests that teachers often expect less of students from lower socio-economic backgrounds, even if they show similar levels of achievement to those from more favourable backgrounds. And those students and their parents may expect less, too. This is a heavy burden for education systems to bear.

In Finland, Japan, Singapore, Shanghai-China and Hong Kong-China, students, parents, teachers and the public share the belief that all students are capable of achieving high standards and need to do so. Students in those systems consistently reported that if they tried hard, they would trust in their teachers to help them excel. Teachers “level upwards” by requiring all students to meet the standards that they formerly expected only their elite students to meet. In these education systems, students who start to fall behind are identified quickly, their problem is promptly and accurately diagnosed, and the appropriate course of action is rapidly taken. Inevitably, this means that some students receive more resources than others because the needs of some students are greater, but it is the students with the greatest needs who receive the most resources.

Excellence is about selection

For centuries educators have wondered how they should design educational school systems so that they best serve student needs. Some countries have adopted non-selective and comprehensive school systems that seek to provide all students with similar opportunities, while other countries track and stream students, with the aim of serving students according to their academic potential and/or interests. Conventional wisdom has it that the former serves equity, while the latter fosters quality and excellence. Yet none of the countries with a high degree of stratification or grade repetition is among the top performing education systems. Rather, the OECD PISA results show that the highest performing education systems combine both.

Schleicher, Andreas (2014), “A plan for education”, in *OECD Yearbook 2014*, OECD Publishing.

Visit www.oecd.org/pisa and www.oecdobserver.org/education

UNIVERSITY OF GENEVA

Education and Research

Among the world's **top 100** universities

9 Faculties

Science, Medicine, Humanities, Economics and Management, Social Sciences, Law, Theology, Psychology and Educational Sciences, Translation and Interpreting

16,500 students from **154** countries

www.unige.ch



UNIVERSITÉ
DE GENÈVE

Why isn't everyone lifelong learning?

©LEGO Foundation



Andrew Bollington
Global Head of Research and Learning
LEGO Foundation

It's a well-trodden path to observe that the school systems of today are not preparing children for the jobs of today, let alone tomorrow. But what changes to our school systems are necessary to address this challenge?

For centuries, schools have been focused on content—to be educated is to be knowledgeable, and to be knowledgeable you have to know a lot. Yet the 21st century has transformed our access to content. In just 20 years, the content of the best libraries has been made available to us through the internet and on mobile devices in a matter of seconds. What's more, it has been enhanced by videos and interactive learning materials to enable us to engage with that knowledge more easily. Want a university level course on, say, “understanding the neurobiology of everyday life” or “the role of global capital markets”? They are available free and now, provided you have access to a computer (visit www.coursera.org).

The pace and volume of change in just about every major discipline means that lifelong learning is no longer an option, but absolutely essential. However excellent your education was at school, within a few years of entering the workforce, a gap will be opening up between what you need to know, what has recently been discovered, and what you were taught while at school.

There are many opportunities for lifelong learning available at the click of a button, so why is it that many employers still report a “skills gap” when looking for talented members of the workforce?

Taking advantage of lifelong learning opportunities demands certain skills. We need to be motivated to learn, without the constant supervision and support of a teacher. We need to be able to ask questions and relate the knowledge gained to real-life challenges. We need to stick at the challenge even when the work gets hard. We need to be prepared to try something; fail; adapt; then try again until it works. We need to network with other students, sometimes virtually, often across cultures. We need to critically analyse and evaluate the content we find in seconds on the internet, not memorise it. We need to play creatively with ideas and solutions.

Lifelong learning does not begin when you leave school. There is a growing understanding that the gap between the outputs

of our education system and the needs of employers are not a failure of the last few years of formal schooling alone, but the cumulative consequence of years of education built upon a foundation set down in early childhood. In other words, the problem—and the answer—starts early. The youngest children have an in-built curiosity to learn and ask questions, to learn through play. When a toddler repeatedly asks “why” or works with other children to create a city using building blocks, they are setting down the basic foundations of inquiry-based, active learning. They are learning by asking their own questions rather than learning rote answers to other people's questions. This is the foundation of lifelong learning, an approach that should continue throughout school, not stop at the kindergarten.

Being educated is no longer about how much you know, but about having the skills and motivation for lifelong learning so that you can learn new knowledge whenever you need to. It is time to reduce the content demands of national curriculum, and

There are many opportunities for lifelong learning available at the click of a button, so why is it that many employers still report a “skills gap”?

to encourage schools to use some of the time saved to focus on developing the skills for lifelong learning. It is time to measure school success not just by children's ability to answer exam questions, but also by the extent to which children demonstrate a passion and capability for lifelong learning based around their own questions and challenges. If we did that, then we could have confidence that our schools are preparing children for the jobs of tomorrow—and through our own lifelong learning, we might all know more as well!

Visit www.legofoundation.com

Sponsored by

The **LEGO** Foundation

Economic security rests on stronger, fairer growth



Frances O'Grady

General Secretary of the British Trades Union Congress (TUC)

©Sarah Turton

Years of global recession, stagnation and slow uncertain recovery prove we do not yet have the right economic model to secure the sustained, strong growth that will be vital to social and economic progress in the years ahead.

IMF research has shown that both growth and fairly shared gains are vital, with lower income inequality delivering faster and more durable economic improvements. But in too many cases action has failed to follow the evidence, with devastating consequences for working people across the world.

The UK provides a case study of just how broken this economic model is—and why it needs to be fixed. While our labour market recovery has been presented internationally as a runaway success, rising job levels are only half the story. Workers across the UK have now endured years of falling real wages, and underlying rates of pay growth remain very far below their pre-crisis trend. The last five years has been the worst period for UK living standards on historical record.

The incomes squeeze has come not only from reduced rates of pay growth. The types of jobs we are creating have also changed. More positions are self-employed, particularly in some low-paying industries. Casual, insecure jobs are booming, such as those where workers on “zero hours” have no guarantees of whether they will get any work at all. Our low-pay industries are now responsible for a larger share of employment than in the past. We are creating jobs, but not enough of the middle and higher skilled, secure positions that we need to provide opportunities for working people and their families.

The pain on pay has been accompanied by a productivity crash. Our recovery since the global recession has been the slowest on historical record and productivity trends show why—investment levels are down, our exports are weak, government spending drags down GDP, and there is ample evidence of spare capacity being wasted. The UK is shifting to the economic slow lane, and improvements in pay and profits in the years ahead desperately depend upon a new approach.

So the TUC's response, broadly in line with the thinking of the Trade Union Advisory Committee to the OECD (TUAC),

is threefold: boost demand, boost productivity and create a virtuous circle by ensuring that working people get a fair share of the gains.

Our priority needs to be sustainable growth. That means investing in the infrastructure and services that will lift GDP in the years ahead. Fiscal and monetary policy need to push in the same direction, not pull apart. We need an economy where new infrastructure, technological development and innovative research deliver gains across industries and regions, not one where housing and debt bubbles fuel an uncertain recovery.

A strong economy will also depend on a progressive approach to our growing supply-side challenges. Bank lending to firms

The last five years has been the worst period for UK living standards on historical record

needs to be boosted, corporate governance needs to support long-term company decision-making, and our vocational education system must stop failing so many of our young people.

But even when productivity gains come, we cannot simply assume that the proceeds will be fairly shared. History tells us that this type of shift does not just happen by itself. And it won't without significant policy change to support stronger pay floors, extend collective bargaining and regulate our labour market to prevent a race to the bottom.

More fairly shared growth is not an optional extra—in turn better pay and conditions further boost our growth rate (as workers spend their wages and as revenues are generated to invest in the future). What's more, if spending isn't supported by growing real incomes, rather than rising household debt, then the next financial crisis beckons. If we don't achieve both a strong recovery and a better balance of rewards, the risk of the economy simply running out of steam is real.

The UK's experience holds important lessons for the rest of the world. We need an economic model built on strengthened demand, balanced growth and fairer shares of jointly generated rewards. This means new investment rather than endless spending cuts, embracing progressive economic approaches to structural challenges and crucially putting in place the policy levers to secure fairer shares.

Visit www.tuc.org.uk and www.tuac.org

How rich are you...not?

Research indicates that many of us have only a vague idea of how our income compares to that of our neighbours. For example, in France in 2011 about three out of five poor people thought they were better off than they were. Conversely, about four out of five rich people didn't appreciate just how well off they were.

A new OECD research tool lets you get some hard numbers on whether you're rich or poor. Simply type in where you live, your age and your income, and Compare Your Income will tell you where you stand on the income scale in your country—up there with Bill Gates or...well, down here with the rest of us. (Try it at <http://oe.cd/compare-your-income>)

But the tool goes further than that. It also lets you check if your sense of where you stand in relation to everyone else is accurate—you may be pleasantly surprised or sadly disappointed. More broadly, it also explores your understanding of how income is distributed in the country where you live.

Over the next few years, the anonymous and confidential responses that users provide to Compare Your Income will be used by the OECD to develop a clearer picture of people's perception of wealth, poverty and income inequality in OECD countries.

That, in turn, will feed into future analysis of income inequality—an issue that has “moved to the top of the policy agenda in many



Watch “Rising inequality threatens social cohesion and growth”, OECD video at www.oecd.org/newsroom/photosandvideos/

countries,” according to *In It Together*, a new OECD report that was released in May. As *In It Together* notes, the gap between rich and poor is now at its highest level in 30 years in most countries. Today, the top 10% earns 9.6 times the income of the poorest 10%; back in the 1980s, the ratio stood at just 7 to 1.

Extract adapted from www.OECDInsights.org blog post by Brian Keeley, 22 May 2015

OECD (2015), *In It Together: Why Less Inequality Benefits All*, the third in a series of OECD reports on income inequality, can be ordered at www.oecd.org/bookshop.

Visit www.oecd.org/social/inequality-and-poverty.htm

Pay gap

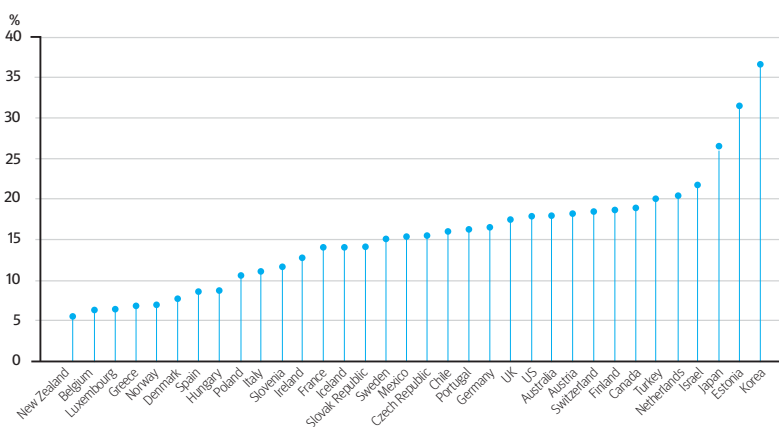
Unequal pay between men and women continues to pose problems, despite decades of legislation by governments to address it, like the Equal Pay Act in the United States and the French labour code on wage equality introduced about half a century ago. In fact, not only are women still paid considerably less than men throughout the world, but UN predictions suggest the gap will persist for 70 years to come.

OECD countries are no exception. Most of them show gender pay gaps for full-time workers of between 10 and 20%. The widest gaps are found in Korea where women are paid 35% less than men, and in Japan where they earn 26% less. With gender pay gaps of between 15 and 18%, France, Germany, the UK and the US are far from being model pupils. On the contrary, New Zealand scores best among the OECD countries, with a 6% pay gap. It is closely followed by Belgium, Denmark and Norway, whose pay gaps evolve around 7%.

Perhaps surprisingly, the pay gaps are relatively narrow—around 10%—in crisis-hit Greece and Spain, perhaps because only the most qualified women remain in their jobs, which increases women's median earnings.

Gender wage gap

Difference between median earnings of men and women relative to median earnings of men, unadjusted, full-time employees, 2013 or latest year available



Source: OECD 2015

StatLink <http://dx.doi.org/10.1787/77cee77aa-en>

While gender pay gaps have fallen in most OECD countries, progress has slowed, from a decline of 2.1 percentage points per year in 2000-06 to 0.9 percentage points in 2006-12.

See www.oecd.org/gender

Reproduced from Observer 302, April 2015

Who cares for the caregivers?



Bradley Schurman, MA
Senior Advisor, AARP

©AARP

Consistent careers are a hallmark of a successful retirement. However, too often, workers are called away from employment to care for loved ones, both young and old. Without adequate government or employer protections, workers risk losing valuable years of prime income earning and retirement contribution potential, while being paid nothing to take care of sick or disabled family. Workers also risk losing valuable skills that could dampen their prospects for re-employment.

Caregiving is an issue that affects both sexes. However, in the US, this issue has a disproportionate effect on women, who account for 66% of all caregivers. According to a 2009 study by the National Alliance for Caregiving and AARP, the typical caregiver in the United States is a “49-year-old woman caring for her widowed 69-year-old mother who does not live with her. She is married and employed.” This challenge will only increase over the coming decades as more women enter the workforce and populations age.

A worker’s pension benefits are typically tagged to lifetime earnings, so any disruption to those earnings over a lifetime has a negative impact on pension and retirement savings. This forces workers to work longer to achieve the same retirement goals as their counterparts who are not engaged in caregiving. The irony to all of this is that informal caregiving saves the US economy nearly US\$400 million each year.

The case for older workers and caregiving models

Workers over 50 are highly valuable within many organisations—particularly in those industries that require highly skilled workers or workers with unique skill sets, such as in healthcare or energy. However, these older workers often require flexible working arrangements to care for their children or their parents.

According to a recent AARP study, in the US in 2002, workers over 50 made up 24.6 % of the workforce. By 2012, they were 32.3% and by 2022 they are projected to represent 35.4% of the total workforce. These numbers are much larger in other OECD countries like Japan and Korea.

Some 65% of workers over 55 are considered “engaged,” while younger employee engagement averages 58-60%. Some 5% engagement equals 3% incremental revenue growth.

Government response

In some cases, governments around the world have begun to answer the call for greater equity in retirement by offering caregiver credits to workers who have to reduce hours or leave the workforce due to short-term caregiving responsibilities.

These caregiver credits allow workers to continue to earn for retirement while caring for a loved one. This is a good first step that hasn’t yet been embraced by the US.

There are also innovative examples from countries that are experimenting with caregiving leave. For example, in Germany multiple programmes allow workers time for caregiving, including paid leave and caregiving leave.

Private-sector response

Governments are not the only entities working to make caregivers lives better. Innovative corporations identified through AARP Best Employers International are doing so too.

ThyssenKrupp, a German multinational corporation and one of the world’s largest steel producers, has a life-phase-oriented human resources policy, called ProZukunft. ThyssenKrupp offers its employees approximately 400 different working time models that are individually tailored to personal needs.

ThyssenKrupp supports child caregivers through its on-site, company-owned childcare centre. It supports adult caregivers through a nursing hotline, in co-operation with Novitas BKK Krankenkasse, and, through company-owned services, advises employees on eldercare options.

On the other side of the planet, financial institution Westpac Group was among the first Australian organisations to address issues pertaining to an older workforce.

Westpac has pioneered a flexible work environment for older employees and continues to expand such arrangements for older workers through innovative policy, and through toolkits supporting flexible work practices. Employee resources include the Westpac Group Carer’s Concierge, a resource for employees who have older adult care responsibilities.

In conclusion, the best caregiving leave innovations are happening in countries with the longest history of strong social welfare, and at companies seeking to recruit and retain older and more experienced workers. There is much the US and other countries can learn from these examples. However, little will be done without a stronger business case, and increased demand for skilled workers.

There are still many challenges that face low-skilled workers, regardless of geographic location. However, governments and employers are realising the challenges facing employees who are caregivers. Even marginal shifts in public policy or human resource design can have a very positive impact on an employee’s current state and healthy retirement prospects.

For more information about AARP or AARP Best Employers International, please contact Bradley Schurman at bschurman@aarp.org. Visit www.aarp.org

Sponsored by



We must harness the true strength of migration

© Peter Sutherland/Rights reserved



Peter Sutherland

Special Representative of the
UN Secretary-General for Migration

Migration is one of the morally, politically, and economically defining issues of the 21st century. Some 25,000 souls have died trying to cross the Mediterranean since 2000, including more than 1,500 so far in 2015, and many thousands more have perished in the Gulf of Aden and in the South Pacific.

There needs to be a united response to the question of migration. It is critical for all of us to fully engage our publics on migration and asylum issues—and not, through silence, abet the rise of those who dream of national purity. If we speak openly and truthfully about migration and asylum, we will help to dispel misconceptions that seriously constrain our ability to make reasonable policy.

In addition, we must make it a priority to include migration in the post-2015 UN development agenda. The question we face is whether we will run from migration—or embrace the opportunities and challenges it generates. At the moment, we are still doing a lot of running from it.

Migration does not currently figure among the proposed Sustainable Development Goals for instance; see link below. As a result, we have relinquished control to bad actors who exploit migrants—smugglers, unscrupulous employers, venal recruiters—and to right-wing populists. We are thus debasing government, destroying public trust in our ability as leaders and damaging our policy goals.

We need policies that will allow migration to occur in a safer, more orderly manner, and that also improve development outcomes. If we can achieve this, I am confident that the public will be on our side. In fact in some respects, we are seeing modest signs of progress. President Obama's executive action in 2014 stands out, as does Germany's exceptional efforts both to shelter refugees and to integrate migrants in recent years. The EU's response to recent tragic deaths in 2015 is encouraging. Brazil, Morocco and Turkey have also shown great progress in organising migration in a thoughtful way, while also burdening a refugee load.

But these are more exceptions than the rule. We cannot win over the public if our politicians fail to speak the truth about migration. Anti-immigrant sentiment stems largely from misinformation, not entrenched animus. The recent Transatlantic Trends survey from the German Marshall Fund found that concern about immigrants falls sharply when people are given even the most basic facts. For example, when asked if there are too many

immigrants in their country, 38% of the Americans surveyed agreed. But when respondents were told how many foreigners actually reside in the US before being asked that question, their views changed significantly: just 21% replied that there were too many. The same was true in country after country. In the UK, 54% of respondents said that there were too many immigrants; that number fell to 31% among those who were given the facts about foreigners. In Greece, 58% became 27%; Italy went from 44% to 22%; and so on.

In many developed countries, for example, the public believes that there are three times as many immigrants residing in their

If all international migrants were grouped together, they would constitute the world's sixth largest economy

country as there really are. Such distortions mostly disappear in countries where migration challenges are confronted openly, discussed reasonably, and addressed with conviction. In Germany 62% of those surveyed by the German Marshall Fund viewed immigration as more of an opportunity than a problem. In Portugal, when asked if first-generation immigrants are well integrated, 79% of respondents said yes.

By failing to engage voters on the reality of migration, mainstream politicians in Europe are manufacturing support for extremist parties. This self-inflicted political wound is extremely dangerous. A deliberative approach to engaging the public on other aspects of migration also could help quell anti-migrant sentiment. For example, recent research in several countries, including evidence by the OECD, shows that, far from being a drain on public services, immigrants as a whole contribute more economically to their communities than they take from them. In Germany, a study by the Bertelsmann Foundation, released last month, shows that the net fiscal contribution per migrant amounted to €3,300 (US\$4,260) in 2012. In the US, it is estimated that immigrants have paid \$100 billion into the Social Security system over the past decade—monies that they do not intend to claim. I believe it is not so much the presence of migrants in Europe that has made migration such a toxic political issue. It is the absence of policies to manage migration.

The immigration debate will never be an easy one, but it can become less tendentious and more deliberative if its participants consider the facts. This is equally relevant in the international realm as well, and specifically in the context of the post-2015 UN development agenda. This is, in fact, a once-in-a-generation moment. Two decades ago, the membership of the International Organisation for Migration (www.IOM.int) consisted of just a few dozen countries. It now stands at over 150.

Twenty years ago, the human smuggling industry was a small fraction of the size it is today, charging \$1,000 to navigate the US-Mexico border. Today, a single boat crossing the Mediterranean



Mutual enrichment. The postcard reads: "Greetings from Paris where I've been working for the past seven years."

can gross \$2 million for criminal syndicates, and the smuggling industry is now larger than the illicit trade in drugs and arms. The World Bank estimates that if all international migrants were grouped together, they would constitute the world's sixth largest economy, with a GDP of \$2.6 trillion.

Migration—when it takes place in a safe, orderly and responsible way—contributes powerfully to countries of origin and destination, and above all to the families of migrants. Migration deserves to be a prominent part of the post-2015 agenda. We have overwhelming evidence that smart policy interventions can help us protect the rights of migrants, suppress the activities of bad actors, and draw out the economic, social and human benefits of migration.

Remittances capture migration's impact in a compelling way. Global remittances, including those to high-income countries, are estimated to touch \$550 billion in 2014, and reach a record \$707 billion by 2016. These flows are far more reliable than other funding sources: when the global financial crisis hit, foreign direct investment in developing countries plunged 89%, while remittances dipped just 5%; today, they are growing 9% annually. A decade ago, migrants paid an average of nearly 15% to intermediaries like Western Union to transfer their money home. Today, that number is about 7%, and in some places nearly zero, thanks to determined efforts by policymakers.

Consider as well the taxes migrants pay, the investments they make and the trade they stimulate. Migrant savings kept in countries of destination today total nearly €400 billion. Migration does not necessarily take jobs from natives either (in net terms): according to one recent study, on average, every new migrant creates one new job, thus expanding the overall economy. In

origin countries, migration supports the balance of payments, making it easier to pay for critical imports, access capital markets

Migrant savings in countries of destination total nearly €400 billion

and reduce interest rates on sovereign debt. All this makes our nations and communities more prosperous and resilient. So the evidence is clear: migration is development.

It is also clear that unleashing the potential of migration is within our reach. This is not rocket science—it is common sense. Let us reduce the cost of remittances to almost zero, so that an extra \$35 billion can reach the hands of the world's poorest people. Let us put crooked middlemen out of business by pursuing ethical recruitment and innovations like insurance for migrants. Let us ensure migrant workers have the same rights as others, that they receive decent healthcare, and that their children enjoy equal opportunities at school.

The post-2015 agenda can finally allow us to frame migration properly. We must not waste the greatest untapped development asset that the world has—the intrepid, entrepreneurial spirit of migrants.

References

Visit <http://petersutherland.co.uk/>

See Peter Sutherland's speech on migration delivered at the OECD in December 2014 at <http://oe.cd/Zj>

Transatlantic Trends Surveys can be found at <http://trends.gmfus.org>

UN Sustainable Development Goals proposals are at <https://sustainabledevelopment.un.org/sdgsproposal>

Towards a more human economy



Michel Landel
CEO, Sodexo

©Stéphane Lavoué

As the world continues to undergo a process of profound transformation, the time has come for us to rethink our traditional growth models. The challenge for both society and the business community is one and the same: can we identify new resources to foster growth that is more harmonious and more focused on the needs of human beings? As chief executive officer of Sodexo, I have every reason to believe we can. For the past 50 years our group has grown by placing people at the very core of our business model, of our organisation, and of the relationships we have with the community.

Sodexo was born with the conviction that economic progress and human progress converge when people's quality of life is key for companies and society.

Improving quality of life is our business and our core mission. Today Sodexo provides more than 100 different quality-of-life services, employs more than 420,000 people, and serves 75 million customers in 80 countries. We work in office buildings, hospitals and schools, universities and penitentiaries, at remote sites and with individuals in their homes. We are a company of people at the service of other people. This is how we go about creating value, for our company and for our clients.

