

## B20 Employment & Education Task Force

### DRAFT Policy Recommendations

# Jobs, Growth, Prosperity and Development – *Unleashing the potential of G20 economies*

#### Purpose of this document

This document is the first draft of the Policy Recommendations of the B20 Argentina Employment & Education (EE) Task Force. The themes have been constructed out of the last B20 recommendations from the German Presidency, the priorities of the Argentinean G20 as well as the discussions in the last meeting of the Task Force on 14 March in Geneva. EE TF members are asked to comment on the paper and give their input.

### OVERVIEW

|   |         |
|---|---------|
| <u><a href="#">Introduction</a></u>   | Page 5  |
| <u><a href="#">Recommendation 1: Promote open, dynamic and inclusive labour markets</a></u>   | Page 7  |
| <u><a href="#">Policy Action 1.1: Promote diverse Forms of Work</a></u> <ul style="list-style-type: none"> <li>➤ The B20 reiterates the need for G20 governments to promote flexible labour law and a diversity of forms of employment that are future looking and conducive to job creation.</li> <li>➤ The discussion on diverse forms of work needs to mature. Instead of talking and differentiating between standard vs. non standard anymore, the discussion should focus on the working conditions in the different forms of work itself.</li> <li>➤ Social protect systems should be modernize to ensure that they embrace the full range of forms of work without becoming barriers to these. Safety nets should innovate to allow for the creation and build up of rights and benefits that are portable for individuals across different forms of work, jobs and sector, in particular with regards to training rights.</li> </ul> | Page 8  |
| <u><a href="#">Policy Action 1.2: Strengthen inclusiveness of labour markets</a></u> <ul style="list-style-type: none"> <li>✓ <u><a href="#">Strengthen Female Employment</a></u> <ul style="list-style-type: none"> <li>➤ Remove legal restrictions that hinder women to participate in the labour market and becoming self-employed.</li> <li>➤ Ensure access for all girls and women from a very early age to compulsory, high-quality education systems with proper acquisition and application of the core competences, particularly literacy, numeracy and mathematics (STEM) subjects and to address cultural norms that may discourage women from acquiring technical (STEM) skills.</li> <li>➤ Improve supportive mechanisms such as day-care centres and elderly care.</li> <li>➤ Support female entrepreneurship by ensuring proper access to finance and other services.</li> </ul> </li> </ul>                                   | Page 10 |

|  |         |
|--|---------|
| <ul style="list-style-type: none"> <li>➤ Engage with employers, and workers to developed targeted initiatives at national and local level to remove the cultural, economic and social barriers hindering women's active participation in the labour market.</li> <li>✓ <u>Open up chances for young people in the labour market</u></li> <li>➤ Create attractive regulatory framework conditions which stimulate the establishment of apprenticeships systems.</li> <li>➤ Enhance cooperation between business and VET institutions as well as universities. Employability has to be a key component of education systems in order to avoid skills mismatches on the labour market.</li> <li>➤ Ensure that apprenticeships systems are responding to the development of new professions.</li> <li>➤ Ensure that VET institutes have at their disposal the latest technology in learning tools.</li> <li>➤ Provide mentoring and support systems for pupils with special needs.</li> <li>✓ <u>Improve the labour market integration for persons with disabilities</u></li> <li>➤ Governments should focus on practical measures which contribute to facilitating the employment, job retention and return-to-work opportunities for disabled persons. Support and advice should be provided to business on how to address the barriers that often prevent persons with disabilities from obtaining jobs in the private sector (demand side).</li> <li>➤ Measures should be introduced to foster the integration of persons with disabilities into mainstream work-related and educational programmes and services. Depending on national circumstances, the development of services for those in rural areas and remote communities is of particular importance.</li> <li>➤ Moreover, more and better data are needed. G20 countries must step-up efforts in this regard.</li> <li>➤ Where data available they show that women with disabilities are even less likely to get into employment than men. Thus, integration and inclusion policies and strategies need to have a gender-focus.</li> <li>➤ Social protection systems should be designed in way that they promote labour market participation of persons with disabilities.</li> <li>➤ Social partners have a key role to play for raising awareness, building capacity and supporting companies and labour force in the inclusion of people with disabilities. Governments should work closely together with national social partners in designing national strategies to promote skills development and employment opportunities for people with disabilities</li> </ul> |         |
| <p><u>Policy action 1.3: Foster labour migration in line with labour market needs</u></p> <ul style="list-style-type: none"> <li>➤ Adopt migration policies that are timely and flexible to accommodate new and longstanding business models, but also predictable and transparent so that employers can effectively manage compliance.</li> <li>➤ Ensure employers are partners in identifying skills gaps and establishing frameworks for assessing foreign qualifications. Policies should avoid narrow qualification requirements and skills definitions, trusting employers to identify the most-qualified candidate.</li> <li>➤ Adopt migration policies that foster family unity by creating accessible pathways for accompanying family to obtain work authorization and provide migrant workers and their families' access to support services and mechanisms to enable a smooth integration into their host countries societies.</li> <li>➤ Provide sustainable assistance to employer organizations to communicate the benefits of labour migration and how migrants apply their skills to enrich the local economy and the community.</li> </ul>   | Page 17 |
| <p><u>Recommendation 2: Strengthen skills development and lifelong learning for sustainable growth</u></p>   | Page 18 |
| <p><u>Policy Action 2.1: Learn to Learn: Promote Life-Long Learning from childhood</u></p>   | Page 19 |

|   |         |
|---|---------|
| <p><u>onwards</u></p> <ul style="list-style-type: none"> <li>➤ Promote life-long learning as a means for individuals to enhance their employability, as well as for companies to improve their innovative capacity and competitiveness. A particular focus should be given to develop the ‘ability to learn’ (or: ‘Learnability’) especially amongst the young, lower skilled and older workers.</li> <li>➤ Formalize the role of “Learning to Learn” in childhood education systems as a fundamental competence.</li> <li>➤ Ensure a framework that allows for the build-up of individual training rights and/or resources across different jobs, sectors and forms of work that supports the availability of resources for individuals when up- or re-skilling is needed.</li> <li>➤ Build up training systems that anticipate more rapidly changing skills needs and focus on the transferability of competencies, thereby opening new training and career pathways and exploiting all available human resource potential.</li> <li>➤ Collaborate with business in the organisation of skill-building and re-skilling initiatives. Businesses can also collaborate within and across sectors with shared training objectives.</li> <li>➤ Create opportunities – especially for small- and medium-sized employers – to partner with well-coordinated efforts at all levels of government to ensure they have the resources they need to offer workplace training programs.</li> <li>➤ Design mechanisms for retraining and labour reintegration of those workers caught in the crosscurrents of automation. Evaluate different schemes for financing these programs.</li> </ul> |         |
| <p><u>Policy Action 2.2: Provide high quality education systems, which teach the skills needed in the labour markets of tomorrow</u></p> <ul style="list-style-type: none"> <li>➤ Ensure access for all to compulsory, high-quality education systems that ensure proper acquisition and application of the core competences, particularly literacy, numeracy and science, technology, and engineering and mathematics (STEM) subjects.</li> <li>➤ Facilitate close cooperation between businesses and schools to better link educational pathways with labour market needs, and to effectively support and provide guidance to students in their career choices and job search.</li> <li>➤ Equip education and training systems with faculty and techniques to effectively teach social and behavioural skill relevant to the future work.</li> </ul>  | Page 21 |
| <p><u>Policy Action 2.3: Embrace technologies and new digital learning models to harness the next generation of digital learning solutions</u></p> <ul style="list-style-type: none"> <li>➤ G20 countries should develop appropriate digital infrastructure to open-up possibilities for digital learning solutions.</li> <li>➤ G20 countries should adopt digital learning as part of their education system to cost effectively open-up possibilities for the broad population base, ensure consistent availability of opportunities to all genders, age, geography, and socio-economic classes.</li> <li>➤ Work with public sector to provide incentives for the development of edutainment tools and resources, complementing formal education and learning through play.</li> <li>➤ Provide trainings to educators, students and parents on how to make a proper, positive and constructive use of these technologies and digital infrastructure.</li> </ul>   | Page 22 |
| <p><u>Policy Action 2.4: Optimize use and access to labour market data and intelligence</u></p> <ul style="list-style-type: none"> <li>➤ Work together in developing common approaches to data collection and treatment, in collaboration with business and training institutions.</li> </ul>   | Page 23 |

|  |                |
|--|----------------|
| <ul style="list-style-type: none"> <li>➤ Supplement traditional labour market data by leveraging alternative data sources for labour market intelligence, such as those from private companies which may work in the employment space, as these complements have a number advantages such as being global in scope, more frequently updated, and more granular than traditional sources of labour market data. National governments should expand and improve their own labour market data gathering, but they should also consider leveraging alternative data sources.</li> <li>➤ Share public labour market data with the market in order to foster innovation and develop better labour market intelligence and skills anticipation.</li> <li>➤ Standardize skills qualification in collaboration with private labour market and education professionals, including the qualification of non-formal qualification systems.</li> <li>➤ Incorporate and support private initiatives that contribute to qualification and validation of skills.</li> </ul>  |                |
| <p><b><u>Recommendation 3: Support entrepreneurship and innovation</u></b></p>   | <p>Page 26</p> |
| <p><b><u>Policy Action 3.1: Develop and implement ambitious support and growth strategies for entrepreneurs</u></b></p> <ul style="list-style-type: none"> <li>➤ Develop and implement ambitious support and growth strategies for particularly young and female entrepreneurs.</li> <li>➤ The G20 should support B20 actions regarding the G20 SMART Innovation Initiative, including: a regular convening of the G20 SMART Innovation Forum, the establishment of the G20 SMART industrial park to boost the “G20 Young Entrepreneur Partnership”, and the set-up of the G20 SMART Innovation Fund. Furthermore, the G20 countries should follow up their Action Entrepreneurship Plan established in 2016 annually.</li> <li>➤ Set up support systems for start-ups through easily accessible and timely information and advice. Make the registration of companies as easy as possible.</li> <li>➤ Enable greater access to a variety of funding sources for SMEs, such as temporary tax incentives for early stage investors, start-up loans with favourable interest rates and/or repayment-free year, and guarantees in order to minimize the default risk for lenders.</li> <li>➤ Embed entrepreneurship education into school, VET, and university curricula.</li> <li>➤ Create innovation-friendly framework conditions, in which start-ups can generate new ideas and inventions through sufficient R&amp;D spending, as well as investments in post-R&amp;D activities (such as market development).</li> <li>➤ Promote enabling environments by effectively assessing the impact of regulation on businesses and job creation.</li> <li>➤ Refrain as much as possible from excessive taxation on new small businesses, in order to not discourage future entrepreneurs from the outset.</li> <li>➤ Create a G20 multilateral start-up visa to improve the ability of entrepreneurs to travel and conduct business internationally and to increase labour mobility by allowing high and sustainable growth SMEs to hire overseas skilled labour more easily</li> </ul> | <p>Page 27</p> |
| <p><b><u>Policy 3.2.: Address informality</u></b></p> <ul style="list-style-type: none"> <li>➤ Ensure rule of law and proportionate enforcement by the competent.</li> <li>➤ Lower the barrier to entry of the formal economy, by implementing labour market reform and creating incentives to start a business as a formal self-employed (see above recommendation 1 and 2).</li> <li>➤ Engage with social partners to classify forms of work in order to balance labour market reform and labour market enforcement.</li> <li>➤ Implement International Labour Organization (ILO) Recommendation 204, on Transition from the Informal to the Formal Economy.</li> </ul>  | <p>Page 28</p> |

## Introduction

The future of work is today. Business possibilities, challenges, and needs are evolving faster than ever before. Digital and technological advances alongside rapid social change are evolving how work gets done, who does the work and what work looks like. Nowadays companies are required constantly to change. For business, this is an old wisdom. Companies always needed to change. However, the speed and profoundness of change we see at the moment differs markedly from former experiences.

The jobs of the future are not only shaped by technological advancement. Other driving forces are globalization, climate change, diversity, demographic changes, as well as the changing nature of careers and the rapid growth of a diversity of forms of work. Informality, persisting high unemployment, particularly youth unemployment and gender equality remain challenges which needs to be vigorously addressed.

As the world of work is changing, so must not only companies, but also regulatory frameworks. Countries which do not fully embrace the growing diversity of forms of work in their regulatory framework will either lack job creation or will push employment into the informal sector. Well functioning labour markets are of crucial importance for increasing labour market participation and decent employment. More and new diverse, tailor-made forms of work and formal and non-formal education contributes to better functioning labour markets and economic growth.

Moreover, the half-life of skills nowadays is 2,5 to 5 years.<sup>1</sup> The challenge arises to ensure that people are propelled and empowered and not displaced or marginalized by innovation and technology. The future growth and competitiveness of economies rests in their ability to build the relevant skills among their current and future workforces to prepare for these new realities. This implies significant changes in education systems as well as skill-building mechanisms for workers that need to adapt to fast-approaching realities. Workers are ready for that. A recent study from Accenture showed that more than 65 percent of workers say it is important to develop their skills to work with intelligent machines in the next 3-5 years.

The Argentinean G20 Presidency marks the 10th anniversary of the G20 process in its current form and with it the engagement of the G20 on employment creation, skills development, gender equality, working conditions and entrepreneurship. Although the financial crisis and the subsequent recession, which triggered the development of the G20 process, have been overcome, many of the long-term structural problems and challenges in G20 countries still remain barriers for job creation, growth, prosperity and development. The last ten years have seen important initiatives and commitments from the G20 Employment Process, such as the commitment to address structural obstacles to employment creation, the ILO G20 Training Strategy, the G20 Principles for Quality Apprenticeships, the G20

---

<sup>1</sup> Deloitte University Press, Navigating the future of work, Issue 21, July 2017  
<https://www2.deloitte.com/insights/us/en/deloitte-review/issue-21/navigating-new-forms-of-work.html>

Apprenticeships Initiative or the G20 Entrepreneurship Action Plan. However, national implementation and the full involvement of social partners in it have been not sufficient. The establishment of national G20 employment plans, although highly welcomed, did not increase accountability for implementation, as it would be needed. Ten years after the establishment of the G20, it is necessary to bring fresh impetus into the process, focusing on impact on labour markets and education systems, societies and people. The G20 must finally become an engine for reform, triggering the necessary change at all levels.

G20 countries are highly diverse with regards to their labour markets. However, they all face the challenges described above: The impact of technological change on employment, skill mismatches in the labour market, gender equality and youth employment. G20 Countries must follow a coherent reform path to address these issues. In an increasingly quickly changing world, reform laggards will be the losers of tomorrow.

Partnerships, particularly constructive engagement between social partners, are important to address the challenges and grasp the opportunities which the future of work offers. Social Dialogue has a key role to play in modernizing labour markets.<sup>2</sup> In the past, in many countries Social Dialogue has helped significantly in dealing with the process of major political, economic and social transformation and in avoiding serious social unrest and crises. For the B20 it is crucial that Social Dialogue is not an end in itself, but must deliver and contribute to the competitiveness of companies and social stability of societies. Business is ready to engage with G20 governments, trade unions and stakeholder to address the challenges ahead and harness the potential which the future of work offers. It is in this spirit that the B20 urges the G20 governments to give priority to the following policy areas.