Our beliefs are increasingly shared by economic decision-makers: 66% of business leaders are totally convinced of the importance of quality of life and 57% recognise its significant impact on an organisation's performance.

This vision of a more people-centric economy governs Sodexo's internal practices and our relations with the communities where we operate.

As "a company of people at the service of other people", we are committed, first of all, to being a model employer. As the 18th largest employer in the world, Sodexo's operations have a major impact on local economies. First, because having a job means more than taking home a pay cheque. It means acquiring status and making a significant contribution to society. It means taking pride in being able to support one's family. It means being able to afford the cost of medical treatment and of sending one's children to school. It means expanding the range of possibilities for employees as well as for their loved ones. Ensuring the widest possible access to employment, providing steady jobs for 420,000 people, offering training to help them move up the career ladder—

Sodexo demonstrates not only how employees are, of course, essential to the company's growth, but how they ultimately contribute to the sustainable development of local economies.

Responsible supply chain

Sodexo's contribution to local economies goes even further, and I'd like to mention one initiative I find particularly compelling: our Supply Chain Inclusion Program.

The OECD, which has partnered with Sodexo since 2013 to promote the quality of life as a key factor of development, has shown in a worldwide study that small to medium-sized

As the 18th largest employer in the world, Sodexo's operations have a major impact on local economies

enterprises (SMEs) account for 60-70% of GDP and 70-90% of total employment. At Sodexo we have long believed that such businesses can play a crucial role in the creation of jobs and the development of local economies. We have always worked with local suppliers, but since 2013 we have gone even further and, by way of our Supply Chain Inclusion Program, we have strengthened our commitment to effective and measurable



©Sodexo

actions on behalf of sustainability. Our Supply Chain Inclusion Program establishes universal procurement guidelines. The aim is to encourage Sodexo entities to include more SMEs among their suppliers by 2020 and to enable those suppliers to take advantage of training to help them boost their quality and competitiveness. The Supply Chain Inclusion Program has already been deployed in 32 countries where Sodexo is present. With performance indicators in place to monitor progress, the Supply Chain Inclusion Program benefits organisations as diverse as a small maintenance company in the US, a co-operative farm in Angola and organic vegetable farmers in France.

Sodexo is particularly committed to diversity, and we have chosen to support those SMEs with an exemplary record on diversity and inclusion. In North America, for example, we work with 3,500 SMEs that promote diversity, and we have been singled out for our commitment to companies managed by people with disabilities.

The programme also aims to prioritise procurement from companies run by people from minority groups and from populations at risk. We have worked alongside NGOs with isolated communities in Peru as well as with indigenous peoples in Australia and Canada. We set up, for example, training programmes to help small Peruvian producers reach international standards. Suppliers that complete these training sessions become certified, making them a reference for Sodexo and other buyers, and giving them the possibility to broaden their potential market share.

During the Clinton Global Initiative's last annual conference we announced another milestone of the Supply Chain Inclusion

Program: by 2017, Sodexo will invest US\$1 billion with 5,000 SMEs, 1,500 of which are run by women. This commitment should lead to the creation of more than 250,000 jobs over the course of the next three years.

SMEs created by women are primary candidates for this initiative. Since the start of the Supply Chain Inclusion Program, 16 entities have put in place specific initiatives on behalf of these companies. Much is at stake: only one-third of SMEs in the world are actually run by women. With the gap varying from country to country, there is considerable potential for growth, and Sodexo's actions announced during the Clinton Global Initiative conference address and strengthen that potential. Lastly, we are going to work with WEConnect, an international association that identifies, trains and certifies companies held by women in Australia, Canada, Chile, India, Peru and the UK.

I'm absolutely convinced that placing people at the heart of business strategy is the only way to create sustainable value. Innovation, financial strategy—these are pointless if they aren't also backed up by a long-term vision of how we need to contribute to the global progress of the local communities and societies in which we operate.

Sodexo is a sponsor of the OECD Forum 2015

References

Visit www.sodexo.com

Landel, Michel (2013), "The new performance frontier", in *OECD Yearbook 2013*, OECD Publishing.



It is time to reverse an unfolding injustice



Winnie Byanyima

Executive Director, Oxfam International

© Oxfam

According to shocking new research by Oxfam, the world's richest 1% will, on current trends, own more than half the world's wealth by 2016.

Wealthy individuals have sustained their vast riches particularly through a few important economic sectors, including finance, pharmaceuticals and healthcare. Billionaires with activities in these sectors increased their collective net worth by 47% between 2013 and 2014. Companies from these sectors spend millions of dollars every year on lobbying to create a policy environment that enhances their interests.

Other than the obvious unfairness and absence of moral integrity of this phenomenon, should ordinary people of the world—the other 99%—care? In a word, yes, because it is corroding what lies at the heart of functioning societies in which people's rights are safeguarded and opportunities for all must be encouraged, rather than thwarted.

Governments and public institutions must be servants to their citizens, not to vested interests. Governments are obliged to protect human rights, including against commercial interests from emasculating those rights, and to account for adequate public finance that is vital to promote healthy, educated and productive societies. They should leave no one behind.

We must build an economic and political system that addresses the factors that have led to today's explosion in inequality, a system that values every citizen and favours policies that redistribute money and power from the few to the many.

The year 2015 provides a rare opportunity for governments to forge a path to transformative change. Three important summit meetings—the UN Financing for Development Conference in Addis Ababa in July, the UN Post-2015 Summit in September, and the UN Climate Conference in Paris at the end of the year—carry a genuine potential that must not be squandered.

Governments must first commit the highest representation possible to these summits. The Addis summit could set the tempo for the eventual success or failure of the other two. Political leaders must make pledges that significantly increase the domestic and international public finance needed to pay for the ambitious Sustainable Development Goals due to be agreed this September. These new goals must not only aim to raise the income of the poorest 40%, but to reduce the corresponding gap with the richest few at the top too.

Meeting these objectives could require in excess of US\$2 trillion. Three-quarters of this amount must come from new sources of public finance. Governments need to do far more to tap the revenue-raising potential from domestic resources such as taxation. Developing countries lose an estimated \$100 billion every year to corporate tax dodging. By clamping down on this and ending harmful tax competition and financial secrecy, governments could go some way in freeing up this money.

This is why Oxfam is calling for a new process where all governments can work together, and be held to account, for changing the rigged tax rules that are helping to pour oceans of money into multinational companies and rich-country coffers.

Aid also remains a vital part of the financing equation. Donors need to recommit to the 0.7% target for international development. For example, the donor countries that make up the OECD Development Assistance Committee could raise an additional \$250 billion a year by reaching the 0.7% UN target by 2025. There are other innovative ways of raising the cash—by accelerating concessional flows from south-south providers within the limits of capacity, taxing bunker fuels and financial transactions, and issuing IMF Special Drawing Rights.

Private finance has an important role to play in international development but only if channelled under the right conditions. Too often we see private finance being mobilised in murky, unaccountable ways that can lead to environmental, social and human rights abuses. Donors and governments should prioritise financing projects that deliver the best outcomes for poor people and maximise progress on the Sustainable Development Goals. Corporate entities need to be far more tightly regulated for development finance to be routed through them.

But it's not just about money. Runaway climate change risks undermining all the progress we have made on human development, ruining decades of fantastic gains in the fight against poverty and hunger.

Again, climate change is at root a problem of inequality. The richest on earth have driven excessive greenhouse gas emissions for decades, leaving the poorest to pay the devastating costs. Tackling inequality and climate change must go hand in hand.

Climate negotiators must come to Paris in November-December with a clear mandate to forge a breakthrough. Climate finance is not charity but instead a legal obligation on the countries that are doing most to cause this crisis and that have the means to help. Let 2015 be the year when our leaders faced up to this unfolding injustice.

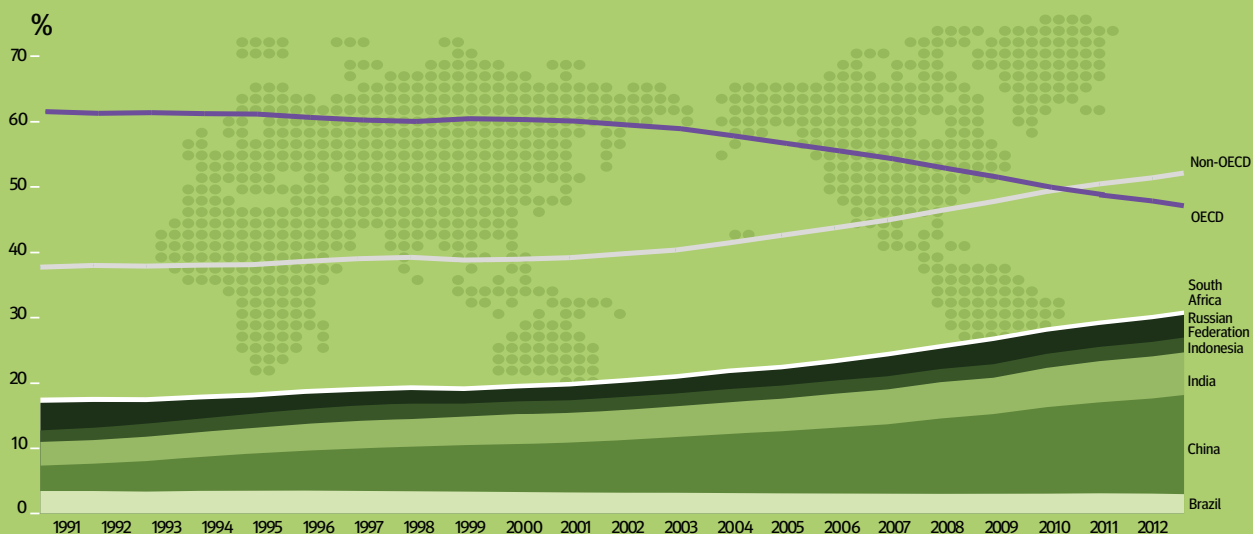
Byanyima, Winnie (2014), "It's time to tax", in *OECD Yearbook 2014*, see <http://oe.cd/Y9>
www.oxfam.org
www.oecd.org/dac

OECD Perspectives on Global Development

Selected data from OECD360

Shifting wealth

% share of global GDP in PPP (purchasing power parity) terms



StatLink <http://dx.doi.org/10.1787/888933057419>

Productivity growth usually higher in services than manufacturing

Labour productivity growth in services sectors compared with manufacturing, % point change 2002-2007



StatLink <http://dx.doi.org/10.1787/888933058426>

www.oecd360.org

DEVELOPMENT

The huge development progress over the past decades has made the world a better place to live than at any other point in human history. Extreme poverty, child mortality and malaria have been halved. The majority of people on the planet are better educated and live longer and healthier lives than ever before. But progress has been uneven. Development in states at war and in the poorest nations has been much slower. Conflict has even reversed development in some nations by 20-30 years. Extreme poverty will increasingly be found in weak states and in vulnerable groups such as indigenous communities, small-scale farmers, ethnic and religious minorities, and the disabled. The majority of the very poor are women and they are living in rural areas. Global economic growth alone will not get all these people out of poverty. Specific policies targeting the most vulnerable groups and directing more resources to the least developed countries will be required to end poverty.

Erik Solheim

Chair of the OECD Development Assistance Committee (DAC)
"Successful modernisation of aid"

... slowdowns are more likely in economies with high old age dependency ratios, high investment rates that may translate into low future returns on capital, and undervalued real exchange rates that provide a disincentive to move up the technology ladder.

Barry Eichengreen et al., "Growth slowdowns redux: New evidence on the middle-income trap", 2013

The majority of developing countries, including the poorest, are increasingly participating in GVCs [global value chains]. The developing country share in global value-added trade increased from 20% in 1990 to 30% in 2000 to over 40% today.

UNCTAD, *Global value chains and development*, 2013

... tax incentives and the ensuing competition have largely benefited foreign multinational at the expense of government revenue, local authorities, domestic enterprise, workers and the environment. They have only managed to attract short-term investments (footloose investments) which build no linkages to domestic economy and encourage exploitive competition.

Alvin Mosioma, "Tax Competition", Tax Justice Africa 2012

The rules for defining and measuring official development assistance (ODA) are out of date and urgently in need of reform [...] Since 2000, some \$250 billion (a sixth of the total aid reported by governments) did not involve a real transfer of funds to developing countries.

Catherine Blampied, "Introducing ONE's 2014 Data Report"

... the conditions that condemned natural resources as low tech and a poor platform for a development strategy are changing significantly [...] Natural resource production and all its linkages upstream, downstream and laterally conform an innovation space that is ready for exploitation.

Anabel Marin, Lizbeth Navas-Aleman and Carlota Perez, "The possible dynamic role of natural resource-based networks in Latin American development strategies", 2009

There has been a great deal of international interest in women's education, evident in the fact that the MDG [Millennium Development Goal] on gender equality is formulated entirely in educational terms, but far less commitment to women's employment opportunities. [...] Taking women's employment seriously as a policy goal therefore means taking their unpaid work burdens seriously.

Naila Kabeer and Luisa Natali, *Gender Equality and Economic Growth: Is there a Win-Win?*, 2013

Just like the African proverb that says, "The best time to plant a tree was twenty years ago. The second best time is now," increased investments in health, family planning, education, and job creation need to be made now in order to later reap a demographic dividend.

PPD Africa Regional Office, "The Demographic Dividend and Development", 2012





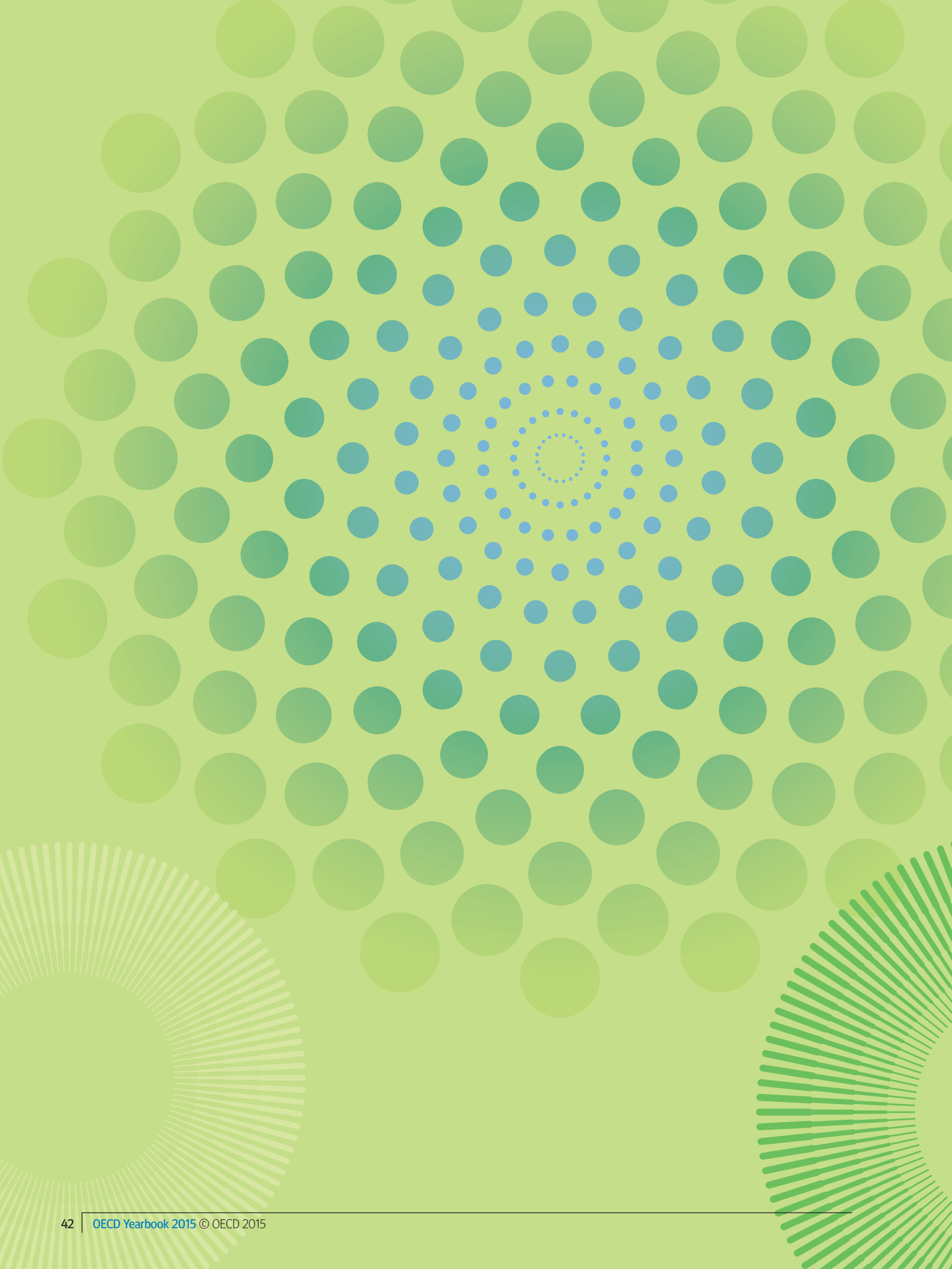
WE TRANSPORT **ENERGY FOR PROGRESS**

We transport the electric energy and the gas that helps to build the dreams of millions of people in Latin America.



**GRUPO ENERGÍA
DE BOGOTÁ**

www.grupoenergiadebogota.com



Planet

Our economic approaches have put us on a collision course with nature. Risks from climate change, pollution, flooding and drought threaten us all. Clearly, far more action is needed to safeguard our precious planet, our ecosystems, our soils, forests and waterways; in short, our life support. At the same time, the environment is our natural capital, and from it we can forge a stronger, cleaner future. Investment in new technologies, new markets, smarter regulation and innovative business models can help spur our transition to a low-carbon economy, one that not only has a reduced impact on the climate and is much less wasteful of natural resources, but that also works with the environment, and harnesses its natural capital as a source of sustainable, inclusive growth.

Is such a transition possible? The tenor of the discussion in this chapter points to a resounding Yes, not just because it can be done, but because it must be done, as a duty to both future generations and the “pale blue dot” that is our earth.

Simon Upton is in no doubt about the stakes, and says we must change faster than the climate. **Catherine Mann** shows that stringent environmental rules do not have to undermine productivity. For **Melanie Schultz van Haegen** environmental challenges connect us all, and preparedness is essential in policymaking. **Maria van der Hoeven** believes that while the energy transition is daunting, it is feasible, both technically and financially. **Marco Lambertini** agrees, arguing that it is perfectly possible for 9 billion people to live on this planet with a good standard of living. **Yvo de Boer** emphasises the importance of partnerships to spur our transition to a low-carbon economy, while **Naomi Klein** wonders how a new climate future can be achieved without changing the rules of the game. **Vandana Shiva** makes an appeal to save our soil. **Erik Solheim** looks at development policies and says a win for the planet is a win for people. In our “Business brief”, **Cesar Cunha Campos** describes how integrated urban planning in Brazil can safeguard the environment, improve mobility and the quality of life.

We must change faster than the climate



Simon Upton

Director, OECD Environment Directorate

© OECD

A transition to a low-carbon economy is achievable, but will require a concerted, more consistent effort across a range of policy areas, from tradeable permits to stringent norms.

The climate is changing—not for the better, but for good. Governments want to limit the global temperature increase to less than 2°C, which implies that greenhouse gases (GHG) pumped into the atmosphere by human activity need to decline to around zero or below on a net basis towards the end of this century. GHG emissions in 2050 consistent with this target would be around 40% to 70% lower globally than in 2010.

The world's largest emitters have signalled their willingness to undertake strong collective action. The joint declaration between the US and China signed in Beijing in November 2014 has injected political momentum into the longer range effort to transform to low-emission-resilient economies. The US will cut its emissions from 2005 levels by up to 28% by 2025, while China said its emissions would peak around 2030. The EU climate and energy package—a 40% cut in emissions below 1990 levels by 2030—is a further demonstration of climate leadership. The climate summit in Paris in November/December of this year aims to build on this momentum to deliver a new agreement on climate action beyond 2020.

But will that action be enough to turn the carbon tide? Globally, we will soon exhaust the cumulative CO₂ emissions budget

consistent with a 2°C target. Investment in fossil fuel exploration, production and consumption beyond this will increase climate risks, unless carbon capture and storage can be scaled up rapidly or governments and companies are prepared to risk prematurely writing off large amounts of invested capital. So far, there is not much sign of this happening, as the fracking fashion shows, though looking on the bright side, the Bank of England's recent move to examine financial risks linked to fossil fuels underscores the importance of addressing the climate risks built into our economies.

Effective climate action means that government policies should move in the same direction. Yet around US\$55-90 billion per year is devoted to supporting fossil fuel consumption and production in OECD countries, which blatantly contradicts climate action. In developing and emerging economies, an estimated US\$548 billion is spent to support fossil fuel consumers. At the same time, our

Effective climate action means that government policies should move in the same direction

research shows how costly some emissions reduction policies have become, but without making a real dent in emissions. Exemptions and special deals have sapped even the most economically sensible measures like emission trading schemes and carbon taxes of their usefulness, while adding complexity and burdensome compliance costs instead. This mesh of carbon prices needs to be straightened out to be more effective. But it needs more than prices: clear, strong and adaptable policies are needed too.

By taking effective policy action now, governments collectively could avoid annual GDP losses of between 1% and 3.3% by 2060. If they don't, these damages could mount more rapidly beyond 2060, all the while increasing the risk of passing tipping points. Over the next 20 years, more than US\$50 trillion in cumulative capital expenditure on energy supply and energy efficiency will be needed to meet the 2°C goal, according to the International Energy Agency (IEA). Public finance, however, faces significant constraints, so mobilising private finance will be critical. Institutional investors held some US\$93 trillion in assets in OECD countries in 2013, of which only a tiny fraction is invested in low-carbon infrastructure. This is not enough. Increasing institutional investment will require investment-grade policies with clear price signals and policy coherence.

Building an effective and coherent policy response to climate change will require leaders to look beyond traditional climate policy. The interaction of policy and regulatory signals across a much broader range of areas will determine how fast we can make the low-carbon transition and how much it will cost. The OECD is working with sister bodies—the IEA, the International Transport Forum and the OECD Nuclear Energy Agency—to identify the main policy misalignments and provide guidance for governments to help them untangle the regulatory wiring that

Three things to know about climate change



See video at www.youtube.com/oecd

has grown up around the fossil economy. This requires looking at the relationship between sectors like water, energy and food production, which is a nexus spanning several sustainable development goals (SDGs). In its own reports, the OECD has also started mainstreaming climate issues into its renowned economic surveys, and expects to release an overall assessment of national climate policies in OECD and other countries before the UN climate change summit (COP 21) summit in Paris in November-December.

Commitments by central governments on emissions reductions and financing must be translated into cost-effective policies and actions. Given the role of cities as crucibles of wealth creation, population growth and resource use, regional and municipal governments need to be fully involved, as does the dynamism of private sector technological, project management and investment expertise. Public and private investment in research and development will not only open the way for the new technologies needed for low-carbon activities, but will also generate new economic opportunities.

The required transformation in our economies is achievable, but it won't happen without a deliberate and concerted effort. Nor will it happen if we see climate action as an economic constraint. OECD work on productivity and environmental regulation shows that environmentally stringent policies, which

have mushroomed in recent years, are an incentive for greater innovation and efficiency, from which leading-edge companies benefit.