---

<sup>2</sup> Deloitte University Press, 2018 Global Human Capital Trends, Introduction: The rise of the social enterprise <https://www2.deloitte.com/insights/us/en/focus/human-capital-trends/2018/introduction.html>

## Recommendation 1: Promote open, dynamic and inclusive labour markets

Persisting high unemployment remains one of the greatest challenge in many countries around the globe. According to the ILO's new estimation the total number of unemployed is expected to remain in 2018 above 192 million. In 2019, the global unemployment rate is expected to remain essentially unchanged, whereas the number of unemployed is projected to grow by 1.3 million. If unemployed people would form a country, it would be the seventh largest country in the world. Thus, job creation must remain the number one top priority for G20 countries, particularly bringing young people into the labour market. Youth in G20 countries is 3 times more likely to be unemployed than their adult counterparts. Moreover, alone in Africa, 10 to 12 million young men and women enter the labour market each year, all too often in the informal sector. Data shows that youth who are unemployed early in their careers tend to be on a trajectory of low-income which follows them across their work lives, putting much of the burden to support retiring generations on those who do not as widely available prospects for income<sup>3</sup>.

Besides different macroeconomic conditions, levels of debt, stability of financial institutions and access to finance, the functioning of labour markets are key for keeping people in employment and bringing them back into work. A wealth of data, including from the World Bank and the OECD, shows that overly rigid labour markets, high non-wage labour costs, and excessively bureaucratic burden hinder companies to grow and employ people. Open, dynamic and inclusive labour markets, with simple, transparent, flexible and predictable legal employment frameworks, efficient, speedy and corruption-free processes to register business and incentives to encourage entrepreneurs to operate in the formal sector are key requirements to encourage companies to hire as many people as possible, to promote formalization and to open up chances for underrepresented groups at the labour market.<sup>4</sup>

Jobs in the service sector will continue to be the main driver of future employment growth while agriculture and manufacturing employment continue to decline. Thus, strong policy efforts are necessary to ensure that the full employment potential of the service sector is harnessed. This is linked to the fact that also in the future there is a need to provide jobs at every skill level - at any time, there will be young people, those who choose to have lower skilled jobs or thus far have not gotten up the skill curve.

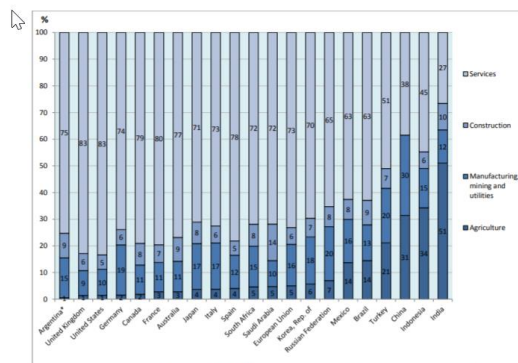
---

<sup>3</sup> Deloitte, Issues by the Numbers, An unbalanced age: Effects of youth unemployment on an aging society  
<https://www2.deloitte.com/insights/us/en/economy/issues-by-the-numbers/effects-of-youth-unemployment-us.html>

<sup>4</sup> Deloitte Global Inclusive Growth Survey, The business case for inclusive growth, 2018  
<https://www2.deloitte.com/global/en/pages/about-deloitte/articles/wef-business-case-inclusive-growth.html>



Figure A4. Distribution of employment by main economic activity (in percentage, 2014)



Notes: \*\* Selected urban areas. Data refer to 2013 for Brazil, Canada, China, the Russian Federation and the United States. Data refer to 2010 for India. Manufacturing, mining and utilities include construction for China. Source: Annual national accounts for Canada, the European Union, France, Germany, Italy, Spain, the United Kingdom and the United States; national labour force surveys for Australia, Brazil, Indonesia, Japan, Korea, Mexico, the Russian Federation, South Africa and Turkey; and ILOSTAT for Argentina, China, India and Saudi Arabia.

### **Policy Action 1.1: Promote diverse Forms of Work**

As consumers become more demanding and digitalisation allows easy access into new markets, the economy becomes more dynamic and prone to frequent change. A diversity of work contracts allows companies to react adequately to market changes and quickly create jobs. At the same time it allows everyone to live and work in accordance with their respective personal situation and preferences. A recent survey found that workers who felt that their needs and preferences were met at work exhibit higher levels of performance and put in stronger discretionary effort<sup>5</sup>.

Diverse forms of work, being fixed-term work, agency work or free-lance, either 'offline' or via an online platform, are a stepping stone to the formal economy. Each year, around 50 million people access the labour market thanks to an employment agency alone, 81% of them being satisfied with their work. Moreover, diverse forms of work promote a more transitional labour market by enhancing upward and side ward mobility.

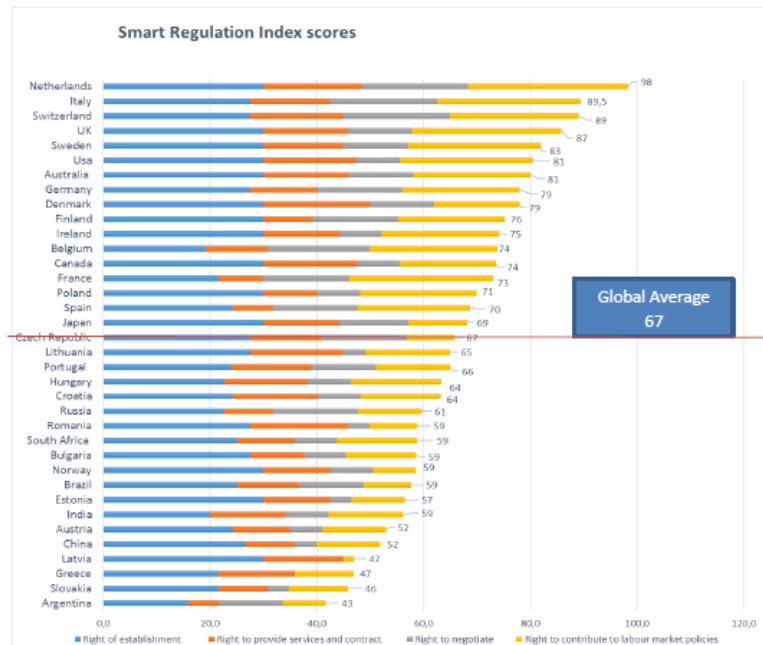
However, in too many countries there are still too many restrictions for Private Employment Agencies being established, delivering services and being involved in social discussions, despite the commitment of G20 labour ministers in 2013 to embrace multiple forms of work.

<sup>5</sup> Deloitte Review, Beyond office walls and balance sheets: Culture and the alternative workforce, Issue 21, July 2017

<https://www2.deloitte.com/insights/us/en/deloitte-review/issue-21/workplace-culture-and-alternative-workforce.html#the-four-faces-of-the-alternativ>



## Smart Regulation Index



The Smart Regulation Index (SRI hereafter) measures the labour market's willingness to use Private Employment Agencies (PrEAS) in the indicated countries and focuses on the agency work sector. The index score is based on the World Employment Confederation's members' responses to a survey which was divided into four sections, with a maximum global score of 100:

- **Right of establishment:** This indicator measures the ease of starting a legitimate PrEA business in any given country and accounts for 30 points.
- **Right to provide services and contracts:** This indicator measures the freedom of PrEAS in delivering the full range of HR services to companies and offers the full range of employment contracts to workers: This indicator accounts for 20 points.
- **Right to negotiate:** This indicator measures the level of participation of PrEAS in social discussions, either social dialogue or any other social system and the PrEAS ability to implement innovative forms of social protection. This indicator accounts for 20 points.

Other forms of work are rapidly growing too. Organizations are moving from traditional employees to a multi-channel approach to work with joint ventures, contractors, freelancers and crowds. An entire continuum of options to engage and interact with "talent" is leading to an unleashed workforce. The perception of the workforce is also changing. More than 60% of the millennials for instance thinks that 7 months of tenure means they're loyal. A recent survey found that 38% of millennials globally would leave their current employment for a new organization within two years<sup>6</sup>. Therefore it is important that we envision a positive way forward and do not regulate against change, because there is a huge potential for job growth, competitiveness and participation in G20 economies.

As more and more people will assume greater autonomy and responsibility for their own careers and income security, transitions across and between jobs, and periods in and out of work may increase, impacting individuals' rights and access to social protection schemes. It is important that the welfare of these individuals is given appropriate attention by innovating

<sup>6</sup> Deloitte Global, The 2017 Deloitte Millennial Survey: Apprehensive millennials: seeking stability and opportunities in an uncertain world, <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>

safety nets that allow the build-up of rights and benefits that transcend a particular job, contractual arrangement or sector.

- The B20 reiterates the need for G20 governments to promote flexible labour law and a diversity of forms of employment that are future looking and conducive to job creation.
- The discussion on diverse forms of work needs to mature. Instead of talking and differentiating between standard vs. non-standard anymore, the discussion should focus on the working conditions in the different and new forms of work itself.
- Social protect systems should be modernized to ensure that they correspond to the full range of forms of work without becoming barriers to these. Safety nets should innovate to allow for the creation and build up of rights and benefits that are portable for individuals across different forms of work, jobs and sector, in particular with regards to training rights.

### **Policy Action 1.2: Strengthen inclusiveness of labour markets**

Although female and youth employment has been in the focus of policies makers for quite some time, the labour force participation rates among women and youth in the G20 countries are considerable lower than the average participation rates. Progress has been too slow in tackling the issue effectively.

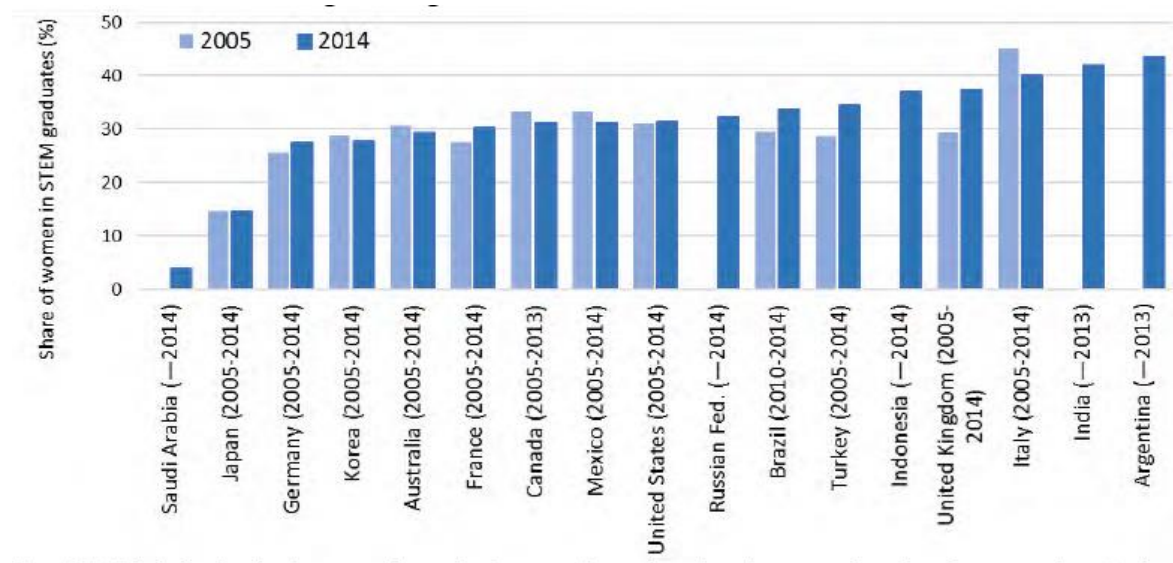
Female participation rates in the G20 countries are, for instance, 26 percentage points lower than their male counterparts. Recent World Bank research shows the challenge many women face in the quest for economic opportunity. 104 economies still prevent women from working in certain jobs, simply because they are women. In 59 economies there are no laws on sexual harassment in the workplace. And in 18 economies, husbands can legally prevent their wives from working.

Overall, women continue to suffer from higher rates of unemployment, are less likely to participate in the labour force and face higher risks of vulnerable employment. One underlying cause for the vulnerable position of women in the labour market is education. In the most recent years for which data are available, young women accounted for 59 per cent of the total illiterate youth population globally. Moreover, even though women are over-represented among tertiary graduates in OECD countries (57 percent of first-time graduates), they remain under-represented in certain fields of study, such as science and engineering. Insights indicate that those who lack a comfort with these skills are more likely to find limited career options<sup>7</sup>.

---

<sup>7</sup> Deloitte University Press, Catch the wave: The 21<sup>st</sup>-century career, Deloitte Review, Issue 21, July 2017  
<https://www2.deloitte.com/insights/us/en/deloitte-review/issue-21/changing-nature-of-careers-in-21st-century.html>

Research for LATAM has shown that one of the underlying causes for the lack of representation of women in STEM related fields is the perpetuation of gender stereotypes in school and home environments. Although there have been positive changes, parents continue to be more prone to picturing their sons as more able or likely to pursue careers in science, math and engineering. This impacts not only on the numbers of female representation in STEM, but also their opportunity to develop stem related skills such as creativity, innovation, logical thinking, and problem solving.

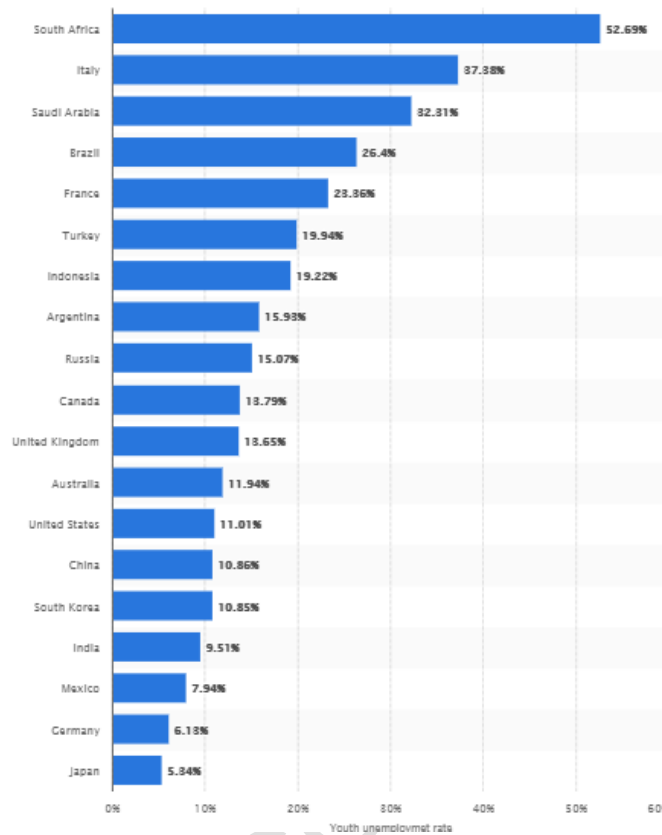


Accenture's research found that the proportion of women in the US computing workforce (already only 24%) will actually decrease to 22% over the next decade in the absence of pro-active interventions. The research highlights critical factors to transform this scenario, including: 1. increasing the exposure of girls in primary school to digital formats, including games; 2. teachers that encourage high-school girls to get involved in computing; and 3. looking beyond strictly computer-science graduates when searching for women to fill computing-related roles.

Youth have been particularly hard hit by the Recession following the financial crisis. Youth in G20 were 3 times more likely to be unemployed than their adult counterparts in 2016, although there are huge regional differences. The OECD stresses that unemployment spells early in the working life can have important scarring effects, resulting in more frequent unemployment spells and weak labour market attachment, with long-lasting consequences for life-time earnings. Analysis finds that youth who experience an enduring period of unemployment early on in their careers toward a lower income trajectory, as compared to their peers who did not experience substantial breaks in employment<sup>8</sup>.