Policies rather than technologies are now holding back progress. The OECD's message is simple: pricing carbon is essential, but it is not enough. Governments need to go further and address the institutional, contractual and regulatory lock-in that favours old established players and their polluting technologies, for it is those policies that are destroying our planet. If they can do that, the low-carbon transition will be achievable.

Visit www.oecd.org/environment/cc/ and www.oecdobserver.org/climatechange

For more on the UN climate summit—21st Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC, COP21)—see www.cop21.gouv.fr/en

OECD-IEA-ITF-NEA (forthcoming) *Aligning Policies for the Transition to a Low-Carbon Economy*, OECD Publishing.

OECD (2015) *Mobilising private investment in clean energy infrastructure: What's happening?*, OECD Policy Brief, OECD Publishing.

OECD (2014) *Green growth: Environmental policies and productivity can work together*, Policy Brief, OECD Publishing.

OECD (2013) *Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels 2013*, OECD Publishing.

OECD (2013) *Effective Carbon Prices*, OECD Publishing.

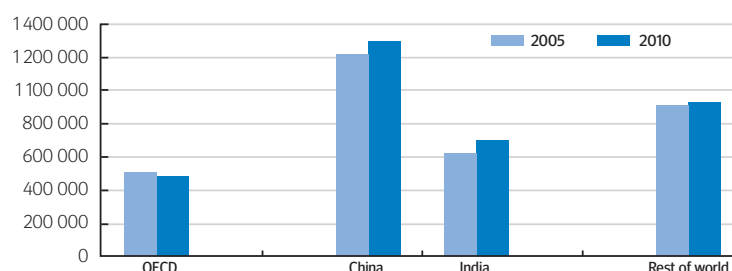
Air pollution kills

The total number of deaths attributed to airborne pollution continues to decrease across the OECD world, largely thanks to regulatory policies for transport vehicle emissions and technological improvements. Between 2005 and 2010, pollution-related mortalities fell by 4% from approximately 498,000 cases a year, to just over 478,000. But a closer look reveals a more worrying picture. Outside of the EU, only the US and Israel have successfully attained reductions in deaths, while 14 other member countries—including Australia, Canada and Japan—actually recorded an increase in the absolute number of mortalities.

Outside the OECD, figures portray a grimmer tale. Globally, premature deaths from ambient air pollution have risen by 4% over the same time period. In China, there has been a 5% increase in the already high number of 1,215,180 deaths, with 64,000 new cases. India reported an even sharper increase of 12% from over 620,000 deaths. Indeed, China and India account for more than half of the economic costs of pollution-related health grievances worldwide. According to the OECD, the

Deaths from ambient air pollution

Annual mortalities from ambient particulate matter (PM) and ozone pollution, 2005 and 2010



Source: *The Cost of Air Pollution: Health Impacts of Road Transport*, OECD, 2014

StatLink  <http://dx.doi.org/10.1787/888933012826>

3.4 million deaths worldwide in 2010 represent an estimated US\$3.5 trillion dollars in expenses and lost productivity across OECD countries plus China and India.

Across the developing world, growing levels of traffic far outpace the implementation of stricter

emission controls. Governments can help reduce the death toll by adopting tax and regulatory policies that address diesel and petrol emissions.

See www.oecd.org/environment

From *OECD Observer* No 299, Q2 2014

The opportunities and challenges of greener growth

Getting the whole policy package right



Catherine Mann
Chief Economist, OECD*

© Rights reserved

Climate change and, more generally, environmental damage have quantifiable economic and health costs, which weigh on long-term growth and well-being. If left unchecked, climate change is projected to decrease global GDP by 0.7 to 2.5% by 2060. At the same time, the costs to society of air pollution already appear substantial—equivalent to some 4% of GDP across OECD countries and even higher in some rapidly developing economies. Yet global action in the environmental domain proceeds only slowly—too slowly to be up to the challenges we face. Why is it so?

One primary goal of environmental policies is to encourage firms and households to reduce the damage they do to the natural environment, for instance, by adopting new technologies, ideas and products that improve environmental performance. Policymakers have long feared that such policies would be a constraint on their country's competitiveness—a number of empirical studies attempted to attribute a significant part of the 1970s productivity slowdown in the United States to the increasing role of environmental policies. But a shift is starting to take place which should make environmental policies politically easier to advance.

One reason for the shift is that the claims of overall negative effects of environmental policies have found little backup in research. In fact, anecdotal evidence has been rather comforting: growth did not collapse after the implementation of numerous environmental policies over the years, be it unilateral introduction of environmental taxes or broader global actions, such as the Montreal Protocol to reduce ozone layer depletion.

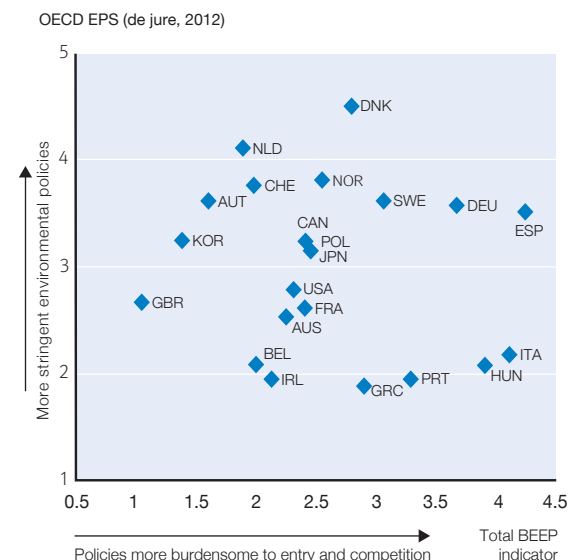
Moreover, new compelling evidence from the OECD indicates that the economy and the environment can be improved together. Based on the experience of a large set of countries, it shows that productivity has generally not been negatively affected by policies that promote care for the environment. Yes, policies require some temporary adjustments, but these tend to wash away within a couple of years.

As importantly, the most productive and technologically advanced firms (and industries) tend to actually gain from tighter environmental policies, an outcome likely reflecting their superior ability to grasp the new opportunities by innovating and improving their products, but also by relocating their production abroad. In contrast, the least productive firms—which generally

use their resources less efficiently—may see a temporary fall in their productivity growth, possibly as they require more investments to cope with the more stringent environmental requirements. Some of the least productive firms may cease to operate. Still, if resources are swiftly reallocated to young and expanding firms, the overall impacts will not necessarily be negative and can be positive, both for the economy and the environment, particularly if policies are in place to enable entry and exit of firms and to support employment.

Our evidence on international trade and the environment adds another positive perspective to this picture of the effects of environmental policies. A recent analysis shows that more stringent environmental policies spur the development of a market for a whole range of equipment specifically intended for preventing and abating pollution. Indeed, it concludes that stringent regulation positively affects countries' specialisation in environmental products, which is a rapidly expanding global market. Increased trade in such products can spur global improvements in environmental quality. In fact, when combined with stringent, well-designed environmental policies, open trade can form a vital channel for reducing pollution and spurring growth both globally and domestically. Economic dynamism is

» Stringent environmental policies are not necessarily burdensome for market entry or competition policies



Note: EPS (environmental policy stringency) figures show the comparison between the stringency of environmental policies (measured) and the indicator of Burdens on the Economy due to Environmental Policies (BEEP). None of the correlations is significant.

Source: Albrizio et al., 2014

crucial to ensure such positive outcomes, and policy design can do a lot to contribute. The overall policy framework should be oriented to encourage growth of young and dynamic firms, and the development of new products and ideas that fulfil tighter environmental standards. Such policies include minimising barriers to market entry and competition, improving access to financing, and promoting trade and innovation to ensure those new products and ideas flow in. But, equally importantly, the actual design of environmental policies matters. The keywords are flexibility and competition: market-based instruments, such as green taxes, that leave the choice to the firm as to which clean technology to use, tend to have more robust positive effects on productivity. On the contrary, while rules to spur markets are important, policies that lead to excessive and unnecessary green (red) tape or provide advantages to incumbents, such as laxer norms or subsidies that prop up dirty and inefficient firms, can prevent both environmental and economic progress.

Many OECD countries appear to be waking up to these new policy options for doing better in designing both general framework policies and environmental policies. Similarly, countries can also do much more to align policies across many different areas, such as taxation, investment, land-use or sectoral policies, to be more consistent with environmental goals. They can learn from countries where even stringent environmental policies are also competition-friendly and can support the entry and scaling up of new cleaner technologies, products and business ideas (our chart). A complementary approach to enabling the labour market to adjust is also important, particularly as higher

productivity firms will need to be able to attract the correctly skilled workers in order to maximise their advantages. In sum, reforming environmental policies in this way can facilitate the achievement of both environmental and economic objectives and help forge a healthier, more prosperous planet.

*The author would particularly like to thank Tomasz Kozluk of the OECD Economics Department for his input.

Adalet McGowan, Müge, Dan Andrews and Chiara Criscuolo (forthcoming), "The future of productivity", OECD Publishing.

OECD, IEA, ITF and NEA (forthcoming), "Aligning policies for the transition to a low-carbon economy", OECD Publishing.

OECD (forthcoming), *Towards Green Growth? Tracking Progress*, OECD Green Growth Studies, OECD Publishing.

Albrizio, Silvia et al. (2014), "Do environmental policies matter for productivity growth? Insights from new cross-country measures of environmental policies", OECD Economics Department Working Papers, No. 1176, OECD Publishing.

Braconier, Henrik, Giuseppe Nicoletti and Ben Westmore (2014), "Policy challenges for the next 50 years", OECD Economic Policy Papers, No 9, OECD Publishing.

Kozluk, Tomasz and Vera Zipperer (2014), "Environmental policies and productivity growth: a critical review of empirical findings", OECD Journal: Economic Studies, Vol. 2014/1, OECD Publishing.

Sauvage, Jehan (2014), "The stringency of environmental regulations and trade in environmental goods", OECD Trade and Environment Working Papers, 2014/03, OECD Publishing.

OECD (2014) "Green growth: environmental policies and productivity can work together", OECD Policy Brief, OECD Paris. See <http://oe.cd/P8>

OECD (2014), "The cost of air pollution: health impacts of road transport", OECD Publishing.



Power of prognosis

The OECD Economic Outlook

For forward-thinking
decision makers

ISBN 978-92-64-22016-4

www.oecd.org/bookshop

Life on a planet of 9 billion

©Richard Stonehouse/WWF



Marco Lambertini

Director General, WWF International

Is it possible for 9 billion people to live on this planet and enjoy a good standard of living? And on such a planet, is it possible for economies to grow, businesses to profit, and communities to prosper without undermining the natural systems that support all life? And without destroying some of the planet's last great wildernesses?

At WWF, we believe the answer to these questions is simple: yes.

We believe this even though our own *Living Planet Report* shows so clearly just how humanity's use of resources is affecting our planet. It does not make for cheerful reading. Since 1970, populations of species have declined by around half. Each year, we consume 50% more resources than the planet can replenish. We are no longer living off the planet's interest, but eroding its capital. In doing so, we are not only plundering our own essential resource base but also destroying habitats, eroding biodiversity and impacting the crucial services nature provides to us, day after day, for free.

Our current trajectory towards a global population of 9 billion people by 2050 is straining our ability to provide for basic needs—clean water and air, food, energy, and shelter. Consider that over the next 40 years, humanity will need to produce more food than it's done in the last 8,000 years. Where will this food—and the water and energy required to grow it—come from? Meeting the needs and aspirations of the next generations will be an increasing challenge. And with half of today's population living on less than US\$2.50 per day, this challenge is set against the imperative of many governments to reduce poverty and improve the living standards of their citizens.

Satisfying these imperatives is also likely to put increasing pressure on some of the most biodiverse and valuable wild places on the planet—the last ecological frontiers. Take Africa, for instance. The continent holds around 60% of the world's unconverted arable land, and low-end estimates suggest it could harbour more than 30% of global mineral wealth. But much of this potential wealth overlaps areas rich in biodiversity and highly productive in ecosystem services. Similarly, more than half of all new oil and gas finds are in Africa, with many in areas of high ecological importance. When looking to satisfy our appetite for resources, and favouring equitable and sustainable development for all, how do we continue to protect these last ecological frontiers and maintain their vitality, productivity and connectivity?

Many of the tools we need to reconceptualise development in the 21st century are already at our disposal—they may need sharpening or to be better applied, but we have them. So, what needs to be done?

First, in their pursuit of sustainable long-term prosperity, governments and regional bodies must get better at integrated planning and transparent decision-making. To make sound decisions, they must be supported in evaluating the range of

Many of the tools we need to reconceptualise development in the 21st century are already at our disposal

potential development options on offer. This also requires greater appreciation by decision-makers of the inherent non-financial values of ecologically important places. For example, WWF and the Natural Capital Project worked with Belize's Coastal Zone Management Authority and Institute to develop alternative development scenarios for the country's marine and coastal environments.

Second, policy and legal frameworks must empower and encourage civil society to be fully involved with decisions that affect their local environments. As we have seen in recent campaigns to protect Virunga National Park in the Democratic Republic of the Congo from oil exploitation, international civil society also has a role to play in amplifying the voices of local activists, facilitating access to information and championing their concerns to international stakeholders.

Finally, investors and financial institutions have a role to play as responsible stewards of capital. Investors, and the companies they entrust with their funds, define the frameworks in which development decisions are made. It is therefore crucial that investments are responsible, and that investors use their influence to hold companies accountable for respecting international treaties and commitments such as the OECD Guidelines for Multinational Enterprises and UNESCO World Heritage Convention.

WWF believes the world can create a future in which 9 billion people can thrive. This can be done without endangering natural systems and their vital services and while protecting our world's most precious places and species. But to do so, we must work together to defend our last ecological frontiers. The OECD and member countries have a crucial role to play in this task. In this they have an ally in WWF.

Reference

WWF (2014), *Living Planet Report 2014—Species and Spaces, People and Places*, WWF International.

Visit www.panda.org

OECD Guidelines for Multinational Enterprises, see www.oecd.org/corporate/mne



©Riccardo Gangale/AFP

Stakeholder in Virunga National Park

Improving water safety and global prosperity

Preparedness, participation and return



Melanie Schultz van Haegen

Minister of Infrastructure and the Environment
The Netherlands

© Rights reserved

In January of this year I visited the Mexican state of Tabasco—a state crossed by rivers and facing the Gulf of Mexico. The state’s population has doubled over the past 30 years and its economy relies heavily on oil and natural gas resources. It has its challenges as well: unemployment, poverty and a lack of resources.

But through all this runs one challenge that impacts all the others: the increasing risk of flooding. The Mexican government created a flood control programme after severe floods in the past. But with construction under way, disaster struck again. In 2007 floodwater covered 70% of the state and affected over a million people.

The situation in Tabasco is different from my own country, the Netherlands. But we share the pressing need to live safely with water and to reduce the risk of flooding. We are both becoming more vulnerable to water-related disasters due to the effects of climate change. Both of our countries need reduced flood risk and better integrated water management for our people’s safety and prosperity. And that is why we have been working closely together on this issue.

Preparedness

But how do we practically reduce risks? The answer may differ from place to place. But reducing risk starts with a focus on preparedness. This urges us to put policies and governance systems in place that reduce the impact of floods, droughts and water pollution. It eases the repetitive burden of repairing damaged infrastructure. Preparedness eases response, with solid evacuation plans and early warning systems. And it urges us to make water a vital element of urban and economic planning.

For the Netherlands, this has been the latest step in our centuries-old dealings with water. Nationwide norms for water safety have been established, together with evacuation plans and principles for “waterproof” urban development. By working together with the state of Tabasco we have refined our approach, while contributing to improving the safety and prosperity of others.

Participation

Our approach is now enacted into law under the Dutch Delta Programme. But rather than being the end of a legislative process, it is the beginning of a cultural one. All levels of government are currently implementing it. In doing so, they are encouraged to

involve stakeholders and citizens. Their participation is key to the search for sustainable local solutions. Water literally flows across institutional boundaries, so participation and collaboration are key to its management. It also raises risk awareness among

Reducing risk starts with a focus on preparedness

citizens, something a recent OECD study on Dutch water policy concluded needs constant vigilance. When it comes to enabling society, the Netherlands is eager to reach out to others and learn in our turn.

Returns

Preparedness not only requires the participation of all stakeholders, including the private sector. It also requires solid financing, since every measure has a price tag. Increased preparedness requires more private investment, which in turn requires better analysis of the costs and the benefits. We know prevention pays off: every dollar spent on it adds seven dollars to the economy—that is real added value. But the more long-term, complex, integrated and regional plans and projects are, the more difficult cost-benefit analysis becomes. This inhibits private investment and, consequently, progress.

We need to create an enabling environment for investment and financing decisions, for accountability through transparency and sound methods of cost-benefit analysis, monitoring and evaluation, as well as ensuring the capacity for good water management. Viable, credible and accountable institutions and governance that drive the delivery of water management should be put in place in order to achieve sustained financing for water related investments. But to make all of this happen, a long-term perspective with a realistic time frame is needed: the Dutch Delta Programme and the accompanying Delta Fund have a time frame until 2050.

International collaboration

Preparedness is a global need, so we must have more global collaboration to make it work. The Netherlands fully supports the development of broad, horizontal Recommendations on Water by the OECD, helping countries and regions to be prepared and to improve the quality of policy and governance. To share issues and solutions, the Netherlands also is co-organising a worldwide Delta Coalition. Our goal is to add value to each other’s safety and development in practical ways. I am delighted that Colombia, France, Japan, Korea, the Philippines and Vietnam have already joined and I look forward to others joining as well.

I see it as my personal goal to promote preparedness—and everything that comes with it—everywhere I go. Because it is the key toward a safe, resilient and prosperous future, not only in Tabasco or the Netherlands, but worldwide.

Visit www.government.nl/

The way forward on climate

©Rights reserved



Maria van der Hoeven
Executive Director
International Energy Agency

Over the coming months, the world will be preparing for what is heralded as an historic meeting for climate change negotiations. If the right decisions are taken—with the aim of making a sustainable energy future a reality—we will be able to reap enormous, multiple benefits deriving not only from decarbonisation, but also from reduced air pollution, better energy access, energy security and economic prosperity.

But as we all know, clean energy deployment is not where it needs to be. It is now crucial for governments and other stakeholders to take effective decisions for energy sustainability. This will not be possible by relying on yesterday's technology and policies. It is clean energy innovation that will get us on the right path.

That is the key story in *Energy Technology Perspectives 2015*, an IEA report. It was released in May following the recent sharp decline in fossil fuel prices. This new price environment brings both challenges and opportunities to decision-makers. However, these prices should not be an excuse to seek the short-term benefits of lower energy bills at the expense of a long-term sustainable global energy system. Governments should take advantage of the dip in oil prices to slash consumption subsidies on fossil fuel, which totalled more than US\$550 billion in 2013. Such subsidies prolong our reliance on the worst greenhouse gas emitting activities, protect costly old practices and reduce incentives for change. By the same token, policymakers in major energy consuming countries should take advantage of the oil market's collapse to introduce carbon pricing, taxes or low-carbon mandates, and to strengthen existing schemes.

The analysis in this year's *Energy Technology Perspectives* shows us the direction that we will need to take to achieve the so-called 2 Degree Scenario, or 2DS: a scenario under which the evolution of the energy system is consistent with limiting the long-term increase in global temperatures to 2° Celsius.

Unfortunately, we are not close to being on track for meeting this goal. With current policies, energy-related carbon emissions will exceed 50 gigatonnes of CO₂ in 2050—about three times more than what would be required to meet the 2DS. A transformation is needed, and is possible—but a long-term strategy based on a portfolio approach is needed to shift to a low-carbon energy mix.

The good news is that in addition to being environmentally sustainable and enhancing energy security, the 2DS more than pays for itself in terms of fuel savings. We estimate that to meet

our climate goals, an additional US\$40 trillion in additional investments are needed in low-carbon energy by the middle of the century. It may seem expensive, but it represents less than 1% of cumulative global GDP over the period 2016-2050. Most importantly, these investments lead to fuel cost savings of US\$115 trillion. In other words, for every dollar invested in the clean energy technologies that drive the 2DS, nearly three dollars are avoided in fuel costs by 2050.

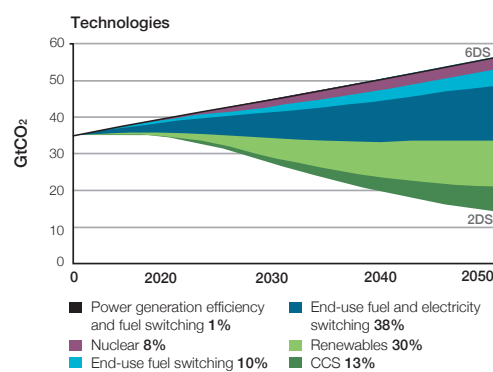
The deployment of innovative technologies is crucial to making this scenario possible. The options that are being rolled out every day are finally starting to transform the energy system, in advanced and poorer countries alike, and policymakers must adopt the smart measures needed to encourage further momentum and ensure a fair and open global market for innovation, clean technologies and know-how.

The stakes are high for the energy sector, which is no stranger to profound technological change. An incredible chain of energy innovations has been at the vanguard of social and economic transformation for over a century, and it is exciting to see the progress being made by solar panels, energy-efficient building and fuel economy improvements for passenger cars today, to name but a few.

But given how far off course we are right now, we cannot afford to be complacent. We are setting ourselves environmental and energy access targets that rely on better technologies. Today's annual government spending on energy research and development is estimated to be US\$17 billion. Tripling this level, as *Energy Technology Perspectives* recommends, requires governments and the private sector to work closely together and shift their focus to low-carbon technologies. The challenge is daunting, but it is possible to fill the gap.

Visit www.iea.org

» Technology contributions to global cumulative CO₂ reductions



Source: OECD/IEA (2015), *Energy Technology Perspectives 2015*, OECD Publishing.



www.kia.com

Exceed your expectations



New Kia SORENTO



The Power to Surprise

PARTNER OF THE 2015 OECD FORUM

As the 5th worldwide car manufacturer, Kia had to partner the OECD Forum to reveal its social and economical role throughout the world. Whatever we do, we are driven by a constant desire : always exceed your greatest expectations.



KIA, THE ONLY CAR MANUFACTURER
TO PROVIDE A 7 YEAR WARRANTY AND 7 YEAR MAP UPDATE.



Consommations mixtes et émissions de CO₂ du nouveau Kia Sorento : de 6,1 à 6,7 L/100 km - de 161 à 177 g/km.

* Garantie 7 ans ou 150 000 km (1^{er} des deux termes échu) valable pour tous les modèles Kia en France métropolitaine et Corse (hors DOM-TOM) et dans tous les Etats membres de l'UE ainsi qu'en Norvège, Suisse, Islande et à Gibraltar. ** Offre limitée à l'achat d'un véhicule Kia neuf équipé d'un terminal Navigation LG ou MOBIS monté en usine par Kia à compter du 1^{er} mars 2013 chez les distributeurs participants. L'offre comprend la mise à jour annuelle des cartes du terminal du véhicule, dans la limite de 6 mises à jour, sous réserve d'une installation par un réparateur agréé Kia et de la disponibilité de ladite mise à jour. Conditions sur kia.com

Farmers' markets and international trade

Here are some things we started doing in the year 2000 and have been doing ever since: taking photos with digital SLR cameras; saving data to USB drives; watching Big Brother; and negotiating the Doha Round. The Doha Development Agenda, to give it its full name, only started officially at the WTO meeting in Doha, Qatar, in 2001, but negotiations on agriculture had started a year earlier. As a new OECD book, *Issues in Agricultural Trade Policy, Proceedings of the 2014 OECD Global Forum on Agriculture* puts it, "agriculture has proven to be a critical element in the effort to reach agreement". Another way you could put it would be to say, as the WTO did, that talks collapsed in July 2008, because of the failure to agree on agriculture and NAMA (non-agricultural market access).