<sup>8</sup> Deloitte, Issues by the Numbers, An unbalanced age: Effects of youth unemployment on an aging society <https://www2.deloitte.com/insights/us/en/economy/issues-by-the-numbers/effects-of-youth-unemployment-us.html>

**Youth unemployment rate of G20 countries in 2017**



Moreover, under the Argentinean G20 Presidency, the focus is also on people with disabilities. Here are the data even more grave. In the EU, for instance, the employment rate of people with basic activity difficulties in 2011 was 47.3 %, almost 20 percentage points below that of people without such difficulties. Similarly, in Australia people aged between 15 and 64 years with disability have both lower participation (53%) and higher unemployment rates (9.4%) than people without disability (83% and 4.9% respectively). Australia's employment rate for people with disability (46.6% in 2015) is thereby on par with developed countries. In developing countries, 80% to 90% of people with disability of working age are unemployed, whereas in industrialised countries the figure is between 50% and 70%.

These data are much too high. G20 labour market must become more inclusive. An inclusive labour market is a labour market that allows and encourages all people of working age to participate in paid work and provides a framework for their development. The goal, therefore, is to effectively mobilise the talents and resources of these underutilised groups so that they can participate in and benefit from the driving of economic growth.

✓ **Strengthen Female Employment**

The G20 Labour Ministers committed, in September 2014 to a range of measures for boosting female participation, quality of employment and gender equity and agreed to reduce the gender participation gap across G20 countries by 25 percent by 2025. The IOE, BIAC and Deloitte monitoring of the implementation of G20 commitments at national level suggests, that some degree of implementation of the G20 commitments at the national level take place, but that often the implemented policies do not seem to meet the intended targets.

The Deloitte/IOE/BIAC Monitoring Report “Youth. Women. Entrepreneurship. Understanding labour market policies across the G20” from July 2017 has found that most countries have programs in place to strengthening female employment, but that a lot more needs to be done.

- The majority of countries (72 percent) have a documented strategy as well as programs specifically targeting women. However, gender targets against programs were reported in very few cases (13 percent).
- Accessibility remains a challenge and based on the survey findings, it is likely to remain so. Affordability of childcare is one of the biggest barriers to women entering the workforce. When asked if affordability is being addressed (e.g. through caps to percentage of income) only 27 percent of countries said it was, while 60 percent said it was not.
- In an effort to support self-employment and female entrepreneurs, a small majority of respondent countries (67 percent) have government-led financial literacy programs available to both men and women, with 40 percent having government-led programs specifically for women. 73 percent reported having skills development programs available to women, and tailored labour market (53 percent) and employment services (73 percent) for women. These programs can help women access and remain in the labour market.

Against this background the B20 stresses the need for governments to

- Remove legal restrictions that hinder women to participate in the labour market and becoming self-employed.
- Ensure access for all girls and women from a very early age to compulsory, high-quality education systems with proper acquisition and application of the core competences, particularly literacy, numeracy and mathematics (STEM) subjects and to address cultural norms that may discourage women from acquiring technical (STEM) skills.

- Improve supportive mechanisms such as day-care centres and elderly care.
- Support female entrepreneurship by ensuring proper access to finance and other services.
- Engage with employers, and workers to develop targeted initiatives at national and local level to remove the cultural, economic and social barriers hindering women's active participation in the labour market.

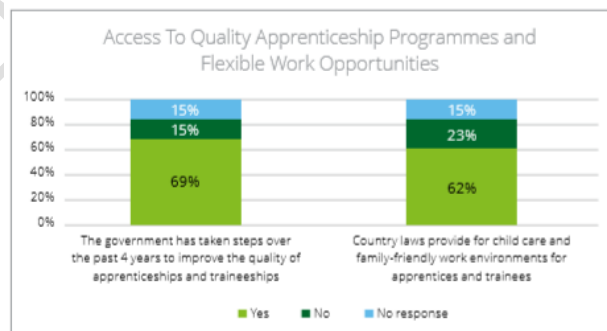
✓ **Open up chances for young people in the labour market**

The issue of youth employment has been a focus of the G20 since the beginning of the G20 employment process. The focus has been thereby particularly on establishing and improving education and training systems and improving the transition from work to school. In 2015, the G20 set the target to reduce the share of young people who are most at risk of being left permanently behind in the labour market by 15% by 2025.

To promote their objectives, many countries have updated their National Employment Plans (NEPs) to increase the focus on youth employment. The Deloitte/IOE/BIAC Monitoring Report "Youth. Women. Entrepreneurship. Understanding labour market policies across the G20" from July 2017 shows that the National Employment Plan had specific recommendations on:

- Apprenticeships and traineeships
- Education and training
- Incentives for hiring youth and encouraging entrepreneurship

Overview of actions taken by G20 Governments to improve apprenticeships



These are encouraging findings. It is important that these efforts and reforms are pursued, difficult though they may be. It takes time for success to be visible. The worst case scenario would be to jeopardize their potential impact through inconsistent policy measures and non-implementation. The B20 reiterates in this context the need to



- Create attractive regulatory framework conditions which stimulate the establishment of apprenticeships systems, mindful that apprenticeships provide workers with knowledge, skills and qualifications needed in a changing work environment while helping employers raise the level of the workforce skills according to the particular needs of companies.
- Enhance cooperation between business and VET institutions as well as universities. Employability has to be a key component of education systems in order to avoid skills mismatches on the labour market.
- Ensure that apprenticeships systems are responding to the development of new professions.
- Ensure that VET institutes have at their disposal the latest technology in learning tools.
- Provide mentoring and support systems for pupils with special needs.

The Global Apprenticeships Network (GAN), a business-driven alliance which resulted from the B20 process and which has the overarching goal of encouraging and linking business initiatives on skills and employment opportunities for youth, has continued to grow and has helped to promote high quality training systems at national and international level.

### **The Global Apprenticeship Network (GAN)**

The GAN is an employer-driven public-private partnership linking business initiatives on skills and employment opportunities for youth. As a coalition, collectively it has:

- 216 companies, which includes the following global members: The Adecco Group, ABB, Accenture, Fundación Telefónica, Hilton, IBM, JP Morgan Chase & Co., Microsoft, UBS, Astra International, JobzMall, Nestlé, Randstad, and international organizations, BIAC, ILO, IOE, OECD
- 11 established national networks across four continents (i.e. Spain, Turkey, Indonesia, Argentina, Colombia, Costa Rica, Mexico, France, Tanzania, Malawi, Namibia)
- 9,382,712 committed opportunities for youth by global companies

Although apprenticeship and work-readiness programs are powerful solutions to reduce youth unemployment and the skills mismatch, they are still associated with low social status. To change this, the GAN advocates for these models to a wide-range of stakeholders including, high-level government officials, companies, parents, youth, HR Directors etc.

GAN Member Companies and Partners are leading the change to actively overcome barriers to youth employment, such as the social stigma, the skills gap and challenges linked to the future of work. In 2016, GAN members met at the White House and **collectively** pledged over **9 million opportunities for youth**, sparking the Global Apprenticeship Movement. By 2017, the GAN Board launched the **20 x 20 x 20 GAN**



**Challenge**, to further impact **20 million youth** through the engagement of **20 GAN Board Members** and establish a global footprint in **20 countries by 2020**.

### **Glimpses from a few GAN National Networks around the world**

#### *GAN Mexico*

It has developed member best practices as an e-book, which will be shared with SMEs as a guide to create an apprenticeship scheme in their companies. The e-book template will also be shared for free to all GNNs.

#### *GAN Costa Rica*

It organises regular discussions with youth to identify their needs and priorities related to work readiness.

#### *GAN Colombia*

Recently, it has held a training on soft skills with the National Service of Apprenticeship (SENA) for its members **and** has shared experiences by certain companies on training youth for jobs in the food and beverage sector.

#### *GAN France*

On November 7, 2018, it will host the first National Apprenticeship Day, during European Vocational Skills Week to inform the public about apprenticeships opportunities and its advantages. It is developing a guide on apprenticeships, which to be launched on that day.

#### *GAN Indonesia*

Recently, it has organized several workshops to "Train the Trainers" on Vocational Education Training (TVET) and it aims to expand apprenticeship programs through capacity building activities in targeted provinces, such as Kaltim and Jogja.

#### *GAN Tanzania*

It is actively participating in national events linked to TVET evaluations and development partners.

#### *GAN Malawi*

Working on legislation change for interns' allowances increase. A decision by the government is expected soon.

✓ **Improve the labour market integration for persons with disabilities**

Persons with disabilities face major challenges entering the labour market. The full inclusion of people with disabilities in the labour market is thereby an important societal and labour market policy concern. The aim must be to open up opportunities so that also people with disability achieve their full potential to participate and contribute in the world of work at all levels. The B20 supports the new G20 focus on equality of opportunity and the promotion of employment of disabled persons. Urgent measures in this regard are:

- Governments should focus on practical measures which contribute to facilitating the employment, job retention and return-to-work opportunities for disabled persons. Support and advice should be provided to business on how to address the barriers that often prevent persons with disabilities from obtaining jobs in the private sector (demand side).
- Measures should be introduced to foster the integration of persons with disabilities into mainstream work-related and educational programmes and services. Depending on national circumstances, the development of services for those in rural areas and remote communities is of particular importance.
- Moreover, more and better data are needed. G20 countries must step-up efforts in this regard.
- Where data available they show that women with disabilities are even less likely to get into employment than men. Thus, integration and inclusion policies and strategies need to have a gender-focus.
- Social protection systems should be designed in ways that they promote labour market participation of persons with disabilities.
- Social partners have a key role to play for raising awareness, building capacity and supporting companies and labour force in the inclusion of people with disabilities. Governments should work closely together with national social partners in designing national strategies to promote skills development and employment opportunities for people with disabilities.

**Policy action 1.3: Foster labour migration in line with labour market needs**

Global skills mobility – the international movement of workers at all skill-levels for employment – is integral to business and economic growth. A well-designed migration system should be predictable, reliable, efficient, transparent and encompass a range of mechanisms to meet labour needs at all skill levels. Migrants bring skills that mitigate gaps in native workforces, as well as introduce new ideas and perspectives. They help business compete, innovate, and expand. Facilitating labour mobility can advance opportunity for both

the host and sending country, but proper migration policies will enhance its returns. Key actions are:

- Adopt migration policies that are timely and flexible to accommodate new and longstanding business models, but also predictable and transparent so that employers can effectively manage compliance.
- Ensure employers are partners in identifying skills gaps and establishing frameworks for assessing foreign qualifications. Policies should avoid narrow qualification requirements and skills definitions, trusting employers to identify the most-qualified candidate.
- Adopt migration policies that foster family unity by creating accessible pathways for accompanying family to obtain work authorization and provide migrant workers and their families' access to support services and mechanisms to enable a smooth integration into their host countries societies.
- Provide sustainable assistance to employer organizations to communicate the benefits of labour migration and how migrants apply their skills to enrich the local economy and the community.

**Recommendation 2: Strengthen skills development and lifelong learning for sustainable growth**

The G20 Training Strategy was presented during the 2010 Canadian Presidency. Since then, there has been no shortage of comprehensive reports analyzing global skills gaps and their detrimental impact on economic and social progress. Despite this, the gap between the skills demanded by employers and the skills available in the labour market appears to be growing. Manpower Group's latest global survey of more than 42,000 employers found that 40 percent are experiencing difficulties filling roles, the most acute talent shortage since 2007. Moreover, skill demand is evolving at ever-faster rates. The World Economic Forum finds that approximately 35 percent of the skills demanded today will change by 2020. The targets are moving, and moving fast; and so therefore, must education and training systems.

The most significant shift over the past year is the seriousness with which G20 governments have been treating the rapid advance of intelligent systems and technologies. There is now consensus across business and government that this new technological revolution will transform the future of work, and with it, the landscape of skill demand. The track record for adapting national education and training systems to the demands of new technological eras gives justifiable cause for concern. Many of today's skills gaps still relate to the advent of the "knowledge economy" that came with the Internet, (eg. technical skills, digital literacy and science, technology, engineering and mathematic (STEM) skills).

For this next technological revolution, we have the chance to plan the adaptation of our skill-building institutions and systems in advance. We have the responsibility to craft a transition to the next era that keeps up with the pace of technology in a way that is inclusive and accelerates our social and economic growth. The stakes are high: The right decisions can unleash tremendous economic and social value, and transform our boundaries for innovation and productivity. The wrong decisions, or insufficient action, can jeopardize competitiveness and growth, exacerbate inequalities and risk social unrest.

### **Policy Action 2.1: Learn to Learn: Promote Life-Long Learning from childhood onwards**

In view of the diminishing 'half-life of knowledge', lifelong learning has assumed central importance. The World Economic Forum estimates that 35% of the skills demanded for jobs across industries will change by 2020. It cites a popular estimate that 65 percent of children entering primary school today will ultimately end up working in job types that don't yet exist. Yet, workers are increasingly questioning their capacity to build and continually refresh the skills they will need throughout their lifetimes. An OECD survey found that over one in four adults report a mismatch between their current skills and the qualifications required for their jobs. This apparent increasing mismatch between the supply and demand for skills and the shortening shelf life of certain skills explain the heightened attention to lifelong skill building. Personal success will largely depend on accelerating learning throughout one's lifetime. The urgency to build "lifelong learners" will intensify as individuals find themselves more personally responsible for their ongoing professional training development and learning.

Increasingly, it is not so much important how much an employee or prospective employee knows, but how well-prepared the person is to learn something new quickly. Instilling the intuitive capacity to learn from an early age will become more. Research also supports the importance of building from a young age the capacity to take lessons from one situation and apply them to new situations. The relevance is clear for transferability of knowledge and skills in an increasingly fluid work environment. Time and again, employers and HR executives underline that a thirst for learning—and the agility that it brings—is vital in the modern workplace; but research implies that it's more than just a desire, it's a muscle that can be trained and developed from an early age.

Targeted intervention is necessary to protect specific vulnerable groups. Lifelong learning takes place with greater frequency among educated adults, with higher incomes and access to digital skills and tools. The OECD finds that poorer, less educated and less digitally-literate adults face significant informational and motivational barriers. The European Commission notes that only 4.4 percent of the 66 million adults with at-best lower secondary education attainment participated in adult learning in 2015. A Pew study in the US reinforces this further: 57% of adults with secondary schooling or less identified themselves as lifelong learners, compared with 81% who had completed tertiary education. It is clear that intervention is required to ensure that the lifelong learning revolution that we hope for does not result in the deepening of economic and social inequalities. Breaking down these

barriers, businesses can increase employment inclusivity and make progress toward inclusive growth and addressing social mobility.<sup>9</sup>

Another group that warrants targeted intervention is the older workforce. Older workers tend to participate in less training, due to a mixture of their own reticence and a bias by firms to invest more in youth training. With aging populations around the world, there will be an increasing imperative to ensure that this growing cohort is equipped with the relevant skills to remain productive.

Close cooperation between business and relevant government agencies and institutions is key to ensure that curricula of training systems are in line with labour market needs and open up chances at the labour market. (Re-) Skilling systems need to take into account the sectoral composition of the economy, the country's current and future strategic competitiveness, its potential natural reserves and its current state of economic development.

G20 countries should:

- Promote life-long learning as a means for individuals to enhance their employability, as well as for companies to improve their productivity, their innovative capacity and their competitiveness. A particular focus should be given to develop the 'ability to learn' (or: 'Learnability') especially amongst the young, lower skilled and older workers.
- Formalize the role of "Learning to Learn" in childhood education systems as a fundamental competence.
- Ensure a framework that allows for the build-up of individual training rights and/or resources across different jobs, sectors and forms of work that supports the availability of resources for individuals when up- or re-skilling is needed.
- Build up training systems that anticipate more rapidly changing skills needs and focus on the transferability of competencies, thereby opening new training and career pathways and exploiting all available human resource potential.
- Collaborate with business in the organisation of skill-building and re-skilling initiatives. Businesses can also collaborate within and across sectors with shared training objectives.
- Create opportunities – especially for small- and medium-sized employers – to partner with well-coordinated efforts at all levels of government to ensure they have the resources they need to offer workplace training programs.