The failure came at a particularly bad time. When the talks had started, food prices were at historically low levels, but 2007/8 saw high volatility and high prices. *Issues in Agricultural Trade Policy* proposes both structural and more short-term reasons for this. Demand for food for humans and feed for animals was rising steadily as the world population grew and the economy expanded. Stocks were falling and biofuels production was increasing. The short-term shocks included key grain producing regions hit by droughts and other weather effects; exchange rate movements; and hoarding.

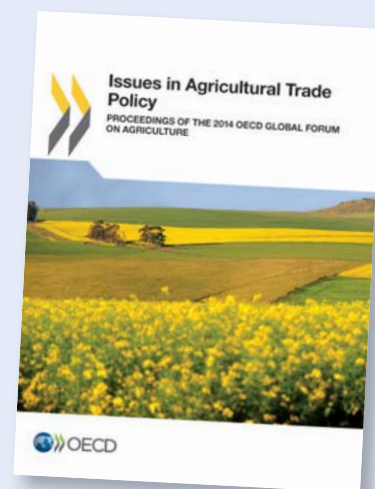
Governments have to take their share of the blame too. For a start, many of them encouraged biofuel crops, a measure that "contributes little to reduced greenhouse-gas emissions and other policy objectives, while it adds to a range of factors that raise international prices for food commodities" according to an OECD assessment. When the food price crisis hit, the trade restrictions and import measures, coupled with panic purchases by some governments, made matters worse. In fact a report by the International Food Policy Research Institute (IFPRI) concludes that "trade events were

pervasively important in all of the major grain markets and arguably provide the most tangible explanation for the [...] price series data."

The price rises provoked food riots in a number of developing and emerging countries. The reaction in many cases was to adopt "a more defensive stance towards international markets". Countries tried to become more food self-sufficient by, for example, subsidising production and penalising imports. One of the biggest changes noted by the new OECD report is the evolution of "agricultural support"—the subsidies, tax breaks and other ways governments help the sector. In 1995, the seven emerging economies for which the OECD collects information on agricultural policies accounted for just under 4% of the total support for OECD and emerging economies combined. By 2012, these seven countries accounted for over 45% of the total.

Even so, most countries comply with current WTO commitments and would have little trouble complying with what is proposed. Countries where the government is becoming more active in domestic markets are usually developing countries whose agricultural sector has a large number of poor farmers, low productivity and lack of access to well-functioning markets. Their main policy options are similar to those elsewhere—interventions in markets; provision of public goods such as roads or other infrastructure; income transfers; and reform of institutions, including land reforms and property rights, financial sector reforms, and legal frameworks—but the actual mix should depend on national circumstances.

In poorer countries, farmers may have low incomes partly because they have no access to credit. Subsidies to buy fertiliser or other inputs have been suggested as a practical solution to the problem of developing markets for inputs and providing financial services to small farmers. Similarly, price stabilisation has been proposed as a relatively simple way of mitigating the impacts



of price shocks on poor households, as opposed to market-based forms of risk management such as insurance or the provision of income safety nets. The OECD argues that while there may be plausible reasons for governments to intervene in agricultural markets in poorer economies, the short-term benefits from the money spent may be far less than benefits from investments to support long-term agricultural development. In other words, policies that have been abandoned by OECD countries because they are inefficient and inequitable are unlikely to prove successful elsewhere.

But what do you do in the meantime? For *Issues in Agricultural Trade Policy*, the way to help the poor cope with sudden price movements is not agricultural policy, but redistributive measures. Apart from anything else, sudden price increases or collapses do not have the same consequences for poor farmers selling food and poor urban (or rural) dwellers buying it. A policy that helps them all to maintain or improve their standard of living makes sense.

Extract adapted from www.OECDInsights.org blog post by Patrick Love, 18 May 2015

Save our soil!

©Vandana Shiva



Vandana Shiva
Founder, Navdanya*

The year 2015 is the International Year of Soils. It is also the year the UN Millennium Development Goals launched in 2000 expire, and are to be replaced by Sustainable Development Goals (SDGs). The 17 goals and their 169 targets cover a vast range of issues, but care for the soil is the foundation of sustainability and is central to practically every SDG.

As the ancient Indian Vedas recognised more than 4,000 years ago: “Upon this handful of soil our survival depends. Care for it and it will grow our food, our fuel, our shelter, and surround us with beauty. Abuse it and the soil will collapse and die, taking humanity with it.”

It won't be possible to end poverty and hunger using agriculture based on the purchase of costly seeds and chemicals. This traps impoverished farmers in debt and forces many of them to swell the ranks of the urban poor. Industrial agriculture's focus on chemical-dependent monocultures and growing “nutritionally empty” commodities such as biofuels and animal feed is an aberration when we can produce twice the nutrition the world needs through biodiversity intensification. Biodiversity intensification is also thousands of times more effective in addressing nutritional deficiencies of vitamins and minerals such as iron and vitamin A than the false promises of genetically engineered golden rice or genetically modified bananas. And it doesn't need the pesticides and herbicides that poison our food and are contributing to an epidemic of neurological diseases and cancers.

Agriculture needs water as well as soil of course, and here again chemical agriculture represents a “lose-lose” situation. It creates water scarcity while polluting water resources and the soil, and run-off is causing dead zones in water bodies all over the world, even far out to sea. Care for the soil through organic farming would help tackle this, and help reduce threats to the oceans from warming and acidification. Ecological agriculture reduces water demand in farming, and increases the water-holding capacity of soil by increasing the soil organic matter (SOM): 0.5% increase in SOM can increase water in the soil by 80,000 litres per hectare.

Water is only one of several “balances” that industrial production tips dangerously away from sustainability. Energy is another. We need a transition from fossil fuel to decentralised renewable energy. This entails a transition from fossil fuel-intensive

industrial agriculture that uses 10 times more energy as inputs than it produces as food. While industrial biofuels are diverting land and food grain from the hungry to automobiles, decentralised ecological farming can increase biogas production at local levels, transforming farm waste into fertilisers and energy.

Another problem with the fossil fuel-based productivity calculus is that it defines labour as an “input”, and defines increase of productivity and growth on the basis of reducing labour inputs, so replacing people with fossil fuels is seen as an improvement. We must abandon this old-fashioned way of thinking and the measures of growth that go along with it. The environmental,

Costly seeds and chemicals trap impoverished farmers in debt

health and social costs of unsustainable economies are not “externalities”, they have costs, not least to our health, that become obvious when we think in terms of well-being and not just growth.

But even in terms of hard cash, the current system makes no sense. The non-sustainable industrial system of food and agriculture is propped up by US\$400 billion in subsidies, which are destroying more productive family farms and increasing disease and unemployment. The reduction of inequality within and between countries must begin by recognising and rewarding the work of real farmers who produce real food, which provides health and contributes to the conservation of soil, biodiversity and water.

Soil is a gender question, too. It is often forgotten that most farmers are women. And women farmers produce more food using fewer resources than their male counterparts. However, women and children are also the worst victims of violence, hunger and malnutrition. Putting women back at the centre of agriculture and nutrition can be the single biggest contribution to gender equality and the empowerment of women. Earlier this year, women from across India gathered at Navdanya for “Mahila Anna Swaraj” to celebrate their role as seed keepers and food producers. They made a commitment to protect the soil, their seeds, their food sovereignty and their knowledge sovereignty. A young girl who attended the gathering went back to her school in West Uttar Pradesh with this commitment and 20 schools are now planning a campaign on “Bija Bachao, Beti Bachao, Beti Padhao”: “Save your seeds, protect the girl child, send her to school.”

*Network of seed keepers and organic producers spread across 17 states in India

FAO International Year of Soils: www.fao.org/soils-2015/about/en/

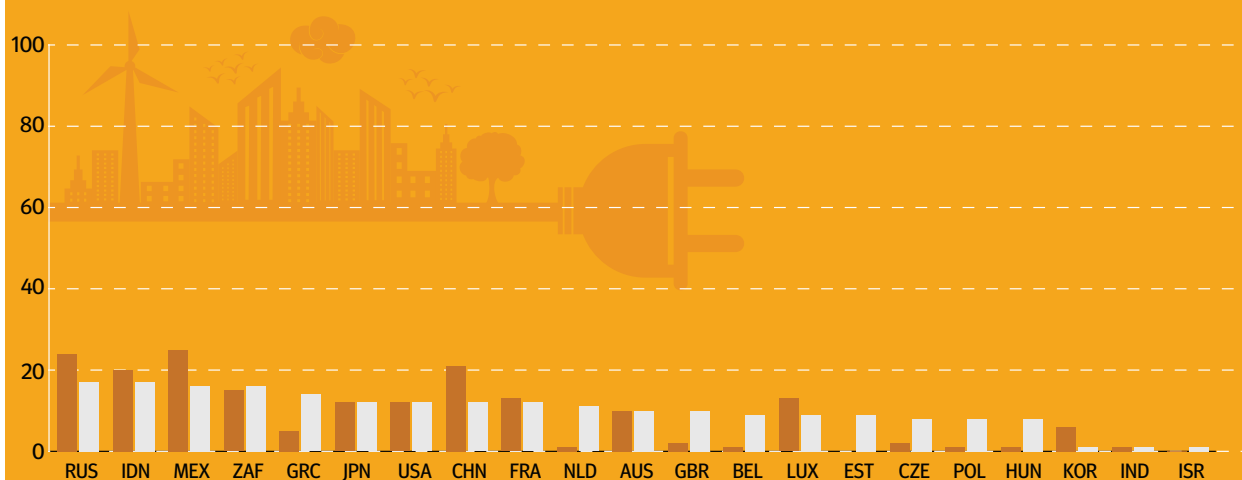
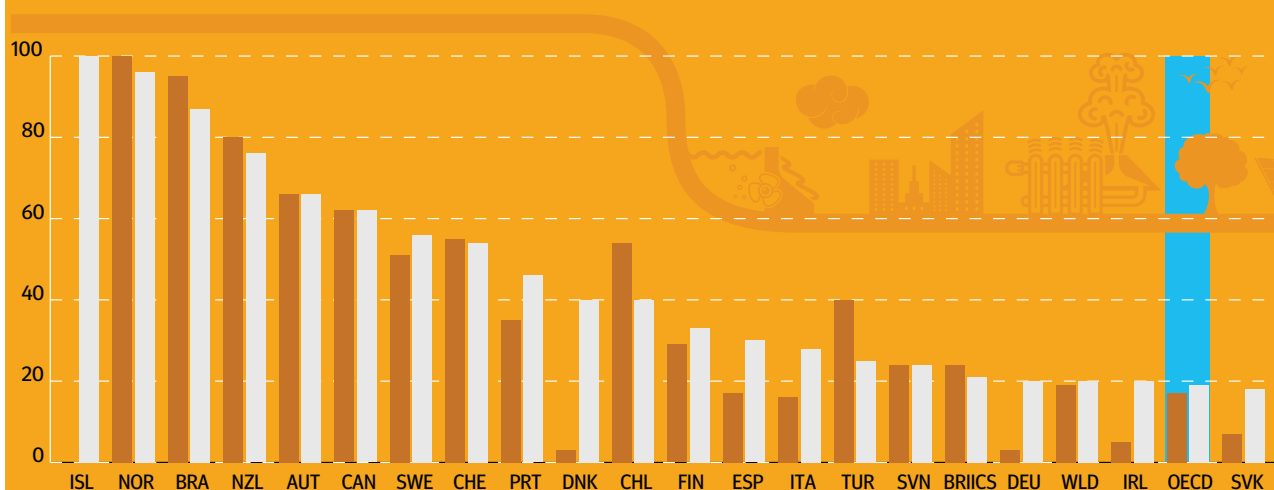
The Vandana Shiva Reader is at http://www.kentuckypress.com/live/title_detail.php?titleid=2651#.VT3rpfmVKgg

OECD Green Growth Indicators

Selected data from OECD360

Share of renewables in electricity production

% renewables in electricity production
1990 ■ 2011 ■



StatLink  <http://dx.doi.org/10.1787/888932925255>

www.oecd360.org

A win for the planet is a win for people



Erik Solheim
Chair, OECD Development
Assistance Committee

The fates of humanity and of the environment are two sides of the same coin. That is why we must increasingly focus not just on development but sustainable development. To do that, we need to form global coalitions to work for progress on a range of challenges.

Over the past few decades, humanity has made unprecedented progress. Extreme poverty has been halved. Child mortality has been halved. In just 15 years, deaths from malaria have been halved. The poliovirus that used to maim thousands of people was eradicated from India last year and now exists in only three countries. Today, the world is more peaceful than ever before, and its people are in general richer, healthier and better educated than at any time in history.

If only we could say the same about our environment. Today, plants and animals are being driven to extinction at a rate not seen since the age of the dinosaurs. Water, soils and many natural resources, like fish stocks, are overexploited. Our carbon emissions have the potential to cause catastrophic climate change.

For too long, the environment and development were seen as separate issues. This is nonsense. What is good for the environment is almost always good for humans. People will not have the capacity or the will to protect the environment if they live in poverty or if nations are in conflict. The fate of the planet and the fate of humanity are in reality interchangeable. That is why the environment and development must be seen as a single issue when it comes to policy and financing.

The new United Nations Sustainable Development Goals to be agreed later this year will recognise this reality. For the first time, the world will commit to eradicating poverty and promoting development without destroying the planet.

For a number of reasons, there has never been a better time to make this happen, not least because we may be approaching peak destruction of our environment. Global carbon emissions stalled in 2014 for the first time in 40 years without the presence of an economic crisis. India's tiger population has increased by 30%. The United Nations has started a process of protecting large parts of our magnificent oceans. Brazil has reduced deforestation by an incredible 80%. The condition of nature in my home country, Norway, is in most respects better than at any point since the industrial revolution. Success is contagious!

In addition, and for the first time ever, we now have the knowledge and resources needed to end poverty and green our economies. We just need to identify policies that work and implement them on a global scale. That means that over the next 15 years, a much larger share of the estimated \$20 trillion that will be invested annually in infrastructure worldwide needs to be directed towards greening our economies.

Success will only come if we work together. That is why coalitions for actions are needed to address specific sustainable development challenges. Here are five coalitions that would have an immediate and positive effect on people and the planet. It is all about leadership and mobilising political will.

“People won’t have the capacity or the will to protect the environment if they live in poverty or if nations are in conflict

1. Initiate a global coalition to get rid of fossil fuel subsidies.

Around \$550 billion is spent on fossil fuel subsidies every year, most of it in developing countries. Some poor countries spend more on subsidising cheap petroleum than on health and education combined. Fossil fuel subsidies are expensive, mainly benefit the upper middle class and increase pollution. A financial frontloading mechanism would allow governments to provide benefits like cash disbursement schemes and better public services for the poor before removing the inefficient, but sometimes popular, fuel subsidies.

2. Strengthen the UN-REDD rainforest coalition.

The UN initiative on Reducing Emissions from Deforestation and Forest Degradation (REDD) was initiated by Brazil, Indonesia, other rainforest nations and a few donors to reduce destruction of rainforest. Deforestation causes around 15% of global carbon emissions. Around 20 million people live in the Brazilian Amazon, more than in the Scandinavian countries combined. Rainforests house at least 10% of all plants and animals. UN-REDD aims to reduce deforestation and provide employment in tourism, manufacturing or bio-prospecting for people living in rainforests. UN-REDD has, under Brazilian leadership, contributed to an 80% reduction in deforestation in the Amazon. Wilmar, Asia's largest palm oil producer, has promised not to contribute to any further deforestation. It has been an incredible success. Let us make it bigger and better!

3. Green the global agricultural systems.

We need to produce more food for a future population of 9 billion people without destroying the planet. Half of the world's important top soil has already been lost. More than one-quarter of the world's agriculture grows in highly water-stressed areas. And climate change is predicted to increase droughts as well as floods. Three-quarters of the world's poorest depend on agriculture.



Better policies and investments are essential to transform and green the sector. Vietnam went from being a big rice importer to the second biggest exporter in the world by implementing property rights, building roads to markets, making loans available and introducing better rice varieties. Grow Africa is a coalition of the World Economic Forum, African governments and multinational companies working together to grow and green Africa's agricultural system. Improving seed varieties and irrigation techniques can increase farmers' yields and incomes while decreasing environmental impact. Grow Africa has so far mobilised \$10 billion from 200 companies. More such coalitions for action are needed!

4. Lead a global ocean coalition. A global coalition is needed to protect our oceans from the threats posed by climate change, pollution and overfishing. Developing countries are losing billions of dollars from illegal and unreported fishing while sustainable fishing could increase the value of global fisheries by more than \$60 billion. The beautiful coral reefs are home to many species and protect coastal communities from extreme weather. But reefs around the world are threatened by climate change and pollution. Protecting the oceans is a win-win for humanity and the environment.

5. Fund green energy in developing countries. President Obama's Power Africa Initiative and the United Nations Sustainable Energy for All coalition led by Secretary-General Ban Ki-moon aims to provide clean electricity for the 1.3 billion people with no access to electricity and the 2.6 billion people who depend on dirty biofuels for cooking. Such contributions are complemented by many strong domestic actions, such as Brazil's Light for All programmes. China is the world's biggest investor in

green energy. Ethiopia is determined to become a middle income country without increasing carbon emissions.

The billions of dollars needed for green energy investments in developing countries will mainly be covered by private investments. Development assistance can be used more effectively to alleviate risk and mobilise more private resources. Pension funds and sovereign wealth funds are sitting on thousands of billions of dollars. Funds like the Rockefeller fund that divest from fossil fuels and invest in green energy should be praised. Sovereign wealth funds like the Norwegian Oil Fund (Government Pension Fund of Norway) that do not should be asked pertinent questions.

What is good for the environment is good for development. Cutting fossil fuel subsidies, protecting forests and oceans, and investing in green agriculture and green energy would be a good start. Let us get to work!

References

- Gassert, Francis (2013), "One-quarter of world's agriculture grows in highly water-stressed areas", www.wri.org
- IEA (2014), *World Energy Outlook 2014*, OECD Publishing.
- OECD (2014), "Fishing for development: The challenge of combatting illegal, unreported and unregulated (IUU) fishing", OECD Publishing.
- Sustainable Energy for All* (n.d.), "Achieving universal energy access", www.se4all.org
- Visit www.oecd.org/development

Economic growth can complement environmental conservation



©Romeo Gacud/AFP Photo

Susilo Bambang Yudhoyono

Chair and President, Global Green Growth Institute
and former President of Indonesia*

For many years one of the predominant conventional wisdoms in both business and policymaking circles was that cutting greenhouse gas (GHG) emissions necessitates a sacrifice in economic growth. We now know, through the experiences of both developed and developing countries, that economic growth can complement environmental conservation and transitioning to a low-carbon economy can go hand-in-hand with increased access to economic opportunity and higher levels of well-being.

I believe we can look to the experience of my own country, Indonesia, as an example of how, through wise policymaking and enough political will, countries can tackle both the challenges of climate change and inclusive economic development. Indonesia has in recent years embraced green growth policies that place great emphasis on the value of natural resources and the environment, on the eradication of poverty through the creation of jobs, while at the same time ensuring equitable and sustainable economic growth.

While I was president, we began to implement a four-track development strategy that is pro-poor, pro-job creation, pro-growth and pro-environment. We wanted to ensure a strong, balanced, sustainable and inclusive growth without damaging the environment. Taking this approach, the Indonesian economy achieved an average economic growth rate of 5.9% from 2009 to

2013. Meanwhile the poverty rate declined. In 2000, Indonesia's poverty rate was 19.4%. By 2013, it had significantly declined to 11.3%. All of this was done while reducing GHG emissions by a projected 26% by 2020.

It is not just Indonesia that has embarked on this journey. As chair and president of the Global Green Growth Institute, I have made it our mission to assist developing and emerging economies with crafting and implementing their own, tailor-made policies and frameworks that will help them continue to realise strong, sustained economic growth while either cutting or limiting GHG emissions. For example, we, along with a number of other organisations, have been helping the Ethiopian government develop and implement its ambitious Climate Resilient Green Economy initiative that aims to help make

“Strong political will and wise policy choices are essential for pursuing pro-growth, pro-poor and low-carbon strategies

Ethiopia a middle-income country by 2025 without producing any more GHG emissions than are produced today. Doing this includes putting in place an effective system for leveraging and spending climate finance and helping to build the capacity of the Ethiopian government to design and implement a comprehensive measuring, reporting and verification system for monitoring climate results. In the Philippines, GGGI has been working with the Climate Change Commission to help municipalities become ecologically stable and economically resilient to the effects of climate change.

In both of these cases, as well as in Indonesia, the essential ingredients for successfully pursuing pro-growth, pro-poor, and low-carbon strategies have been strong political will, wise policy choices, and a commitment to building internal capacity to implement the policies and strategies. And while we face significant challenges in keeping global temperature growth below 2°C and in building low-carbon, climate-resilient societies, I believe through genuine commitment to green growth and putting it into practice in our policies, regulations and lifestyle, we will be able to ensure total harmony between the human race and Mother Earth.

Visit <http://gggi.org>

* Our photo: Indonesia's former President Susilo Bambang Yudhoyono points out how critical sustainable management of the world's forests is for equitable economic growth, at the Center for International Forestry Research (CIFOR), West Java, in June 2012, ahead of the Rio+20 summit.

How partnerships can spur our transition to a low-carbon economy



Yvo de Boer
Director-General
Global Green Growth Institute

©Rights reserved

For the past decade or so, there has been a lot of debate in policy circles on how to get governments and the private sector to work together more collaboratively in order to catalyse the transition to green growth. The good news is that in that time many factors have come together to make this more of a reality. Governments, including in developing countries, are increasingly committed to a low-carbon future; there is, in theory, adequate capital available to finance the transition; and there has been a recent boom in the technology needed to make green growth more affordable and feasible.

The missing element, then, is better co-ordination and co-operation between the private sector and governments to make this possible. In order for that co-operation to be most effective and efficient, both groups need to take some crucial steps on their own. Fundamentally, however, without sufficient political will on the part of governments and long-term thinking and commitment on the part of private-sector actors, transitioning to a low-carbon economy will be difficult if not impossible.

In order for the private sector to commit to the long-term investments necessary for a low-carbon world, there needs to be a greater understanding of the risks associated with unsustainable economic practices and major climate events, a greater understanding of the opportunities presented by sustainability and green growth, and the need to build strategic partnerships between companies on sustainability issues and with governments to limit risk and capitalise on opportunities.

As the adverse effects of climate change continue to increase, so do volatility, vulnerability and unpredictability for the private sector, particularly for resource-intensive industries. At the same time, climate change can also present opportunities for businesses to employ methods that maximise efficiency, and thus cut costs, as well as access to new markets. Through wise strategic planning, business can turn these risks into opportunities, but it requires long-term thinking. It requires

integrating risk management and sustainable practices into core business values.

Taking these steps, particularly being an early mover in doing so, will allow businesses to lessen risk and increase long-term profitability. As we have seen, however, businesses do not always take these steps on their own; rather they behave according to incentives and/or competition. This is where the importance of the aforementioned strategic partnerships with governments and within the private sector come in. Businesses will not adopt sustainability in a vacuum: policy, peer pressure and market forces must influence them to do so.

There needs to be a greater understanding of the risks associated with unsustainable economic practices

Nearly everyone agrees now that the transition to green growth must be led by the private sector. However, it is impossible for the private sector to provide the sufficient amount of capital and investment without an amenable policy environment to encourage it. Businesses still view many green and low-carbon investments, particularly in developing countries where these investments are needed most, as unacceptably risk-laden. It is the role of governments, therefore, to put in place strategic policies that mitigate financial risk and encourage business to embrace sustainability and green investment.

There are numerous effective strategic policies that can accomplish these goals, and they will differ from country to country depending on a given country or region's economic conditions and advantages. However, no matter what the specific policies and regulatory actions are, they should be clear, consistent and transparent with defined goals of creating an enabling environment for green investment so as to strengthen investor confidence. Unstable and conflicting policies only send signals to businesses that the investment risks are too high. Furthermore, the use of fiscal instruments, whether it is the introduction of a carbon tax or an emissions trading scheme, should be implemented with the goal of necessitating the incorporation of environmental full-cost pricing.

To recap, businesses need to rethink their notions of risk to incorporate climate change and place sustainability as a core business value, and governments need to enact stable, consistent, and coherent policies that remove barriers, encourage green investment, and encourage the types of reporting and full-cost pricing that will enable businesses to in turn rethink their definitions of risk. This will help create a sort of virtuous, reinforcing circle of rational, pro-market business choices and wise, strong policy choices.

Visit <http://gggi.org>



Solar flight

Solar Impulse 2, one of the world's first solar-driven airplanes with its impressive wingspan, flies over China, 31 March 2015, as part of an historic round-the-world trip to promote solar power in air transport. Swiss pilots and co-founders of Solar Impulse, Bertrand Piccard and André Borschberg, were at the controls of the state-of-the-art plane, which is powered by more than

17,000 solar cells on its wings. Five years earlier, on 7 April 2010, Solar Impulse took off from a small airfield in the Swiss canton of Vaud for its first proper flight. During its one-and-a-half hour flight it had reached an altitude of 1,200 metres. See our 2010 interview with Mr Piccard, "With the sun on its wings", in *OECD Observer*, No 279 May, <http://oe.cd/-b>

Innovation and urban mobility in Brazil



Cesar Cunha Campos

Director
FGV Projetos

©Rights reserved

“What is the city but the people?” asked Shakespeare in *Coriolanus*. All city planning focuses on people and the quality of life. The big cities in Brazil took shape from the 1950s, when the country’s population amounted to approximately 52 million inhabitants, only 36.2% of whom lived in cities. The development focus during the post-war period, led by the modernist canons that guided the conception of Brasília, spread across numerous cities where the automobile was the leading actor, and was supported by investments all over the country to build roads and other infrastructure, such as ports, railroads and electric power plants.

The population of the country in the 1980s was around 120 million inhabitants, 67.6% of whom were urban dwellers. The public transport systems in the major cities were practically all limited to buses; only São Paulo and Rio de Janeiro benefited from the first subway lines, inaugurated in 1974 and 1979, respectively. The railroad systems basically served the metropolitan regions, with their terminals delivering enormous numbers of passengers to the bus networks.

It is obvious that today’s urban population of over 160 million, with the rate of urbanisation standing at 84.4%, is stimulating massive expansion, with ever-increasing distances and extremely high costs to attend to for public transport networks. The Brazilian government’s policies remain quite unclear on this issue, and few of Brazil’s cities have effective urban-mobility plans. On the other hand, the automobile industry delivers 200,000 vehicles to the market every month. This perpetuates the car/city combination, while forcing planners to find solutions for sustainable mobility that are compatible with the extending urban space.

The use of individual vehicles in big cities is not a matter of education, but rather of the lack of an efficient, safe, quality collective transportation system. When citizens take over two hours to travel to work in metropolitan areas, using the automobile is justifiable since it reduces this commuting time by about 50-60%. The question is therefore about integrated public policies that take into account aspects such as urban locations that can offer jobs, incomes and services.

The fundamental starting points for proper integrated city planning, and consequently mobility, are first, a deep familiarity with the clear social and economic profiles of the city’s inhabitants

(together with their expectations and demands as regards work, education and health), and second, to know the origin and destination of their journeys. Sustainable planning of mobility depends basically on city planning, and this requires a social, participative approach that reaches beyond how to manage just the city itself.

Accordingly, sustainable urban mobility must be planned with medium and long-term solutions that should obviously offer short-term remedies for the urgent problems of cities, while always seeking the participation of all the stakeholders—



©Globo Agency

governments, citizens, universities and companies—with each of these actors contributing solutions that promote the commitment of all involved.

Brazil was a pioneer in creating the BRT (Bus Rapid Transport), with exclusive corridors and boarding stations that reduce waiting times for commuters. Based on TOD (Transit-Oriented Development), a worldwide city planning approach that combines walking, cycling and public transport spaces with compact, well-serviced, population centres, this medium-size system is far less costly than building subway lines. Nevertheless, the BRT systems, which can use sustainable fuels like biodiesel or electric power, still need infrastructure work to guarantee large-scale viability.

Meanwhile, the use of technologies to control and oversee transit has helped to improve the quality of city commuting. The centres for monitoring with cameras and GPS localisation devices on collective vehicles, as well as collaborative applications which commuters use, such as Waze and Google Maps, on about 7 million smartphones have increased the efficiency of commuting. Not only smartphones, but also vehicles and objects that rely on tiny sensors to provide masses of data, can help make mobility more efficient.

Integrated planning, supported by clear public policies, new technologies and ways to safeguard the environment, is the path towards sustainable mobility in cities in Brazil, as elsewhere.

Visit <http://fgvprojetos.fgv.br/>

Sponsored by



From frenetic expansion to steady states



©Kourosh Keshiri

Naomi Klein

Journalist and Author of *This Changes Everything**

Challenging free trade orthodoxy is a heavy lift in our political culture; anything that has been in place for that long takes on an air of inevitability. But, critical as these shifts are, they are not enough to lower emissions in time. To do that, we will need to confront a logic even more entrenched than free trade—the logic of indiscriminate economic growth. This idea has understandably inspired a good deal of resistance among more liberal climate watchers, who insist that the task is merely to paint our current growth-based economic model green, so it's worth examining the numbers behind the claim.

It is Kevin Anderson of the Tyndall Centre for Climate Change Research, and one of Britain's top climate experts, who has most forcefully built the case that our growth-based economic logic is now in fundamental conflict with atmospheric limits. Addressing everyone from the UK Department for International Development to the Manchester City Council, Anderson has spent more than a decade patiently translating the implications of the latest climate science to politicians, economists and campaigners. In clear and understandable language, the spiky-haired former mechanical engineer

(who used to work in the petrochemical sector) lays out a rigorous roadmap for cutting our emissions down to a level that provides a decent shot at keeping global temperature rise below 2° Celsius.

But in recent years Anderson's papers and slide shows have become more alarming. Under titles such as "Climate Change: Going Beyond Dangerous . . . Brutal Numbers and Tenuous Hope", he points out that the chances of staying within anything like safe temperature levels are diminishing fast. With his colleague Alice Bows-Larkin, an atmospheric physicist and climate change mitigation expert at the Tyndall Centre, Anderson argues that we have lost so much time to political stalling and weak climate policies—all while emissions ballooned—that we are now facing cuts so drastic that they challenge the core expansionist logic at the heart of our economic system.

They argue that, if the governments of developed countries want a 50-50 chance of hitting the agreed-upon international target of keeping warming below 2° Celsius, and if reductions are to respect any kind of equity principle between rich and poor nations, then wealthy countries need to start cutting their greenhouse gas emissions by something like 8% to 10% a year—and they need to start right now. The idea that such deep cuts are required used to

There is still time to avoid catastrophic warming, but not within the current rules of capitalism

be controversial in the mainstream climate community, where the deadlines for steep reductions always seemed to be far off in the future (an 80% cut by 2050, for instance). But as emissions have soared and as tipping points loom, that is changing rapidly. Even Yvo de Boer, who held the UN's top climate position until 2009, remarked recently that "the only way" negotiators "can achieve a 2° goal is to shut down the whole global economy."

That is a severe overstatement, yet it underlines Anderson and Bows-Larkin's point that we cannot achieve 8% to 10% annual cuts with the array of modest carbon-pricing or green tech solutions usually advocated by Big Green. These measures will certainly help, but they are simply not enough. That's because an 8% to 10% drop in emissions, year after year, is virtually unprecedented since we started powering our economies with coal. In fact, cuts above 1% per year "have historically been associated only with economic recession or upheaval", as the economist Nicholas Stern put it in his 2006 report for the British government.

Even after the Soviet Union collapsed, reductions of this duration and depth did not happen (the former Soviet countries experienced average annual reductions of roughly 5% over a period of 10 years). Nor did this level of reduction happen beyond a single-year blip after Wall Street crashed in 2008. Only in the immediate aftermath of the great market crash of 1929 did the

United States see emissions drop for several consecutive years by more than 10% annually, but that was the worst economic crisis of modern times.

If we are to avoid that kind of carnage while meeting our science-based emissions targets, carbon reduction must be managed carefully through what Anderson and Bows-Larkin describe as “radical and immediate de-growth strategies in the US, EU and other wealthy nations.”

Now, I realise that this can all sound apocalyptic—as if reducing emissions requires economic crises that result in mass suffering. But that seems so only because we have an economic system that fetishises GDP growth above all else, regardless of the human or ecological consequences, while failing to place value on those things that most of us cherish above all—a decent standard of living, a measure of future security, and our relationships with one another. So what Anderson and Bows-Larkin are really saying is that there is still time to avoid catastrophic warming, but not within the rules of capitalism as they are currently constructed. Which is surely the best argument there has ever been for changing those rules.

Visit www.thischangeverything.org

*Extract from Naomi Klein's fourth book, *This Changes Everything: Capitalism vs. the Climate*, published in September 2014 by Penguin Press in the UK, Simon & Schuster in the US, and Knopf Canada

**THIS
CHANGES
EVERY
THING**

Idea: A Global Climate Trust?



©Andrew Wong/Reuters

The reason we now have a global crisis is that the current system of inter-governmental negotiations under the 1992 United Nations Framework Convention on Climate Change (UNFCCC) cannot be relied on to achieve these reductions in the overall total of global emissions. The science on climate change is worrying enough. The knowledge that there is currently no effective system for addressing it is worse.

The reason is that the current system lacks a vital component: a regulator of total aggregate global emissions. To prevent climate change becoming irreversible, it is essential that an effective regulator of the aggregate global total of emissions from the use of fossil fuels is put in place, not to replace the system of inter-national negotiations, but as a back-up in case it fails. In case, to be specific, the outcome of the negotiations is not enough to satisfy climate science. We are faced with an emergency. We need to design and implement a system that enables us to address it.

There is no time to be lost. The regulator must be science-based and market-friendly. The easiest way to control emissions is to control production. The easiest way to control production is by a global licence scheme administered by a global institution established for the purpose. The necessary global institution to run the scheme, call it the Global Climate Trust, would need to be independent of both governments and the fossil fuel industry.

Extract from post is by John Jopling of FEASTA, on behalf of CapGlobalCarbon.org, 17 March 2015.

For the whole post, see oecdinsights.org/

LOW-CARBON ECONOMY

Establishing a resource-efficient economy is central to achieving green growth. It involves putting in place policies that improve resource productivity and that ensure a sustainable natural resource and materials management building on the principle of the 3Rs—reduce, reuse and recycle—and encouraging more sustainable consumption patterns. Better resource productivity can both help to improve the environment, by reducing the amount of resources that economic activity requires and diminishing the associated environmental burden, and help to sustain economic growth by securing adequate supplies of materials, investing in new technologies and innovation, and improving competitiveness.

Simon Upton

OECD Director of Environment

in Material Resources, Productivity and the Environment, OECD 2015

Calculations suggest that shipping-related PM [particulate matter] emissions are responsible for approximately 60,000 cardiopulmonary and lung cancer deaths annually, with most deaths occurring near coastlines in Europe, East Asia and South Asia.

ITF Transport Outlook 2014

We face an unmistakable trend in the data, which is that each year, the global economy has failed to decarbonise beyond business-as-usual, and that economic growth remains entwined with carbon.

PwC, “Two degrees of separation: ambition and reality. Low Carbon economy Index 2014”, 2014

Bluntly speaking, only the poorest countries have per capita emissions that are currently on a level that is commensurate with a long-term global 2°C target.

Stockholm Environment Institute, *Going Clean—The Economics of China's Low-carbon Development*, 2009

Africa [...] should use the window of opportunity presented by a low-carbon economy to implement new knowledge and information to transform the challenges posed by climate change into opportunities for social development.

Busani Bafana, "Sustaining Africa's Development By Leveraging On Climate Change", 2014

To 2020, bridging 80% of the gap to an optimal 2°C path comes at no extra GDP cost.

International Energy Agency (IEA), *The way forward: Five key actions to achieve a low-carbon energy sector*, 2014

Maintaining or strengthening economic growth to 2030 will require a significant increase in investment, including an estimated cumulative US\$89 trillion of investment in infrastructure. [...] A low-carbon transition across the entire economy could be achieved with only 5% more upfront investment from 2015-2030.

Global Commission on the Economy and Climate, *The New Climate Economy: Financing a Low-carbon Future*, 2014

Investing 2% of GDP in the green economy in each of the next five years could create up to 48 million new jobs.

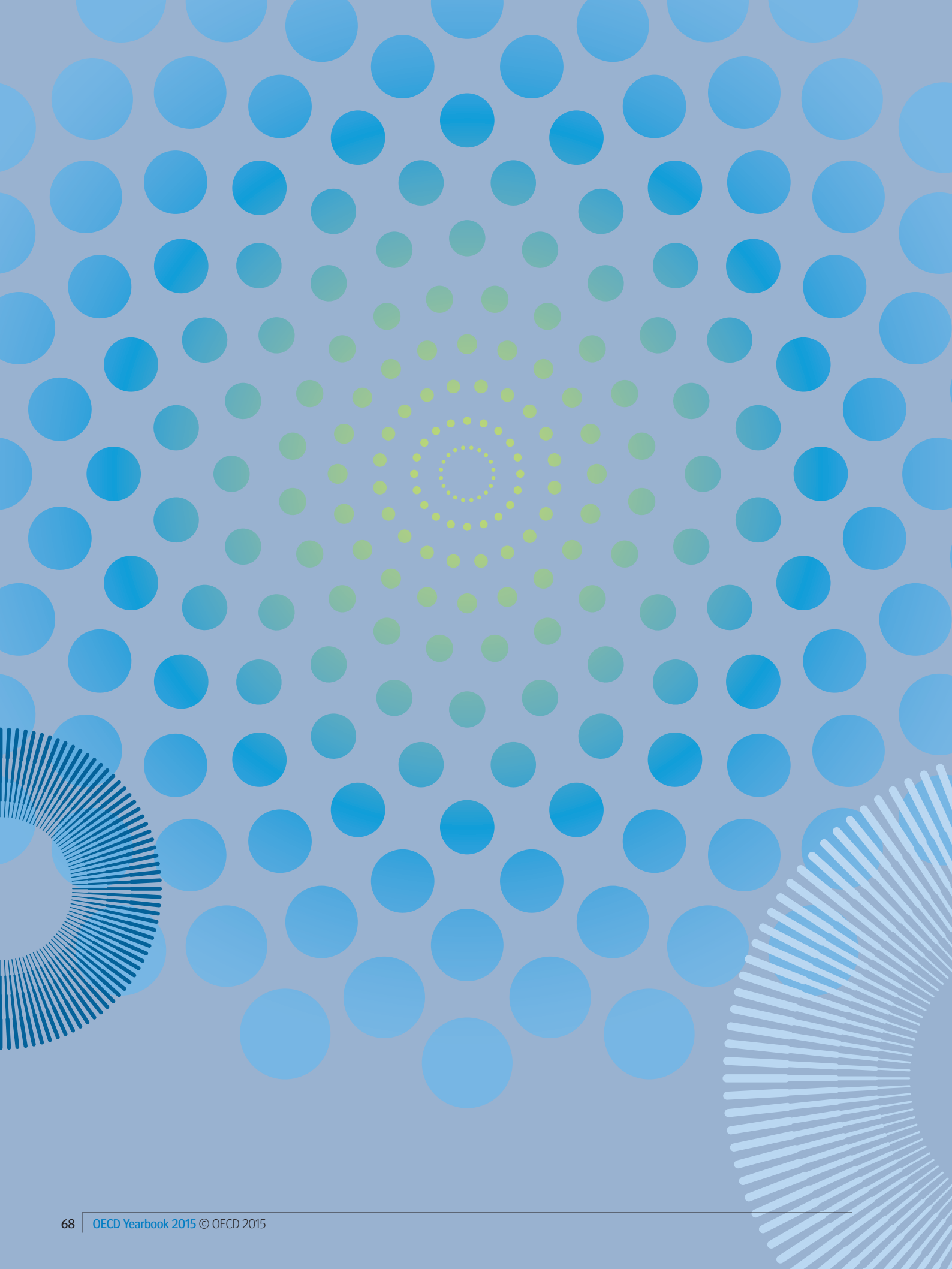
International Trade Union Confederation, *Growing Green and Decent Jobs*, 2012

New from the OECD

A 360° view
of your country







Prosperity

Two decades of strong growth have ended in crisis, causing damage to the environment and doing little if anything to prevent inequalities from widening. A recovery along the same old growth path would probably produce similar results. But without the wealth that growth brings, it would be very difficult to address issues such as disease, poverty, energy, climate change, ageing populations, etc. Through more prosperity, more people can aspire to higher levels of well-being, with better jobs, better education, and a better, safer environment. More investment is needed to help promote greener, more inclusive growth, backed by innovative policies that view growth not as an outcome, but as a means to an end. The writers in this chapter explore how such prosperity can be achieved.

Lilianne Ploumen shows how trade, investment and development policies are interconnected and calls for closer collaboration between the private and public sectors, particularly in relation to the sustainable development goals. **Gabriela Ramos** describes the OECD's New Approaches to Economic Challenges (NAEC) initiative, on which a report will be presented to ministers in 2015 with the aim of informing better public policies. **Jason Furman** deplores the subpar gains of average families over 40 years and backs President Obama's call for a range of new policies in support of the middle class. **Andy Wyckoff** underlines why setting the right policies for innovation is so important both for growth and solving future challenges. **Sigmar Gabriel** wants a new international campaign to boost investment as a precondition of future sustainable growth. **Richard Trumka** echoes this call, and slams policies that favour stock market run-ups rather than productive investment. **Martin Wolf** lists out some key failures of western elites over recent years and makes a clarion call for stronger efforts to prevent another crisis from occurring. **John Ruggie** promotes UN and OECD principles aimed at improving responsible conduct in international business. **Yide Qiao** explains how the new Asian Infrastructure Investment Bank might change the global financial architecture. **Tatiana Glad** calls on governments to spend more time working with social entrepreneurs, to allow a rich seam of innovation to take off. **Adriana Krnáčová** describes Prague's inclusive approach to urban planning. In our "Business briefs", **Rut Bízková** continues on Prague, and explains why the birthplace of the word "robot" is ripe for another industrial revolution. **Jay Nibbe** assesses the OECD fight against tax base erosion and profit shifting. And **Jacques van den Broek** urges policymakers to ensure people are taught tomorrow's skills, not yesterday's.

How to connect trade, investment and development

© Government of the Netherlands



Lilianne Ploumen
Minister for Foreign Trade
and Development Co-operation
The Netherlands

The Netherlands last chaired the OECD Ministerial Council Meeting in 1991, a year when advanced economies accounted for nearly two-thirds of global GDP and almost 2 billion people were living in extreme poverty. The world looks very different today. Emerging markets now account for more than half of global GDP and the number of people living in extreme poverty is down to 1 billion. This Millennium Development Goal has been reached, and that is good news. There is still a formidable challenge ahead, however, in the areas of poverty reduction, sustainability and inclusivity. The new Sustainable Development Goals will help to meet these challenges, but achieving them requires a rethink of development policy. Connecting trade, investment and development is a crucial element of this rethink.

If you look at recent decades, two things stand out. First, the extraordinary growth in emerging markets. The story of China and India is well known, but it is sometimes overlooked that a large number of the fastest-growing countries are in Africa. Second, there is the emergence of global value chains. Goods are not produced in one country anymore, but in different stages in many different countries. The OECD's work has greatly contributed to our understanding of this phenomenon.

The growth of developing countries and the emergence of global value chains mean that the traditional relationship between donors and recipient countries no longer exists. Developing countries increasingly develop full-fledged trade and investment linkages with other countries, on an equal footing. They may still want to draw on the expertise of companies from developed countries to meet challenges in infrastructure or healthcare, but not necessarily in the form of aid.

This is an exciting new way to look at development. Not only government aid, but increasingly private-sector trade and investment contribute to the process. Global value chains offer one way to grasp the new opportunities. A fragmented production process allows countries to specialise in one specific task, instead of having to develop an entire industry, which has higher entry barriers. A focus on one part of the value chain can be a catalyst for further economic development.

But this does not happen automatically. Private-sector gains do not automatically trickle down to the rest of the economy. So

the challenge is to maximise the private sector's contribution to public development goals.

In the framework of the Sustainable Development Goals, this means that the private sector's contribution is crucial, and that we need to make sure that everyone can benefit. The best, most responsible way to attract desperately needed trade

Responsible business conduct has a special role to play

and investment is by combining them with development. This requires creating an enabling environment, which ensures developing countries get decent jobs, better living conditions and shared prosperity, while offering companies access to large and promising new markets.

In terms of policy, an enabling environment requires work in a number of areas, like good governance, access to education and availability of finance. Official development assistance can play a valuable role in creating this enabling environment, especially in the poorest countries. These policy areas are also precisely the areas where the OECD has expertise and can help to develop the right policies.

Responsible business conduct has a special role to play in this approach. I like to emphasise that corporate responsibility is not an optional extra; it is at the heart of modern business models, and the only realistic way to do business. Dutch companies are pioneers of this model, and they demonstrate its success. Luckily, ever more companies are embracing this view. We have been working hard to take further steps in the textile, coal and palm oil industries.

We should also take a critical look at the multilateral trade and investment system. The multilateral system should promote cross-border trade and investment and engage developing countries in the world economy. It should do that by offering an international framework to help countries reap the benefits of globalisation, while maintaining policy space for governments to mitigate the drawbacks. The Trade Facilitation Agreement is a welcome step in this direction, but we should do more. We should move promising areas from the Doha Round forward, while making sure that regional trade agreements also contribute to increased connectivity and inclusion in the world economy.

Finally, 2015 is an important year for development. We will have the Conference on Financing for Development in Addis Ababa and the UN Summit to adopt the post-2015 development agenda and the Sustainable Development Goals. My ambition for this OECD Week is to put the trade, investment and development nexus prominently on the agenda, so it can contribute to achieving our goals.

Visit www.minbuza.nl

New Approaches to Economic Challenges

A sustainable and inclusive growth agenda



© OECD

Gabriela Ramos
OECD Chief of Staff and G20 Sherpa

“Neither economists nor market participants, nor indeed governments foresaw a financial crisis of the type and magnitude we have now. The collapse of trust and subsequent credit freeze in the wake of the Lehman Brothers collapse was a shock.”