---

<sup>9</sup> Deloitte Global Inclusive Growth Survey, The business case for inclusive growth, 2018  
<https://www2.deloitte.com/global/en/pages/about-deloitte/articles/wef-business-case-inclusive-growth.html>

- Design mechanisms for retraining and labour reintegration of those workers caught in the crosscurrents of automation. Evaluate different schemes for financing these programs.

**Policy Action 2.2: Provide high quality education systems, which teach the skills needed in the labour markets of tomorrow**

Education systems do not sufficiently match the needs of labour markets. Business in G20 countries continue to face a severe lack of STEM skills. In 2015, for instance, there were 500,000 new computing jobs to be filled in the US, but fewer than 40,000 new computer science graduates. Similarly, according to the UK Commission for Employment & Skills, 43pc of STEM vacancies are hard to fill. This is mainly down to a shortage of applicants with the required skills and experience. Even in India, the country with the highest number of STEM graduates, the shortage of skilled talent in the STEM sector has increased from 6 percent in January 2014 to 12 percent in January 2018. This shortage on STEM graduates is a fundamental challenge for the G20 economies.

Moreover, routine skills have been decreasing in importance whilst social skills have been increasing in importance. Jobs of the future, driven by the increasing use of technology taking over rote tasks, require social skills complementing more technical abilities.<sup>10</sup> This is not only the impact of automation. Broader transformations that prioritize social skills include the infiltration of services across industries and the increasingly collaborative and communicative nature of work. Each worker is now expected to be proficient at a greater range of skills, which has placed particular emphasis on social and behavioural skills. Yet the biggest shift has yet to come, brought about by the introduction of intelligent systems into the workplace. As smart machines and systems increasingly take on repetitive and routine tasks, a far greater emphasis will be placed on workers to excel at those skills that indisputably set humans apart from machines. These include creativity, empathy, flexibility and judgement. Capabilities that combine skills, such as leadership, judgement and agile thinking will increase in importance.

Education systems must be adapted to place greater emphasis on purposefully equipping children with these social and behavioural skills. The historic lack of emphasis on teaching these skills means that there is a scarcity of teachers able to do so, as well as a lack of familiarity with appropriate approaches, and even terminology. These issues must be addressed to ensure that schools prepare their students with future-relevant skills.

G20 countries should

- Ensure access for all to compulsory, high-quality education systems that ensure proper acquisition and application of the core competences, particularly literacy,

---

<sup>10</sup> Deloitte University Press, Navigating the future of work, Issue 21, July 2017  
<https://www2.deloitte.com/insights/us/en/deloitte-review/issue-21/navigating-new-forms-of-work.html>



numeracy and science, technology, and engineering and mathematics (STEM) subjects.

- Facilitate close cooperation between businesses and schools to better link educational pathways with labour market needs, and to effectively support and provide guidance to students in their career choices and job search.
- Equip education and training systems with faculty and techniques to effectively teach social and behavioural skill relevant to the future work.

### **Policy Action 2.3: Embrace technologies and new digital learning models to harness the next generation of digital learning solutions**

Digital learning tools such as e-learning and MOOCs have been available for some time. According to Deloitte in 2015 and 2016 alone, investors put more than \$1 billion into new US “edtech” companies and ventures.<sup>11</sup> The promise of large-scale, low-cost, easily-replicable digital solutions is still tantalizing, but the current generation of digital learning tools have not quite made the widespread impact that was initially hoped. Technology should be widely embraced as a training asset – to develop increasingly complex technical skills, but also to improve traditional skills training.

Advances in digital infrastructure, processing power, platform technologies and a variety of new techniques (including machine learning), are opening new opportunities. Traditional classroom techniques are increasingly complemented by peer-to-peer learning, virtual teamwork and interactive exercises. These modes of instruction, known collectively as “active” learning, encourage student engagement, in stark contrast to passive listening in lectures.

A new generation of digital learning pioneers are combining up-to-date content with the latest pedagogic techniques and flexible digital platforms and tools to transform digital learning. Companies focus on skills-based approaches, with modular learning packages, all centered around the learner. This flexibility and personalization is highly appropriate for the lifelong learning imperatives of today’s job market. Other organizations deliver this personalized, guided digital learning approach to children. Such companies are innovating approaches that all education and training organizations can leverage and learn from.

In the meantime, the digital revolution is expanding to yet new frontiers. Immersive technologies, such as Augmented and Virtual Reality are already being used to build skills by simulating real-life experiences. This kind of experiential learning is well suited to acquire increasingly important social and behavioural skills that are developed through practice rather than through instruction. Some companies are combining their understanding of

---

<sup>11</sup> Deloitte University Press, Navigating the future of work, Issue 21, July 2017  
<https://www2.deloitte.com/insights/us/en/deloitte-review/issue-21/navigating-new-forms-of-work.html>



neuroscience with technology to craft tailored learning experiences that could well become commonplace in the future.

All of these tremendous opportunities to accelerate skill-building at scale are dependent on appropriate digital infrastructure. Countries whose digital infrastructure allows these new digital solutions to be implemented are already seeing a dramatic increase in their popularity. Learners in countries with deficient digital infrastructures risk being left behind, exacerbating global divides in skills, and ultimately in economic opportunity.

G20 countries should

- Develop appropriate digital infrastructure to open-up possibilities for digital learning solutions.
- Adopt digital learning as part of their education system to cost effectively open-up possibilities for the broad population base, ensure consistent availability of opportunities to all genders, age, geography, and socio-economic classes.
- Work with public sector to provide incentives for the development of edutainment tools and resources, complementing formal education and learning through play.
- Provide trainings to educators, students and parents on how to make a proper, positive and constructive use of these technologies and digital infrastructure.

#### **Policy Action 2.4: Optimize use and access to labour market data and intelligence**

With the heightened dynamic of labour market supply and demand, accurate, up-to-date and trustworthy data on the needs and fluctuation of the labour market is imperative. Luckily digitalization and skills-standardization provide solutions that are able to support workers, jobseekers, businesses and policy-makers with the labour market information for sound employment policies. Due to digital technologies and long-term public policy shifts, individuals and institutions can exert greater “pull”—the ability to find and access people and resources when and as needed— than ever before. Institutions and prospective workers alike now have access to global talent markets, enabled by networks and platforms opening up new possibilities for the way each interacts with the other.<sup>12</sup>

The past decade has seen a transformation in our measurement tools and in our ability to translate measurements into insights, and ultimately into action. Easy access to vast quantities of data, processed near-instantly, stored and distributed in real-time, at low cost has unleashed a revolution in big data and analytics. Advances in the Internet of things promise to multiply these data flows yet further. The potential of labour market data can be further increased when G20 governments standardise and share their labour market data

---

<sup>12</sup> Deloitte University Press, Navigating the future of work, Issue 21, July 2017  
<https://www2.deloitte.com/insights/us/en/deloitte-review/issue-21/navigating-new-forms-of-work.html>

with the market. The more open and accessible these data sets are to people outside government institutions, the greater the value and innovation potential.

There is a tremendous amount of business initiatives, products and services that assess labour market and skills needs and dynamics. These can support the development of national skills scenarios and drive strategies for the future. Touching base with the day-to-day reality of labour market and education professionals allow for more accurate skills anticipation and validation system within and across the G20 member nations. Having more harmonized labour market intelligence does not only create better insights on the national level, it will make it easier to compare and compile insights across regions, industries and other desirable categorizations in order to analyse and find effective employment policies.

### **Investing in tomorrow's skills dynamics**

The persistence of skills gaps around the world is evidence of our inability to efficiently allocate investments in learning systems. In order to make informed investment decisions, we need a far greater understanding of the dynamics behind the evolution of skill demand. The starting point is challenging. It is rare to find comprehensive and consistent data sources on skills around the world. Where data are available and reliable, they can offer a powerful source of insights to underpin investment decisions.