These remarks by Klaus Schmidt-Hebbel, then OECD chief economist, were made in October 2008, a month after Lehman Brothers fell. His assessment reflected the mood well. As the former chief economist warned, the crisis would last a long time indeed.

OECD Secretary-General Angel Gurría acted promptly, and by January 2009 our organisation had launched a strategic response to the crisis. Governments also acted swiftly and in a concerted fashion to save the financial system (“the lifeblood of our economies”, as Mr Gurría described it), slash interest rates and apply fiscal stimuli. They relied heavily on monetary policy, as central banks resorted to unorthodox approaches such as quantitative easing.

Another Great Depression was averted, though the impacts of the crisis still cause widespread hardship. Everyone realised that the crisis could not be allowed to happen again, and that more effort was needed for the long term. But were current policy tools fit for the purpose?

The crisis struck at the core of tightly held economic ideas, models and policy. Confidence in the global consensus about unfettered liberalisation and the ability of markets to self-correct had crumbled. As governments acted to avoid the worst, long-held beliefs that state intervention in markets should

always be kept to a minimum were proven wrong. Economic policies had focused on short-term growth, rather than well-being. They proved ineffective in the face of market excesses and imbalances in our societies, such as rising inequalities, environmental degradation and climate change. They could not capture the global economy in all its complexity and interconnectedness. Simplistic models led to simplistic answers that failed to address what really matters for growth and well-being.

Global imbalances had also emerged, notably with the resurgence of China, while the game-changing effects of information and communications technologies on the world economy and society had made reality far more complex. The

“The crisis struck at the core of tightly held economic ideas, models and policy

need for improved governance, nationally and internationally, backed by some analytical audacity had become patently clear. The G20 also found its wings, to become “the premier forum for international economic co-operation”.

Poignantly, the OECD’s 50th anniversary in 2011 was a timely opportunity for a healthy recalibration of our organisation’s mission. New leitmotifs were coined: “Stronger, fairer, cleaner”; “Better policies for better”; “the long term starts now”. However, our mindsets still had to be unshackled from the consensus and groupthink that predominated, to refresh our analytical approaches and to learn from stakeholders. We put people’s well-being at the heart of our efforts, on the understanding that human needs and aspirations go beyond material well-being. It was time to broaden our perspectives, accept that the ultimate goal of economic policy is to improve people’s lives, and start looking beyond objectives of efficiency at the distributional aspects of well-being and the sustainability of our decisions.

It was to respond to this need that New Approaches to Economic Challenges (NAEC) was born at the OECD in 2012. OECD member countries warmly welcomed and encouraged this comprehensive organisation-wide effort, both to learn from the crisis and to help avoid future crises. The initiative would gather ideas and challenge received wisdom, with a view not to reinvent the world but to stand back and see it in a new light. NAEC took on board the suboptimal outcomes of pre-crisis policy approaches too, from wider inequalities of income and opportunities to environmental degradation and climate change. The goal of NAEC is therefore to build a “sustainable and inclusive growth agenda”.

Over the past three years, NAEC has catalysed an effort to improve OECD’s analytical framework and policy advice. The process has stimulated a multidimensional approach, generated new data, and led to more collaborative programmes and a revision of long-standing analytical approaches across



©Charlotte Moreau/OECD Observer

several policy areas. All of this is distilled in the *NAEC Synthesis Report* to be presented at the OECD Ministerial Council Meeting in June 2015.

So, what is new? NAEC first re-examines the overarching goals of policy with a focus on well-being and its distribution to ensure that growth delivers progress for all, not just the lucky few. Growth and productivity became the means to an end, with policy choices determined by outcomes. Our focus shifted to promoting inclusive growth and to those elements besides income that make for a fulfilling life. And we began referring to inequalities, in the plural, since having access to opportunities (in education, health, etc) also affects people's well-being.

Such an integrated approach to policy helps understand trade-offs, and address economic challenges in a more realistic and effective fashion. It privileges collaboration and coherence in addressing integrated problems, removing the compartmentalised approach that damaged policy before. It also requires a more sophisticated policy design for the real world in which systemic spillovers can be beneficial as well as damaging. To avoid a repeat of the financial crisis, for instance, NAEC urges a clearer integration of the financial sector in government economic models to bolster financial stability.

Policymakers need to think about the economy as a complex adaptive system. This has many implications. It suggests policymakers should be constantly vigilant and more humble about their policy prescriptions, act more like doctors than mechanics, and be open to systemic risks, uncertainties, spillovers, strengths, weaknesses and human sensitivities. New economic tools, such as behavioural economics, but also old friends such as history, sociology and psychology, were found useful to inform economic analysis in a way that helps understand better the context and the outcomes of the decision-making process.

The domestic anatomy must be better understood, too, its historical forces, institutions, social norms and political choices.

This demands more tailored policy solutions that adapt broad solutions to country-specific settings, within evolving best practices.

We also need to take a longer-term perspective, and even have plans B and C for alternative futures. This means improving our strategic foresight, working outside the box and making a virtue of devil's advocate to broaden our vision.

The OECD built its reputation on solid data and frameworks, but clearly our data needed reinforcing. That is why we are carefully developing new measures, instruments and tools, and generalising their use. The OECD Better Life Index, our data on productivity and the environment, and on quality jobs are just some of the advances which enrich our understanding of sustainable growth and well-being.

Our "distance to default" analysis is helping us to anticipate and hopefully avert bank failure. We are setting out to gauge stocks more completely, not just manufactured inventories and assets, but natural and social capital, too. And we are pushing the envelope in our analysis of micro-data and big data, so as to better inform policy recommendations.

Against a backdrop of high unemployment and widening inequalities, we are building an agenda for inclusive growth, to redress the distribution trends that have caused the top 10% to

NAEC re-examines policy so that growth delivers progress for all, not just the lucky few

capture higher shares of the national income, while leaving the bottom 40% behind, living from day to day. We are building the analytical tools to show that inequalities not only destroy the social fabric and cause tensions and instability, but hamper the capacity of our economies to grow.

The OECD is mainstreaming this effort into its flagship publications, which monitor progress across a range of economic, social and environmental indicators. Financial risks, systemic tensions, resilience, stress tests, vulnerabilities, domestic and international asymmetries: these all receive added weight.

Have we learned? Time will tell. Today, the world's stock markets are surging despite high unemployment and global uncertainty. Are we heading for another crash? Or can we tap that wealth to invest in our human, productive, social and natural capital?

We must ask such questions, at OECD Week and beyond; we must be audacious in our ideas and thinking—and take the new approaches to economic challenges that can truly deliver better policies for better lives.

For more on NAEC, visit www.oecd.org/naec

Better innovation for better lives



Andy Wyckoff

Director, OECD Directorate for
Science, Technology and Innovation

© OECD

Innovation has always been a foundation of our economies. From the invention of the wheel to the Industrial Revolution, via air transport, the internet and medicines, innovation leads to change, progress, and hope. In today's world, which is still reeling from the crisis and looking for new, stronger, more inclusive and sustainable ways forward, policies for fostering innovation are more relevant than ever.

Innovation is more than about new products; it is about the creation and diffusion of new processes and methods as well. Innovation can lead to new businesses, new jobs and cleaner environments.

Innovation can be found in several places in the growth statistics of a country. First, there is technological progress embodied in tangible, physical capital, such as better machinery, smarter equipment or greener buildings. Second, there is intangible, knowledge-based, capital, such as software, data, research & development (R&D), design, intellectual property, and firm-specific skills.

Third, there is smarter, more efficient use of labour and capital to generate so-called multi-factor productivity growth (also referred to as total factor productivity). And fourth, there is the role that innovation plays in strengthening the dynamics in the economy, with new innovative firms entering the market, replacing other slower, less innovative ones in a process known as creative destruction. Together, these four dimensions account for as much as half of GDP growth.

Innovation is not just about supporting growth; it is also vital for addressing deep social and global challenges, like ageing, resource scarcity, disease and climate change. Innovation spurs education, skills and well-being throughout life too. At the same time, innovation can contribute to inequality, which is why it needs to be accompanied by appropriate labour and social policies.

A toolkit (not just) of things

There is no magic wand for fostering innovation; part of the trick is to know when governments should step out of the way and when (and where) they should step in to support the process. Policies are needed domestically, for instance, to ensure a

vibrant, open educational and entrepreneurial scene, and reach out globally, too, to draw on knowledge and ideas from around the world. Countries should take a long-term view because returns on fundamental R&D can take decades to materialise, yet without these investments breakthroughs would not occur. Moreover, innovation belongs to no single country, firm, scientific institution or foundation and the innovation map shifts all the time: China recently became the second largest funder of R&D, ahead of the European Union and behind the US.

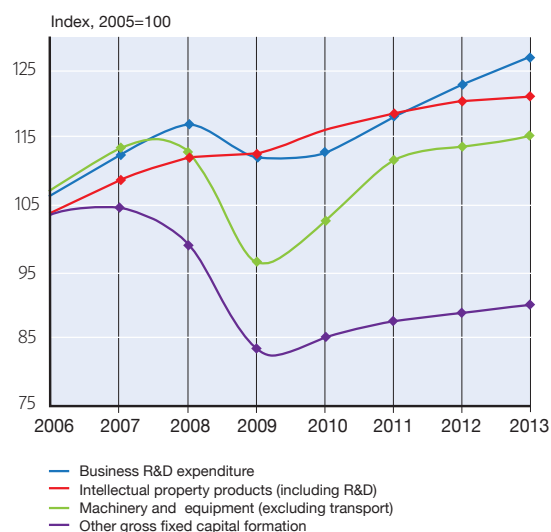
Today's world is increasingly shaped by the rise of the digital economy. With billions of people using the internet and mobile communications, knowledge diffusion is accelerating. In countries where literacy remains a challenge, image and voice are connecting communities to global networks. The proliferation of massive amounts of data is just a hint of what can be expected from the emergence of ubiquitous data generation and computing, dubbed the "Internet of Things". Updating our policies to address this new reality is a priority not only for information and communication policies, but across the board: consumer, trade, taxation, education, transport and more.

While business is the key driver of innovation in advanced economies, government policies are critical, to lay the groundwork and shape the policies that matter. Five priorities



Investment in knowledge-based capital

Business investment in knowledge assets weathered the crisis better and recovered earlier (Index, 2005=100)



Source: OECD (2015), *Main Science and Technology Indicators*, January 2015, OECD National Accounts Database, March 2015, based on OECD (2014), *OECD STI Outlook 2014*, OECD Publishing.

are particularly important from the broader toolkit that governments have at their disposal:

1. Strengthen investment in innovation and foster business dynamism

In many OECD countries, firms now invest as much in knowledge-based assets as they do in physical capital and such investments have proven to be more resilient during the recent crisis (see chart). But to get more benefit, they should be seen as a bundle, not separate investments. Also, countries should apply reforms

Returns on fundamental R&D can take decades to materialise, yet without these investments breakthroughs would not occur

that allow capital and labour to flow to productive, knowledge-intensive careers and firms.

Young firms—those five years old and younger—are particularly important, and account for over 45% of all new jobs created in OECD countries over the past decade. They drive renewal and creative destruction in the economy.

The trouble is that policies too often favour incumbents, shoring up the status quo and stifling the experimentation with new ideas, technologies and business models that underpin the success of young firms and limit innovation potential. Policies should not park resources in propping up outdated, inefficient or unproductive firms.

2. Invest in and shape an efficient system of knowledge creation and diffusion

Public funding is needed to address the inherent underinvestment in basic research of private firms, as this drives long-run productivity growth and facilitates the adoption of innovations across the economy. Our evidence is clear on this: long-term and stable public research funding is essential for future innovation.

Meanwhile, public support for innovation in the business sector should look for investments that potentially have high social returns, and help foster international co-operation and networks. Detail in policy design and implementation is important and governments should look to each other

for experience, inspiration and guidance. For instance, tax incentives for R&D that meet the needs of young, innovative firms by focusing on cash refunds, or the use of tax credits for R&D-related wages, cannot only strengthen innovation, but also help avoid amplifying cross-border tax planning opportunities among larger firms.

3. Seize the opportunities of the digital economy

An open and accessible internet, where creativity, sharing, entrepreneurship and experimentation can flourish, is essential for innovation in the 21st century. Big data and data analytics have become a driving force in science, product innovation, processes, organisational methods and services, including healthcare. Policies are needed to promote skills in data analytics, and to foster investments in appropriate infrastructure, including data itself. At the same time, striking the right balance between the free flow of data and safeguarding personal privacy and confidence will require constant attention among policymakers.

4. Foster talent and skills

OECD data show that only one-third of workers have the required skills for a technology-rich environment, which raises a major challenge for innovation. Funding for lifelong learning and policies to encourage training are needed to address this. Women in particular should be given every opportunity to participate in science and entrepreneurship and contribute more fully to innovation. Policies should also enable international mobility among highly skilled workers. Though international mobility is a delicate challenge, OECD research shows that in many cases knowledge flows back and forth between countries and regions, enabling many countries to benefit.

5. Improve the governance and implementation of policies for innovation

A wide range of government policies affect innovation, which implies that they have to be well-aligned, not only at the level of central government, but also between the central government and regional and local authorities. There is also a need to co-operate with other countries and global institutions, including to help address common global challenges and share the costs of investment in basic research. Monitoring and evaluation of approaches and outcomes will help governments learn from experience and bolster policy performance and adaptability over time.

Not every country can become an innovation leader, and each country has different strengths and weaknesses, but every country can do better at tapping into, and developing, its knowledge-based capital and improving its position along global value chains. The OECD Innovation Strategy 2015 can help.

References


OECD (forthcoming) *Innovation Strategy 2015: An Agenda for Policy Action* OECD Publishing, www.oecd.org/site/innovationstrategy.

OECD Reviews of Innovation Policy: www.oecd.org/sti/innovation/reviews

Visit the Innovation Policy Platform: www.innovationpolicyplatform.org

Order this now!

Browse and order at
www.oecd.org/bookshop



Middle-class economics



Jason Furman

Chairman, US Council of Economic Advisers
Executive Office of the President

© Whitehouse.gov

In 2014, the US economy added more jobs than in any year since the 1990s. In fact, this longest streak of job growth on record has persisted into 2015. Inflation-adjusted wages are up by 1.4% annually over the last two years, more than twice the pace of the last recovery. But this is still not enough to make up for decades of subpar gains for middle-class families—a challenge shared by many other OECD economies. President Obama’s approach to what he has termed “middle-class economics” is about remedying this decades-long challenge for the future.

In the US, median incomes are up 17% since 1973. Two facts suggest that this increase falls far short of what we should have been able to accomplish: from 1948 to 1973 middle-class incomes rose 98%; and from 1973 to 2013 productivity increases should have allowed an ordinary worker to purchase 82% more per hour of work, well above the increase actually experienced by typical families.

Family incomes critically depend on three factors: the overall productivity growth in the economy, the degree to which those gains are broadly shared and labour force participation. These three factors have evolved differently in different economies, but all three have trended worse across a wide range of OECD economies in recent decades.

The largest factor in the US has been the slowdown in productivity growth. From 1948 to 1973, productivity grew by 2.8% annually, but since 1973 it has slowed to 1.8%, in part reflecting disruption from the oil shocks and the breakup of the Bretton Woods monetary system. But the slowdown is also the result of policy choices: for example, the US made significant investments in the Interstate Highway System in the 1950s and 1960s, but in subsequent decades infrastructure investment as a share of GDP decreased substantially.

The second largest factor in the household income slowdown in the US has been the increase in inequality. In 1973, the bottom 90% of households received 68% of the nation’s income, but receives just 53% today. Increased inequality partially

reflects technology, but also the policy choices we have made—including the failure to maintain expansion in education just as unionisation and the real minimum wage were declining.

The third factor in the US is the falling labour force participation. Although the post-2007 decline—primarily caused by demographic changes and the recession—has garnered the

A focus on increasing shared growth is essential

most attention, prime-age male participation has been falling since the 1950s and prime-age female participation since the 1990s. These trends reflect societal forces, but also choices we have made about our training systems, tax laws and policies on workplace flexibility.

Of course, we cannot change the last 50 years, but we can continue the work we began in the depths of the crisis—including investments in infrastructure and manufacturing, tax cuts for working families, steps to slow the growth of health costs, and more.

The initial indication is that these policies are working. Not only has the US enjoyed stronger growth and faster job gains in recent years, but it is leading a global revolution in technology and innovation, such as in cloud computing, mobile devices, personalised medicine and advanced materials to make major advances across our economy.

President Obama has proposed a range of other measures to boost productivity growth, including expanding overseas markets for our exports, reforming our business tax system, encouraging investments in technology, expanding education and reforming our immigration system.

While higher productivity is necessary for sustained increases in middle-class incomes, it is not sufficient, which is why President Obama is also calling for steps to expand opportunity like an increased minimum wage, expanded tax credits for low-income workers and the middle class, and a fairer tax system overall.

Enabling more people to participate in the workforce is critical, a goal that will be furthered by better childcare; more flexible workplace practices, including paid leave and paid sick days; a tax system that supports secondary earners; and a better system for training and job matching.

The facts are clear: a strengthening economy is helping to boost jobs and pay, but a focus on increasing shared growth is essential in the US as elsewhere in the OECD to achieving the goal of higher incomes for middle-class households.

Visit www.whitehouse.gov/administration/eop/cea

The investment challenge

©Bundesregierung/Bergmann



Sigmar Gabriel
Federal Minister for Economic Affairs
and Energy, Germany

Investments are a precondition of future sustainable growth. However, investments are not just about competitiveness, but about maintaining our quality of life. As Germany currently shows, good economic numbers are a necessary, but far from sufficient, precondition of strong investment activity. On the one hand, we expect economic output to rise by an annual average of 1.8% in real terms in both 2015 and 2016. At the same time, despite a recent upward trend, public-sector investment—which often helps to pave the way for private-sector investment—is still growing relatively slowly. There is also scope for more dynamism in many key areas of private-sector investment.

Against this background, the German government is aiming to improve the environment for more innovation and competitiveness in the economy, and to boost investment. We want our investment rate to exceed the OECD average. To achieve this, we have taken wide-ranging measures to stimulate investment activity and have set priorities, which are gaining recognition around the world.

In a federal state like Germany, regional and municipal investment are of crucial importance. The local state agencies need to be empowered to undertake sufficient investment in forward-looking areas like childcare, schools, colleges and modern urban development. Other investment priorities include developing efficient supra-regional transport routes, promoting a more efficient use of energy and combating climate change. It is also particularly important for Germany to invest much more in research and development than it has done in the past.

As in many other economies, the lion's share of investment is undertaken by the private sector. For this reason, the federal government has not only allocated additional funding for public-sector investment, but has also taken further steps to put a pro-growth investment climate in place. For example, we

have improved the rules governing our energy transition and the ongoing expansion of renewables, while making energy prices more predictable. We are working hard on our Digital Agenda so that more people can participate in the digital world and make even better use of its innovative potential. We are offering new funding opportunities to boost the number of start-ups in Germany.

But money alone cannot tackle all the impediments to investment. Rather, we need new approaches to economic policy. For this reason, in the summer of 2014 I asked an independent commission of experts consisting of academics and representatives of businesses, trade union and associations to come up with additional innovative ideas. One important question was how to involve more private-sector investors in public-sector infrastructure projects. The OECD has drawn

“Money alone cannot tackle all the impediments to investment

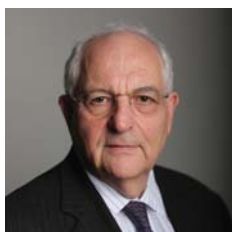
up key principles for improving the rules governing long-term investment in infrastructure. The commission's findings confirm that it is vital to have the right institutional structures in place both to boost mutual trust and to assure a timely and efficient provision of public infrastructure.

We discussed the commission's findings at an international conference in Berlin in April, attended by OECD Secretary-General Angel Gurría; we wish to continue such important dialogue with our European partners. I therefore welcome the new European Commission's comprehensive investment campaign. The European Fund for Strategic Investments, which is to involve a total of up to €315 billion, can boost growth and employment. Europe needs tangible prospects to work towards. Our aim must be to bring together our efforts at national and European level to create an effective investment and reform drive for Europe's industrial renewal and modernisation.

Finally, we must also consider investment in the wider international context. As OECD analysis shows, in many industrial countries investment in terms of GDP still remains well below pre-crisis levels and earlier average trends. Clearly, we need to make further effort to ensure a good investment climate in other countries too. This requires appropriate rules for foreign direct investment, favourable financing conditions for companies, and efficient procurement and financing of public infrastructure. And to facilitate our work, we can all reap the benefits of international co-operation and share experiences and approaches to policymaking within the OECD.

Visit bmwi.bund.de

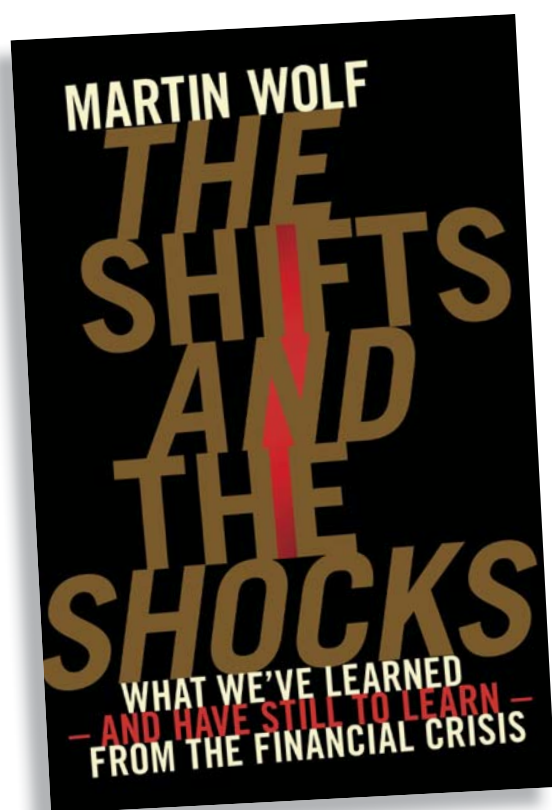
What we've learned—and have still to learn—from the financial crisis*



Martin Wolf
Author and Chief Economics Commentator
Financial Times

© Rights Reserved

Financial crises do more than impose huge costs: they have bigger and more insidious effects. We face big challenges in maintaining the supply of global public goods as the world integrates. But these challenges will not be managed successfully if we do not first overcome the legacy of the crisis. Moreover, all this must be done at a time of transition in global power and responsibility from a world dominated by Western powers to one in which new powers have arisen.



*Extract from Martin Wolf's 2014 book, *The Shifts and the Shocks: What We've Learned—and Have Still to Learn—from the Financial Crisis*, published by Allen Lane in the UK and The Penguin Press in the US.

Inevitably, such crises also help undermine belief that a globalising economy is of benefit to the vast majority of people. They make people anxious and angry and rightly so. Angry and anxious people are not open to the world. They want to hide in their caves, together with similarly angry people. That is what happened in the 1930s. Financial crises are the events most likely to bring the world back there.

Equally inevitably, crises undermine confidence in the elites. In democratic societies, a tacit bargain exists between elites and the rest of society. The latter say to the former: we will accept your power, prestige and prosperity, but only if we prosper too. A huge crisis dissolves that bargain. The elites come to be seen as incompetent, rapacious, or, in this case, both. The political results may come slowly. But come they will.

Here then are three huge failures of the Western elites.

First, the economic, financial, intellectual and political elites misunderstood the consequences of headlong financial liberalisation. Lulled by fantasies of self-stabilising financial markets, they not only permitted but encouraged a huge and, for the financial sector, profitable bet on debt. The policymaking elite failed to appreciate the risks of a systemic breakdown. The financial elite was discredited by both its behaviour and its need to be rescued. The intellectual elite was discredited by its failure to anticipate a crisis or agree on what to do after it had struck. The political elite was discredited by their willingness to finance the rescue, however essential it was. The decline in confidence in these elites is even worse if the methods used to rescue the economy then make the parts of the elite most associated with the crisis richer than before. This undermines the sense of fairness that underpins the political economy of capitalism: there has to remain a belief that success is earned, not stolen or handed over on a platter.

Second, the past three decades have seen the emergence of a globalised economic and financial elite that has become ever more detached from the countries that produced them. In the process, the glue that binds democracy—the notion of citizenship—has weakened. The narrow distribution of the gains of economic growth risks exacerbating this development.

Third, in creating the euro, the Europeans took their project beyond the mundane into something far more important. The economic troubles of crisis-hit economies are evident: huge recessions, extraordinarily high unemployment, mass emigration and heavy debt overhangs. The constitutional disorder that has resulted remains insufficiently emphasised. Within the Eurozone, power is now concentrated in the hands of the governments of the creditor countries, principally Germany, and a trio of unelected bureaucracies—the European Commission, the European Central Bank and the International Monetary Fund. The peoples of adversely affected countries have no influence upon them. The politicians notionally accountable to them are powerless. This

divorce between accountability and power strikes at the heart of democratic governance.

The loss of confidence in the competence and probity of elites inevitably reduces trust in democratic legitimacy. People feel even more than before that the country is not being governed for them, but for a narrow segment of well-connected insiders who reap most of the gains and, when things go wrong, are not just shielded from loss but impose massive costs on everybody else. This creates outraged populism, on both the left and the right. Yet willingness to accept shared sacrifice is likely to be still more important in the years ahead than it was before the crisis. The economies of the Western world are poorer than

they imagined ten years ago. They must look forward to a long period of retrenchment. Making that both be and appear fair matters.

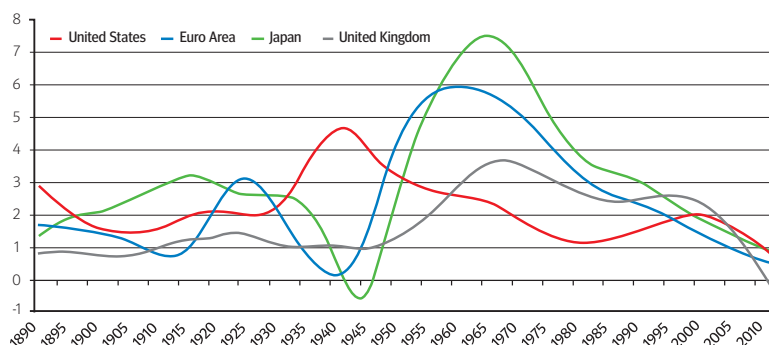
Every effort must be made to restore economies to growth, on both the demand and supply sides. Every effort must be made, too, to ensure that a similar crisis will not recur without eliminating those aspects of an open world economy and integrated finance that are of benefit. This will require more radicalism than most recognise. We must not only learn the lessons about how the world economy went awry. We must also act upon them. If we do not, next time a big crisis arrives even our open world economy could end in the fire.

Productivity's wave goodbye?

Did you know that the pace of productivity growth is slowing sharply across the OECD area? Moreover, the trend has continued downward since the early 2000s after a brief upward tick in the 1980s and 1990s, which in part reflected the diffusion of new information and communications technologies. A working paper from the French central bank distinguishes four periods from 1890 to 2012 during which both innovation and catch-up drove productivity. First, from 1890 to the First World War, productivity grew moderately, led by the UK with other countries catching up. Second, a US-led phase, with a major wave of productivity acceleration in the 1930s and 1940s, while other advanced countries still struggled in the aftermath of the Great Depression and war. Third, following the Second World War, Europe and Japan enjoyed a golden age, catching the wave launched by the United States. When the fourth wave came, from 1995, the post-war convergence process had come to an end, and US productivity growth regained the lead with a short though distinct wave of growth. Technological breakthroughs characterised these waves, from electricity and combustion engines, to pharmaceuticals

» Productivity wave decelerates

The average annual growth of labour productivity per hour, smoothed (through Hodrick-Prescott filtering), in the US, Euro area, Japan and the UK, 1891 to 2012, % change



Source: Banque de France 2014

and IT, though the authors note an “impressive slowdown” in the impact of the latter from 2000.

For more on these trends and their historical causes, see “Productivity Trends from 1890 to 2012 in Advanced Countries” by Antonin Bergeaud, Gilbert Cette and Rémy Lecat, February 2014, Document de Travail (Working Paper) No

475, available at www.banque-france.fr. The paper drew discussion at the Joint OECD-NBER Conference on Productivity Growth and Innovation in the Long Run at the OECD 26-27 September 2014: see <http://oe.cd/IC>.

Rory J. Clarke, reproduced from *OECD Observer* No 300, Q3 2014

Prague: A single speed for progress



Adriana Krnáčová
Mayor of Prague

©Adriana Krnáčová/Rights reserved

A city's brand is pivotal for its position in global society, particularly in global competition. Indeed, a city has many aspects of a commercial product. The very strong international brand that I represent is Prague, the million-strong capital of the Czech Republic. Public perceptions of this brand generally focus on its cultural heritage, such as the Prague Castle and Charles Bridge, as well as its leading industries, science and research. This perception is an accurate one, and is how our city wishes to be seen.

But there is much more to the city than that, for Prague has another attractive quality that is rare in most cities around the world, even a luxury, which our inhabitants take for granted. I am referring to Prague's territorial balance. The people of Prague can freely move and live anywhere in the city without having to worry about social, cultural or economic segregation. While there are differences in locales, it is up to people where they choose to live, whether in a quiet neighbourhood with parks and rivers, a dynamic shopping centre, or a suburban atmosphere with single-family houses and playgrounds. There is no segregation by any social criteria. The prospect of mobility within the city based solely on personal preferences is a major asset when it comes to integration. In such a united whole, it is much easier to help disadvantaged groups throughout the region to become integrated in society without threatening their identity.

The advantages of this urban uniformity are clear when comparing Prague with what could be called "multi-speed cities" elsewhere. The non-uniform structures of these cities make it hard to deal with unevenly distributed challenges

and disadvantaged locales, whether on the social, cultural or economic front. A key danger of this approach is the marginalisation of those caught in the slower speeds, in the interest of false correctness, as becoming aware of the differing development and key specifics such as income, housing, healthcare, safety and the environment is the first step to improving the situation and unifying the standard of living. I do

Only under a single-speed approach is it possible to nurture inclusive growth that is both sustainable and flexible

not presume to claim that Prague has mastered the approach in this regard, but the city does at least advance as a unit, slowly but surely. This single-speed attribute is reflected in the everyday life of Prague's inhabitants. The goal of multi-speed cities is acceleration, rather than a unified city that has the same conditions throughout its territory. This effort is Faustian however, because urban development is not an abscissa with clearly defined points, but a line that starts in our past, with its inherent strengths and weaknesses, and then continues on into the future. And because single-speed urban development allows for deeper co-operation to take place, with sharing of experiences among cities and regions, it helps sister city partnerships to work better. Partners help one another just like siblings of the same family, and they work together to make development easier. Only under a single-speed approach is it possible to nurture inclusive growth that is both sustainable and flexible.

Thanks to our inclusive approach, inhabitants can partake in the opportunities and challenges of economic, social and cultural life, and satisfy their own personal objectives. This also requires providing quality public services for everyone, regardless of segment group, and assuring basic living standards in all areas of the city, in education, healthcare and job opportunities, as well as the likes of safe and secure transport to and from work, and secure and well-serviced housing. The city's inclusiveness is demonstrated by the fact that its inhabitants do not have to make do with a lesser good, but can choose where they wish to live, according to their own personal tastes.

Inclusion, in my view, is also about sharing. For environmentally sustainable urban growth, it is worth considering sharing based on groups of people with similar preferences, rather than just individuals. Connecting people's interests in this way would bring other benefits too, including economic growth and social progress.

Visit www.praha.eu/jnp/en/index.html

The Czech Republic's fourth Industrial Revolution

©Technology Agency of the Czech Republic



Rut Bízková

Chairperson

Technology Agency of the Czech Republic

Innovation and creativity have long been hallmarks of the Czech Republic. After all, this is the country that invented the term “robot”, when Czech writer Karel Čapek coined the word back in 1921. Some 70 years later, one of the characters in the Oscar-nominated film “The Elementary School”, by Jan and Zdeněk Svěrák, further defined Czech creativity: a handyman who manages a small electrical outlet, who is said to be able to make and repair “everything”.

This innate inventiveness is not just in stories, but has produced very real results. Soft contact lenses, for instance, were invented half a century ago by Otto Wichterle using a device based on a Meccano-like construction kit for children called Merkur.

Nowadays, it is often said that if you want to find out whether a new mobile phone application will work or is worth downloading, then you should test it in the Czech Republic.

Even in the 19th century the Czech Republic was noted for its industrialised, technically skilled people, and their solid grounding in the natural sciences. At present, the country has one of the highest shares of industry in GDP in Europe and the OECD area. In short, the Czech Republic is an ideal environment for launching a new industrial revolution.

Since 1989 the country has developed as an open, export-oriented economy, attracting many multinational companies, some of which have also established high value research and development (R&D) functions.

The backbone of Czech industry is in producing electrical, electronic and optical devices, as well as cars, transport vehicles and machinery. These innovative sectors are characterised not only by their high share in exports, but also by their lion's share

The number of people employed in R&D has grown by 50% in seven years

of private R&D funding, and as a result creative industries are growing. Also, the number of university students is now one of the fastest growing in Europe. Within the last seven years the number of R&D staff in companies and universities has grown by 50% and R&D funding has exceeded 2% of GDP, with a growing share of that going to small and medium-sized domestic firms.



©Dan Materna / MAFA / AFP

A Honda-made robot pays tribute to the bust of Czech writer Karel Čapek, father of the term “robot”, at the Czech National Museum in Prague



High tech transport system

An extensive infrastructure of excellent scientific centres has been built in the Czech Republic in recent years. Centres like ELI, CEITEC and IT4Innovations have managed to establish partnerships with foreign partners and have excellent equipment and top scientists at their disposal via their extensive networks. This has helped the Czech Republic to assert itself in fields such as information technology (IT), nanotechnology, biotechnology, nuclear and non-nuclear energy sectors, aerospace, and the chemical industry. Moreover, a lot of innovative domestic companies have emerged, especially in the aviation industry and in IT, adding to the economy's competitive potential.

Companies like AVAST, AVG, GoodData and Socialbakers, to name but a few, are internationally successful in the fields of cybersecurity, data protection, analysis and processing. A large number of research centres and companies dealing with IT, biomedicine and other branches is located in Brno—the Czech “Silicon Valley”.

The Czech Institute of Informatics, Robotics and Cybernetics (CIIRC) of the Czech Technical University in Prague is working with Airbus Industries to develop ARUM—a flexible production planning and scheduling system for aircraft assembly tasks. The first pilot application will be for the ramp-up phase of manufacturing the A350, and the new system is expected to increase the productivity of aircraft assembly by 10-15%.

Important IT projects are focused on developing new technologies for automatic transcription of audiovisual recordings of lectures and court proceedings, and automated online monitoring of streamed news. The EyeDentity project for identifying facial features even under difficult conditions holds promise for the security sector. Helpful new technology is also being developed for speech processing to improve communication between humans and computers, and to help navigation for people with a disability.

Czech teams from Charles University, Prague, together with industrial partner Lingea Brno have developed state-of-the-art systems for automatic translation which are helping to crack the language barrier still present in the EU digital market.

Such breakthroughs show that the Czech Republic is not only continuing its long industrial tradition of leading innovation and harnessing the creativity of the Czech people, but is improving its competitiveness to better embrace the fourth industrial revolution for everyone's benefit.

Visit www.tacr.cz/index.php/en/

Sponsored by **T A**
Č R

We must teach tomorrow's skills today



Jacques van den Broek
CEO Randstad Holding NV

©Randstad

The New Industrial Revolution affects the workforce in several ways. Ongoing innovation in renewable energy, nanotech, biotechnology, and most of all in information and communication technology will change labour markets worldwide. Especially medium-skilled workers run the risk of being replaced by computers doing their job more efficiently. This trend creates two challenges: employees performing tasks that are easily automated need to find work with tasks bringing other added value. And secondly, it propels people into a global competitive job market.

The Randstad/SEO report *Into the Gap* (2012) illustrated that jobs traditionally associated with the middle class (assembly line workers, data processors, foremen and supervisors) are beginning to disappear, either through relocation or automation. Employees must either move up the ladder, joining the group of “knowledge workers”, which will continue to grow in demand (engineers, doctors, attorneys, teachers, scientists, professors, executives, consultants), or settle for lower-skilled, low-wage service jobs, thereby pushing the less educated out of the labour market.

In many areas employment is picking up, but employers still say they cannot fill their vacancies because even highly qualified candidates have the wrong skills for the jobs available. The current education systems, employers argue, teach yesterday's skills to tomorrow's graduates. Many are concerned that applicants lack “soft skills”, such as interpersonal, communication and analytical problem-solving abilities. This clearly indicates that jobs in growing sectors, such as health, education and other services, require a different set of skills than those acquired by those unemployed people who had worked in sectors with declining employment, such as agriculture and manufacturing.

In developed economies, investment in STEM disciplines (science, technology, engineering and mathematics) is increasingly seen as a means to boost innovation and economic growth. The importance of education in STEM disciplines is recognised in both the US and Europe, but the debate gets

particularly heated when it intersects with immigration. Europe is in a similar position as the US, but has much more rigid immigration policies, causing Europe to attract fewer high-skilled workers than not only the US, but also Canada and Australia. Only 3% of scientists in the EU come from non-EU countries, whereas in the US 16% of scientists come from abroad. Internal mobility in the EU has also been stagnating. In 2014 only 2.7% of all Europeans lived in another member state.

A global labour market has already emerged, but we lack the institutions to make it work effectively. The real problem for the world economy is not just a global shortage of STEM skills, but even more so, the location mismatch between available jobs and employees. Talented people don't relocate easily to

A real problem for the world economy is the location mismatch between available jobs and employees

where the available jobs are. Several US and European firms have moved their R&D operations offshore over the last two decades, which diminishes the number of STEM jobs in both the US and Europe. Demand has not dropped, but has shifted to countries such as China and India. Together with the Institute for the Study of Labor (IZA, www.iza.org), Randstad is currently researching the global “jobs to people, people to jobs” mobility and expects to publish the findings in 2016.

Skills mismatch in an employment landscape is mainly an outcome of structural rigidities in labour markets, but it is also influenced by cyclical gaps between demand and supply. Job creation is fundamental, but all aspects of the skills mismatch must be addressed. All stakeholders should work together to address the issue. Free trade agreements, for example, could include provisions for student and labour mobility. There is clearly a need for labour market policy to be approached much more actively, with unjustified restrictions being lifted and relevant intervention stepped up.

If our approach does not change, we may only prolong the jobs crisis as people are denied the opportunities they need to develop the skills they require for the Information Age.

Visit www.randstad.com

Sponsored by



Citizen entrepreneurship

Creating space for a more collaborative economy



Tatiana Glad
Impact Hub Amsterdam

©Rights reserved

Social entrepreneurs and governments speak different languages. However, understanding each other is essential to achieve quality of life through the businesses we start, grow and scale.

While sharing a goal for a healthier society, it remains a challenge for new entrepreneurs and governments to work together: first, to integrate the different ambitions, values and cultures of (social) entrepreneurs, civil servants and politicians; second, to be aligned in the acceptance, timing and implementation of societal solutions through enterprising citizens.

What is the role of business in creating spaces for social entrepreneurship and a more collaborative economy? And how do governments help or hinder this citizen-driven entrepreneurship?

While social entrepreneurs seek first of all to make an impact, they spend much of their time and energy on navigating a landscape where “doing business” and “doing good” are not yet sufficiently integrated.

At times the regulatory parameters are unclear for innovators, while at others, the shift from public service provision to social enterprise as a provider, for example in healthcare, employment creation, ecological conservation and so on is a relatively unspoken agreement where there has been little, if any, negotiation on the transition plan and resourcing. And with this ambiguity, differing expectations of each other take root. As social enterprises are relatively new to some in the public sector, a definition and an understanding of the boundaries of this emerging sector need to be found. At times, even the reaction to regulate, legislate, tax or contain that which is newly emerging is in itself an act of suppressing potential for life-enhancing innovations.

In a society that aims to get everything right so quickly and so rationally, we often fail to allow sufficient space to test initiatives.

We may even learn from failure if we embrace it and learn from it. “Allow experiments, we might just surprise ourselves,” said a participant in a recent societal renewal innovation lab in the Netherlands, an event which brought together social entrepreneurs and civil servants. More specifically, we need to experiment with new tools of collaboration and test new mechanisms for financing this societal innovation. It is in this space where governments at all levels have an interesting choice to make: to help or hinder the emergence of the new.

Given the systemic nature of many of our socio-economic and environmental challenges, our first task at hand as entrepreneurs (and governments) is to admit that we are dealing with a level of complexity in which a multiplicity of perspectives is needed. In a values-based society, one cannot quantify everything. So

The reaction to regulate, legislate, tax or contain that which is newly emerging can be an act of suppressing potential for life-enhancing innovations

how do we evaluate and report progress when societal change is non-linear? Systems thinking requires us to consider how any action can affect other parts of the related system. A system is a dynamic and complex whole, and forces us to consider how seeming chaos gives way to natural order in due course, and that time helps us understand the evolution of systems. Governments with this foresight are in an ideal position to be convenors of multiple perspectives, of new experiments and of tools to test. The ambiguity that accompanies innovation and emergence is uncomfortable for many—particularly those who take seriously their accountability to their public.

Consequently, communities of social entrepreneurs who create safe havens to turn idealism into viable business models and to turn failure into learning encounter the added challenge of educating those around them on the very paradigm that underlies their idealism and experimentation. While governments often applaud the new ideas, their inability to learn along with their citizens can remove them from the very contexts that can teach them about policies that serve practice, rather than get in the way of it.

And perhaps it is in this slightly uncomfortable space—of not yet knowing the answer—that there is room to start asking new questions about the systems and structures we are creating as we interact. It is in this space that true innovation can begin, and can start to open up new ways forward for some of our seemingly intractable societal challenges and to move into a more generative economy. In collaboration.

Visit www.impacthub.net
<http://amsterdam.impacthub.net>

Holding business to account

©Julien Daniel / OECD



John G Ruggie

Berthold Beitz Professor in Human Rights and International Affairs, Kennedy School of Government, Harvard; Chair of the Board of Trustees, Shift Project

The promotion of responsible business conduct has taken an important step forward with the launch of a new reporting framework. Businesses now have no excuse for not explaining how they're meeting their human rights obligations.

In 2011 the UN Human Rights Council unanimously endorsed the UN Guiding Principles on Business and Human Rights, which I had developed over the course of a six-year mandate as the Secretary-General's Special Representative for this issue. Around the same time, the OECD adopted its updated Guidelines for Multinational Enterprises (MNE), incorporating a new human rights chapter mirroring the UN Guiding Principles.

The parallels are no coincidence. My team and I worked closely with those leading the OECD revision process. This collaboration helped provide clarity and convergence regarding the expectation that companies should, at a minimum, respect human rights across their operations and value chains. The same expectations are now also reflected in other international standards.

In my visits to company headquarters and operational sites, I have seen just how committed many companies are to respecting human rights in often challenging contexts and through sometimes bafflingly complex supply chains. These companies are transforming the way they do business. They understand that this is fundamental for their own success as well as for the basic dignity and welfare of everyone affected by their decisions.

It is gratifying that just four years on from the endorsement of the Guiding Principles and the updated OECD MNE Guidelines so much has been achieved—indeed, far more than is often recognised. A recent survey of companies and governments by the Business and Human Rights Resource Centre and a recent report by the Economist Intelligence Unit show striking uptake and progress in remarkably little time. Yet, even though the number of companies now working with the UN Guiding Principles and the OECD MNE Guidelines extends far beyond the “usual suspects”, it remains a very small proportion of the global business community. And, as the news media regularly remind us, some businesses continue to have a devastating impact on the human rights of many of the world's most vulnerable people.

So what can we do to speed up the pace of change? Transparency is critical. It is an essential ingredient for gaining insight into the real challenges of implementation that companies face. It is also

key for highlighting where governments need to up their game. It can enable constructive collaboration to address the systemic issues that no one actor can resolve alone. And it is essential to building markets for responsible business conduct that can reward the real leaders and shine a light on the laggards. In this regard, the launch in March 2015 of the UN Guiding Principles Reporting Framework in London could not have been more timely. For the first time we now have a comprehensive framework for companies to report on *how* they respect human rights in line with the UN Guiding Principles and OECD MNE Guidelines' human rights chapter.

Yet this is much more than just a reporting framework. It puts the corporate responsibility to respect human rights into everyday language: a set of smart, straightforward questions to which any company of any size needs to have answers—inside as well as outside its own walls. It offers companies a powerful tool to

The Reporting Framework empowers stakeholders to call for essential information

deepen internal conversations, identify gaps in performance and drive improvements in practice. It provides a basis for building constructive and meaningful conversations with their investors, civil society stakeholders, and groups directly affected by their operations and business relationships.

The reporting framework also empowers all these stakeholders to call for essential information about how companies are tackling human rights challenges. Reporting that glosses over these realities with easy anecdotes no longer meets the grade. Governments, stock exchanges and rating systems the world over, with an interest in advancing non-financial reporting, can now turn to this framework to set clear expectations for corporate disclosure and to drive improved accountability in relation to human rights. Companies that respond should be recognised and rewarded.

The UN Guiding Principles Reporting Framework represents an indispensable contribution to the collective effort to embed both the UN Guiding Principles and the human rights components of the OECD MNE Guidelines into practice, and to scale up the pace of progress. Many companies began using the framework, and investors and civil society began supporting it, even before it was launched. This attests to its value and its practicality. I urge others to follow in their steps.

UN Guiding Principles Reporting Framework (www.ungpreporting.org)

OECD Guidelines for Multinational Enterprises (www.oecd.org/corporate/mne)

Business and Human Rights Resource Centre – Company Action Platform

(www.business-humanrights.org/en/company-action-platform)

Visit www.shiftproject.org

The OECD and the G20 are moving in the right direction



©EY

Jay Nibbe

Global Head of Tax
Ernst & Young

Governments around the world are working together to combat perceived international tax avoidance through more transparency. What is your opinion about these efforts?

Governments are working together in order to try to address a lot of issues that need to be addressed. There is a real and coordinated effort in order to obtain a better level of transparency. Its objectives are quite ambitious. Greater transparency can be a move in a positive direction.

However, because of its comprehensiveness, we need to be sure that the rules apply on a consistent basis. The biggest risk is that some countries are moving faster than others, and not always in the same direction, which would create serious differences. Some countries could use selectively some of the data made available through transparency without considering the entire picture.

In this context, double taxation agreements are not sufficient. In an increasingly interconnected world, we have no comprehensive mechanism to handle disputes where several countries are involved. The creation of such a mechanism should be part of the whole package.

What is your opinion about the base erosion and profit shifting (BEPS)?

BEPS is a global phenomenon which requires a global approach. National tax laws have not always kept pace with the global technology and business developments. This situation undermines the fairness and integrity of tax systems. Fifteen

specific actions are being developed in the context of the OECD/ G20 BEPS Project that are intended to equip governments with the domestic and international instruments to address this challenge.

It is an ambitious project. The OECD has moved quite efficiently on some aspects. The first set of measures and reports were released in September 2014. A co-ordinated approach is very welcome. The OECD has been helpful in bringing positive solutions. In fact, we have been working with several governments on these questions.

There is one overarching issue that is a particular concern. More transparency brings more disclosure and increases the risk of more disputes. Facilitation of a better mechanism to avoid or solve disputes is an important element of the project Action 14, "Make Dispute Resolution Mechanisms More Effective", and is an important component of the work on the BEPS issue.

Do you think that these efforts towards more transparency will increase regulation and generate new burdens and difficulties for CFOs?

The majority of the actions will impact directly on individual companies' organisation and operating models. So they should anticipate this and plan that there will certainly be an upfront cost. But in the long term, companies should benefit if there is a more certain and predictable environment for their business. The recommended actions will give countries the tools they need to ensure that profits are taxed where the economic activities generating the profits are performed. They will also give companies greater confidence by reducing disputes over the application of international tax rules, and standardising reporting requirements. All of this holds together with co-ordination and strong dispute resolution agreements, which must be part of the package.

The OECD and the G20 are moving in the right direction. Their goals are ambitious as they try to modernise the international taxation system. Achieving consensus on fundamental tax issues among so many countries will be a major achievement. Between them, the OECD and the G20 account for 44 countries, estimated to make up around 90% of the world economy.

Sponsored by



China: Banking on a new international financial institution

© Rights reserved, Shanghai Development Research Foundation



Interview: Yide Qiao

Secretary-General, Shanghai Development Research Foundation

In October 2014 China launched the Asian Infrastructure Investment Bank (AIIB), drawing wide international attention. Nearly 60 countries have joined the new international financial institution, including several OECD member and partner countries, though others have remained cautiously outside. What is the purpose of the new bank and what impact will it have? We asked Yide Qiao for his views.

I guess there are several reasons for launching the new bank. First, China has accumulated valuable experience and expertise in construction and investment in infrastructure over three successful decades of economic growth and is now willing to extend its knowledge to other developing countries in a systematic way. Second, the Chinese economy is entering a more mature phase in which capital outflows will become inevitable. By setting up new financial institutions, China is clearly keen to make this outflow happen as smoothly as possible. At the same time, it will better use its huge capacity, particularly in the area of infrastructure construction, and use the country's near US\$4 trillion of foreign reserves in diverse and useful ways. Lastly, for well-known reasons, IMF quota and governance reforms have not gone ahead, which has made developing countries unhappy, including China. Therefore, it is natural for China to use its deep pockets to launch the new bank.

The Asian countries need a large amount of investment in infrastructure to overcome the existing gap in this area, while some advanced countries interested in providing their technologies have joined the AIIB. The fact that some other advanced countries were rankled by their joining attracted even more attention.

Over the next few months, major talks begin on development finance, sustainable development goals, climate change. How does the new bank alter the global financial landscape?

I don't believe new institutions such as the AIIB will completely alter the global financial landscape over the next few months, or even years. For a start, they are not very big in terms of capital and will take time to bed in after the establishment procedures are out of the way. Not to mention the fact that new financial institutions need to climb steep learning curves. Having said that, I believe they will acquire a meaningful role in improving what is becoming an exciting global financial architecture, to judge from their claims to be more effective, cleaner and greener. They will learn from and co-operate with the World Bank, the Asian Development Bank (ADB) and so on, but they will not copy everything from them.

How effective do you think the new bank will be? The AIIB is the first international financial institution that gives China a leading role. As far as I am aware, the Chinese officials organising it fully understand how important their responsibilities are and will make every effort to ensure that the AIIB is successful. I

AIIB may not completely alter the global landscape but will acquire a meaningful role in improving the exciting global financial architecture

have seen encouraging signals from traditional multilateral development banks. In October when the new bank was launched, the World Bank Group created the Global Infrastructure Facility (GIF)—a global open platform—that will facilitate the preparation and structuring of complex public-private partnerships to mobilise private sector and institutional investor capital, particularly for infrastructure. At a recent meeting in Baku, the capital of Azerbaijan, the ADB announced it would blow the dust off an old development fund that was originally launched four decades ago by boosting its annual lending and grant approvals by 50%, to as much as US\$20 billion. It will also set aside money to support public-private partnership projects and work with the AIIB in Asia.

It will be very interesting to watch how these actions play out, and to monitor this co-operation among the development banks. If all goes well, the outcome will be beneficial not only to developing countries but to the international community as a whole. This is surely the fundamental goal of the AIIB and other new international financial institutions, and all final judgements will be based on that.

Visit www.aiibank.org

For more on the Shanghai Development Research Foundation, visit www.sdrf.org.cn/



The world's biggest* Turkish bank

When it comes to finding the right banking partner for your business
in Turkey, you don't have to look far.

Just come to the biggest, most widely connected and
secure source of expertise: İşbank.

isbank.com.tr

*The Banker magazine's July 2014 ranking of the "Top 1000 World Banks,"

İŞBANK

Investment and inequality: Stock markets for whom?

©Andrew Wheeler/OECD



Richard Trumka
President, AFL-CIO*

The world economy desperately needs more productive investment: to create jobs, to increase productivity and to meet critical global goals like combating climate change. But instead of more productive investment, we are getting rising stock markets. Sadly too many policymakers and journalists don't know the difference.

Let's start off with the basic confusion. Investment is when savings are used to pay for the creation of new productive assets—improvements in land, new buildings, machinery, computer software, the education of workers to create human capital. Households, companies and governments can all make investments, but certain types of investments, in public goods like roads or carbon emission controls, are more likely to be made by government.

Buying stocks and bonds on the stock market—the secondary market—may be something people can do with their savings, but it's not an investment in the sense economists understand the word. No new productive assets are created when a person buys a share of stock on the secondary market.

So here is the paradox of post-crisis economic policy. Everyone agrees we need more investment, but too many governments have pursued economic policies based on austerity. These policies have cut public investment directly, and then cut jobs, wages and economic growth, which drives investment in the private sector.

In response first to the actual financial crisis and then to this fiscal madness, central banks in the US and Europe have cut short-term interest rates to near zero. When that was not enough to keep consumer demand alive and to fend off deflation, the central bankers began to intervene in long-term bond markets, buying bonds to keep long-term rates low.

Low interest rates, weak economies, and effectively bankrupt major banks combined to ensure that even though interest rates were very low, credit did not flow to a damaged real economy, but rather into secondary capital markets. Hence the paradox of low interest rates, low levels of investment and high stock prices. In advanced economies, corporate investment has declined by an average of 25% since the global financial crisis compared with pre-crisis forecasts, an IMF report said.

The punch line: with austerity policies came threats of deflation and recession. In response, central bankers sought to

use monetary policy to counteract fiscal policy. Without any policy measures to push credit toward the real economy, the predictable result was that the banks poured credit into Wall Street speculative secondary capital market asset purchases.

From an inequality perspective, the results were terrible. In general, stocks and bonds are held by the more affluent, so the credit-fueled bidding war for secondary market assets added to the paper asset value of the wealthy, while doing nothing for most workers. In the US alone, shareholder returns reached more than US\$903 billion in 2014, with \$350 billion in dividends and \$553 billion in buybacks.

Some have blamed central banks for keeping interest rates low. But that's mistaken. Central banks, starting with the US Federal Reserve Board, rightly saw their economies heading toward

“Buying stocks and bonds on the stock market is not an investment as economists understand the word

recession and deflation and acted with the tools they had. As Federal Reserve Chair Ben Bernanke noted at the beginning of quantitative easing, the people who should have acted were in the US Congress; they should have moved to stimulate our economy and create jobs, rather than choke our economy with our particular brand of austerity, called the sequester. In Europe, of course, the austerity programme has been far worse, and the European Central Bank compounded it by initially raising rates in the face of an economic slowdown.

Policymakers in OECD countries really need to be focused on growth strategies that combine robust public investment with both macro and micro policies designed to create full employment and rising wages that will incentivise private investment.

If we want investment rather than speculation, and rising wages rather than runaway inequality, we need a global investment agenda that recognises that private investment starts when there are customers to buy the goods and services produced by the investments, and that investment for the public requires public investment.

*American Federation of Labor and Congress of Industrial Organizations, visit www.aflcio.org

FT (2015), “US companies on course to return \$1tn to shareholders in 2015” in *Financial Times*, 12 April, www.ft.com/

IMF (2015), “Private Investment: what's the holdup?”, in *World Economic Outlook: Uneven Growth: Short- and Long-Term Factors*, IMF April, Washington DC, see www.imf.org/external/pubs/ft/weo/2015/01



**More than 41,000 foreign companies have already invested in Turkey.
How about you?**



GE Healthcare



Indesit Company

MANGO



ORACLE



TOYOTA



INVEST IN TURKEY

- One of the fastest growing economies in the world and the fastest growing economy in Europe with an average annual real GDP growth rate of 4.8% over the past decade (2004-2013)
- One of the fastest growing economies among the OECD members with an average annual growth rate of 5.2% (OECD 2012-2017)
- A population of 77.7 million with half under the age of 30.7
- Access to Europe, Caucasus, Central Asia, the Middle East and North Africa
- 17th largest economy in 2013, over \$ 1.4 trillion GDP at PPP (IMF 2014)
- Highly competitive investment incentives as well as exclusive R&D support
- Around 610.000 university graduates per year

REPUBLIC OF TURKEY PRIME MINISTRY
INVESTMENT SUPPORT AND
PROMOTION AGENCY



**YOUR ONE-STOP-SHOP
IN TURKEY**

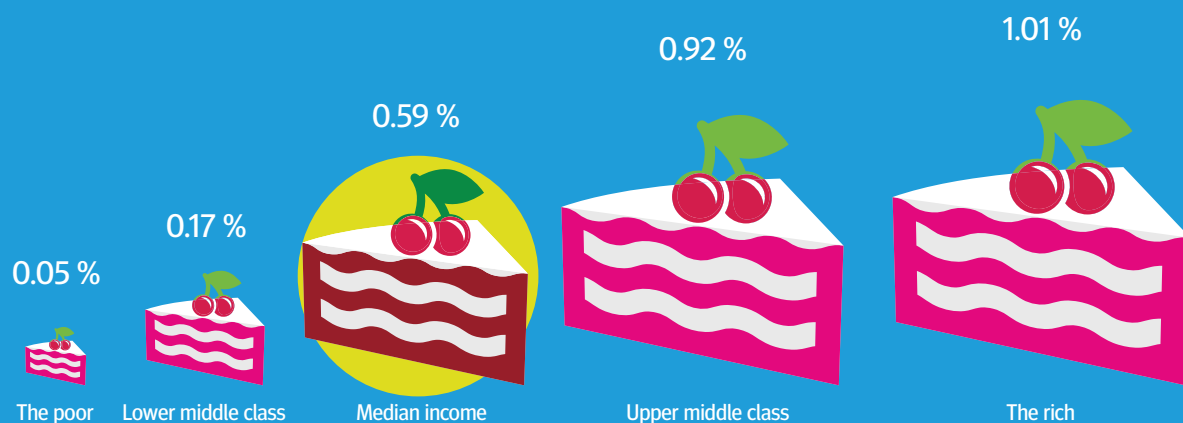
invest.gov.tr

Economic Policy Reforms: Going for Growth

Selected data from OECD360

Growth has been unequally distributed

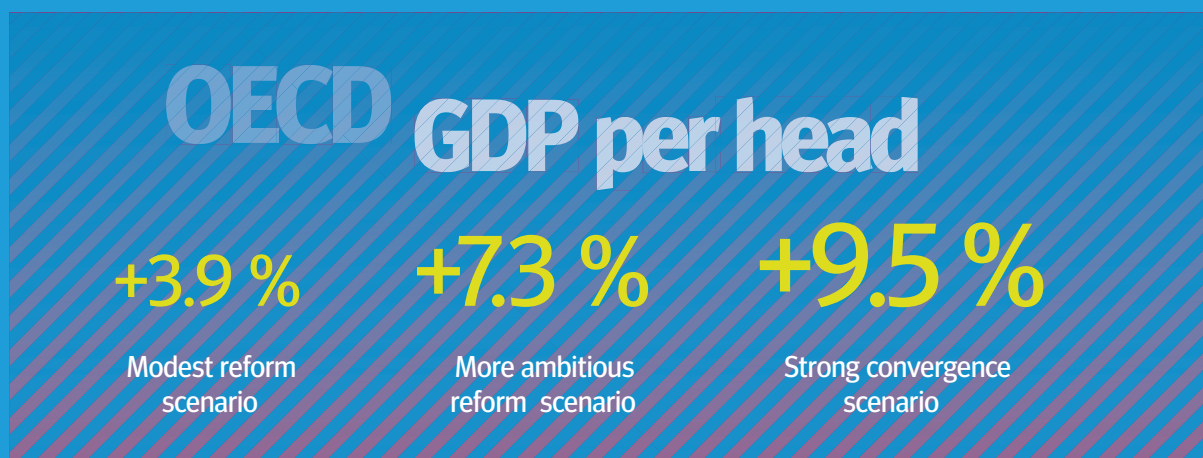
Average annual growth of household disposable income across OECD countries, 1995-2011, %



StatLink  <http://dx.doi.org/10.1787/888933177441>

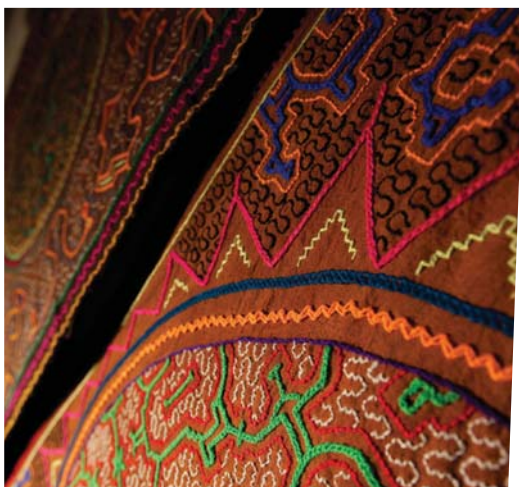
Potential gains from moving closer
to policy best practice are substantial

Average OECD potential gains in GDP per head from stronger reforms



StatLink  <http://dx.doi.org/10.1787/888933177586>

www.oecd360.org



Peru can be as unique
as a diamond, rich,
shiny and multifaceted.

And you can choose which side you
look at first.



peru.info

INVESTMENT

The world economy could be entering gradually into a more dangerous phase of potential instability that is not in the interests of either the advanced OECD or the emerging world.

There is scope for better policies to sequence a reform of the international financial system, moving it away from the dangers of an increasingly large dollar-bloc focused on managed exchange rates supported by capital controls. This scope arises because there is no conflict in policy objective here. Reform would help to: reduce feedback loops that re-enforce the carry trade; allow EME (emerging market economy) consumers to benefit from cheaper imports from abroad; permit more domestic-demand-driven growth in EMEs to restore more balanced global growth; and facilitate more efficient and cheaper funding for private capital expenditure in EMEs.

Adrian Blundell-Wignall and Caroline Roulet
 "Problems in the international financial system", 2014

Imagine if in addition to existing efforts, we could leverage trillions in private capital and bring the same level of focus and entrepreneurial dynamism that we see in the private sector to meet the pressing needs for better schools, more job opportunities, improved public services, safer streets? We don't have to imagine. It is already happening—and it is called impact investing.

Sir Ronald Cohen and Matt Bannick, "Is Social Impact Investing The Next Venture Capital?", in *Forbes.com*, September 2014

The global profit pool of Islamic banks is set to triple by 2019. Islamic banking assets in six core markets—Qatar, Indonesia, Saudi Arabia, Malaysia, UAE and Turkey—are on course to hit US\$1.8 trillion by 2019. [However] Analysis of sentiment on social media shows that customer satisfaction with Islamic banks is mediocre.

World Islamic Banking Competitiveness Report 2014-15
 – Participation Banking 2.0, December 2014

The events of 6 May [when the “Flash Crash” wiped US\$1 trillion off US stocks in 20 minutes, with most of the damage being done in just 5 minutes] clearly demonstrate the importance of data in today’s world of fully automated trading strategies and systems. This is further complicated by the many sources of data [...] and even inherent time lags based on the laws of physics...

Findings regarding the market events of 6 May 2010—Report of the Staffs of the CFTC and SEC to the Joint Advisory Committee on Emerging Regulatory Issues, September 2010

The first-ever survey of conservation impact investing reveals a fast-growing market totalling approximately US\$23 billion in the five-year period from 2009-2013. During the same period, private investments accounted for almost \$2 billion of this market—an amount that is growing at an average of 26% annually, and is expected to reach more than \$5.6 billion by 2018.

J.P. Morgan Chase & Co, Investing in Conservation: A landscape assessment of an emerging market, November 2014

...every US\$1 invested in education and youth skills in developing countries generates \$10-\$15 in economic growth. [...] it would cost \$8 billion—less than half the cost of the 2012 Olympic Games—to send all young people to lower secondary school in poor countries to learn vital skills for work.

UNESCO, Youth and Skills: Putting Education to Work, October 2012

There are no examples of countries that have successfully delivered prosperity and equity by bolstering the power of the financial sector without first having a coherent national development strategy and industrial policy.

Peter Chowla, “Can development really be delivered by investing in private banks?”, April 2014

Global infrastructure needs to 2030 are estimated to be US\$57 trillion. For both public sector and private sector investors in the developing markets there has been a lack of well-prepared projects to fulfil these needs.

African Development Bank, “Global development banks and the private sector come together to support a practical solution for reducing the infrastructure gap”, November 2014

Don't miss!

3rd Global Forum on Responsible Business Conduct

OECD Conference Centre, Paris, France, 18-19 June 2015



©Andrew Biraj/Reuters

Forums, conferences and workshops take place at the OECD throughout the year. For more upcoming events, go to: www.oecd.org/newsroom/upcomingevents

Come va la vita in Italia?



Audrey Hepburn, Gregory Peck in Roman Holiday; Paul (Colour) Faherty/Kobal/ The Picture Desk

How's life in Italy? The OECD Better Life Index is an interactive online platform in seven languages that goes beyond GDP by offering important insights into measuring well-being and quality of life. Try it for yourself!

Visit <http://oe.cd/-i>

Interested in a career in Paris at the OECD?



©Bill Cheyrou/Alamy

The OECD is a major international organisation, with a mission to build better policies for better lives. With our hub based in one of the world's global cities and offices across continents, find out more at www.oecd.org/careers/

Final count



©Luke MacGregor/Reuters

As the dust settles after the UK general election which took place in May, and with the 70th anniversary of the end of the Second World War this year, it seems an appropriate time to recall Winston Churchill's famous observation: "No one pretends that democracy is perfect or all-wise. Indeed it has been said that democracy is the worst form of government, except for all those other forms that have been tried from time to time."

From "Don't miss" on oecdobserver.org

A Fair Deal on Talent – Fostering Just Migration Governance



If well managed, migration generates benefits for migrants, their countries of origin and the countries they settle in. For migrants, it can help them expand their skill sets and improve their standard of living. For destination countries, it can alleviate demographic pressures and foster cultural diversity. For origin countries, it can bring benefits associated with remittances and knowledge transfers. However, in reality, these benefits are rarely achieved, as migration policy failures frequently lead to suboptimal or even negative outcomes. Realizing the full potential of migration therefore demands we foster a paradigm shift toward the fair management of migration.

Fair migration is driven by the desire to achieve a triple-win for migrants, destination countries and origin countries. In addition to outlining the key challenges and opportunities associated with fair migration, this volume examines the good practices of a variety of countries and institutions which highlight aspects of fair migration. The volume concludes with policy recommendations for effective and fair migration policymaking at the national and international levels.

Bertelsmann Stiftung (ed.)

A Fair Deal on Talent – Fostering Just Migration Governance

Lessons from Around the Globe

Reinhard Mohn Prize 2015

2015, 328 pp., EUR 30.00

ISBN 978-3-86793-659-0



| Verlag BertelsmannStiftung

www.bertelsmann-stiftung.org/publications

Order this now!

Keeping you ahead of the policy challenges of our time.
Since 1962

Each subscription to the OECD Observer includes the
OECD Yearbook.

Return the order form below, subscribe at
www.oecdobserver.org/subscribe.html
or email us at observer@oecd.org



OECD OBSERVER ORDER FORM – SUBSCRIBE TODAY!

☐ **Yes**, sign me up for 4 issues and
my special OECD Forum edition.

☐ € 77
☐ US\$ 102
☐ £ 60
☐ ¥ 9 800

☐ **Yes**, sign me up for 8 issues
plus 2 OECD Forum specials and
save 30%!

☐ € 107
☐ US\$ 146
☐ £ 86
☐ ¥ 14 300

You can order either online at www.oecd.org/bookshop or by mail at one of the addresses below

Name	
Telephone	Fax
Address	
Postcode, City and Country	

Subscription will start with the next available issue. You will receive the English language edition
unless you select the French - tick here ☐

For customers in the US

Turpin Distribution, The Bleachery, 143 West Street, New Milford, Connecticut 06776 USA
Tel: (1) 800 456 6323 Fax: (1) 860 350 0039 Email: oecdna@turpin-distribution.com

For customers in the rest of the world

Turpin Distribution Ltd., Stratton Business Park, Pegasus Drive, Biggleswade,
Bedfordshire SG18 8QB, UK
Tel: (44) 1767 604 960 Fax: (44) 1767 601 640 E-mail: oecdrow@turpin-distribution.com

Organisation
Position held
E-mail
Date
Signature

Payment details

- ☐ Cheque/money order enclosed (payable to "OECD")
☐ Please charge my VISA/MasterCard/American Express

TOTAL amount due
Card number
Expiry date

GDF SUEZ is now



ENGIE



GDF SUEZ : SA AU CAPITAL DE 2 435 285 011 € - RCS NANTERRE 542 107 651

engie.com

Because the world is changing and with it our energies, GDF SUEZ is now ENGIE. And ENGIE will invest more than ever in people's creativity and collaboration to lead the energy transition.

By people for people

OECD Yearbook 2015

Investing in the Future People, Planet, Prosperity

This fifth edition of the *OECD Yearbook* continues our discussions of some of the key social, economic and environmental challenges that have resulted from seven years of global economic turmoil. Though confidence may be slowly returning, uncertainty remains. Challenges such as unemployment, poverty, climate change and disease must be addressed. Business-as-usual is not an option. We need policies for people, the planet and prosperity at the same time. For instance, what kind of policies can reduce inequality and bolster growth? Is it really possible to create more and better jobs at once? How might quotas promote gender equality? How can breakthroughs in innovation and green technology spur our transition to a low-carbon economy? How can stringent policies on the environment also help productivity, and not constrain it? What policies are needed to spur stronger growth in investment? How can we harness the power of migration? What new ideas and approaches to economic policymaking can we aspire to? And what must world leaders and stakeholders do to secure key agreements in 2015 on development financing, sustainable development and climate change?

In the 2015 *OECD Yearbook* the OECD's experts are joined by leaders from government, business, labour, academia and civil society to examine these and other questions facing our societies today.