Accenture's analysis of data on US workers between 2004 and 2017 finds that the skills composition demanded by different roles has changed substantially over this period. Critically, the research found that workers are required to utilise a broader range of skills in their work now, compared to 2004. For example, workers in analytical roles (see chart below) are now expected to possess more social and creative skills. Rather than crunching numbers alone, these workers are now also typically expected to present and explain their analysis to different audiences. Similarly, creative roles now require a degree of analytical aptitude, such as interpreting data, that was not expected before.

The implication is that our future workers need to be trained to possess more diverse groups of skills.

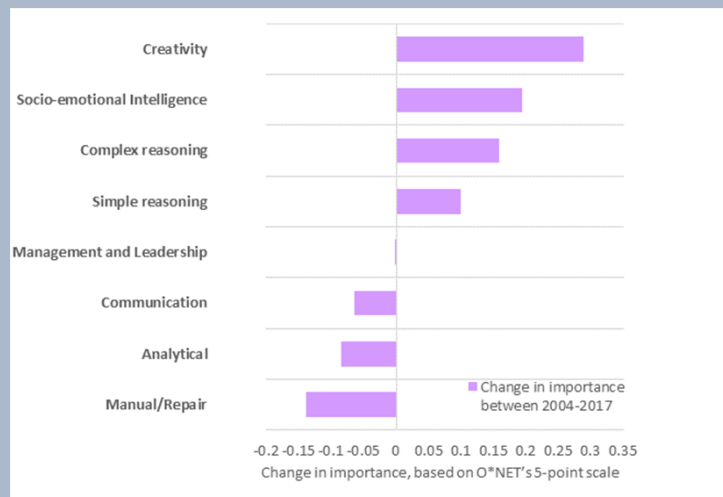
Current skilling targets usually relate to the output of teaching institutions, in terms of people certified with specific skills or knowledge, (eg. we need X million Engineers, or a Y% increase in Arts graduates). Instead, our planning can centre on the desired skills make-up of the learner, targeting the skills clusters that are most relevant and valuable to different roles or jobs. This research opens the door to data analysis that can help policymakers, businesses and educators understand the groupings of skills that will be most relevant to different types of jobs, allowing us to gear training investments accordingly across relevant sectors and regions.

There is urgency here. Experience tells us that education and training systems are slow to change: many of today's skills gaps still relate to the "knowledge economy" that came with the Internet, (eg. technical skills and STEM skills). With the advent of intelligent systems, a

further transformation in mass skill-demand dynamics is around the corner, as workers will be interacting more frequently and intimately with smart machines. Now is the time to invest in the toolkit that helps us plan effectively for that transformation.

The starting point is clear. More and better data. We can't improve what we don't measure.

**WORKERS IN ANALYTICAL ROLES HAVE SEEN AN INCREASING IMPORTANCE IN THEIR CREATIVE & SOCIAL SKILLS**



Source: Accenture analysis of data from The Occupational Information Network (O\*NET) of the US Department of Labor

To optimize labour market intelligence and prepare workers, businesses and policy-makers for changing skills needs, the G20 should:

- Work together in developing common approaches to data collection and treatment, in collaboration with business and training institutions.
- Supplement traditional labor market data by leveraging alternative data sources for labor market intelligence, such as those from private companies which may work in the employment space, as these complements have a number advantages such as being global in scope, more frequently updated, and more granular than traditional sources of labor market data. National governments should expand and improve their own labor market data gathering, but they should also consider leveraging alternative data sources.
- Share public labour market data with the market in order to foster innovation and develop better labour market intelligence and skills anticipation.
- Standardize skills qualification in collaboration with private labour market and education professionals, including the qualification of non-formal qualification systems.

- Incorporate and support private initiatives that contribute to qualification and validation of skills.

### Recommendation 3: Support entrepreneurship and innovation

It is the private sector which provides the jobs for nine out of ten workers. Entrepreneurship and innovation are key drivers for job creation and economic growth. They are of tremendous importance to provide employment opportunities particularly for regions in which large cohorts of youth is entering the labour market every month. Start-ups and young entrepreneurs have a key role to play in providing chances at the labour market for these newcomers on the labour markets, as they are not only bring vibrancy to economies, but they also typically hire other youth.

Moreover, even in regions which an aging population, the future of work will likely involve a higher percentage of start-ups and small businesses. Older people are among the most entrepreneurial of workers across age groups. Between 1996 and 2014, the percentage of older workers (aged 55-64) starting new ventures increased –exceeding (by 68%) the rate of entrepreneurship among millennial entrepreneurs (aged 20-30).<sup>13</sup> Moreover, innovation is making business ownership more democratized and more entrepreneurs embrace it by establishing nimble enterprises. Nimble enterprises are single/partnership-owned businesses with lean operating structures that leverage technology, outsourcing, extensive networks of enterprises and "agile" talents to provide competitive services or products to their clients. Compared to traditional small firms, these nimble enterprises have better brand identity, vision, expertise, international networks and intangible assets.

SMEs and start-ups are especially affected by business environment conditions and structural policies, typically more than larger firms. Their contributions to employment creation and economic growth depend to a great degree on conducive framework conditions. Since SMEs are typically less efficient than large firms in screening the regulatory environment and dealing with the relevant norms, unnecessary regulatory burdens affect them disproportionately. Furthermore, for SMEs that want to participate in global markets, regulatory divergence across countries can impose an additional layer of difficulty.

Recent OECD research finds that in most countries, the complexity of regulatory procedures remains the main obstacle to entrepreneurial activity. This is largely related to tangled license and permit systems, whereas important progress has been made in the communication and simplification of rules and procedures. Other significant challenges remain, including the complexity of regulatory and insolvency procedures, the burden of tax compliance, as well as, in some countries, the time and cost for enforcing contracts.

The G20 agreed under the Chinese G20 Presidency in 2016 on an Entrepreneurship Action Plan. This Action Plan must now be determinedly implemented. The upcoming G20 should put a focus on assessing what has been done to implement the Action Plan, where the gaps are and what needs to be done to fill the gaps.

### **Policy Action 3.1: Develop and implement ambitious support and growth strategies for entrepreneurs**

To create sustainable jobs, companies require a stable and attractive business-friendly environment at national and local levels. This means a predictable regulatory framework that encourages long-term investment and innovation, job creation and promotes entrepreneurial behaviour.

In view of the importance of entrepreneurship and innovation, the B20 calls for clear commitments to create favourable conditions for fostering entrepreneurs and start-ups. These include long-term stability of regulation and tax policies that affect start-ups and business growth; promoting clusters to create synergies between universities, R&D centers, start-ups and public administration; as well as access to simplified information. Entrepreneurship education is essential to help students understand the full range of opportunities open to them, e.g. that they can start their own companies and create jobs, and not just take a job. G20 governments are called on to

- Develop and implement ambitious support and growth strategies for particularly young and female entrepreneurs.
- The G20 should support B20 actions regarding the G20 SMART Innovation Initiative, including: a regular convening of the G20 SMART Innovation Forum, the establishment of the G20 SMART industrial park to boost the “G20 Young Entrepreneur Partnership”, and the set-up of the G20 SMART Innovation Fund. Furthermore, the G20 countries should follow up their Action Entrepreneurship Plan established in 2016 annually.
- Set up support systems for start-ups through easily accessible and timely information and advice. Make the registration and operation of companies as easy as possible.
- Enable greater access to a variety of funding sources for SMEs, such as temporary tax incentives for early stage investors, start-up loans with favourable interest rates and/or repayment-free year, and guarantees in order to minimize the default risk for lenders.
- Embed entrepreneurship education into school, VET, and university curricula.
- Create innovation-friendly framework conditions, in which start-ups can generate new ideas and inventions through sufficient R&D spending, as well as investments in post-R&D activities (such as market development).

- Promote enabling environments by effectively and regularly assessing the impact of regulation on businesses and job creation.
- Refrain as much as possible from excessive taxation on new small businesses, in order to not discourage future entrepreneurs from the outset.
- Create a G20 multilateral start-up visa to improve the ability of entrepreneurs to travel and conduct business internationally and to increase labour mobility by allowing high and sustainable growth SMEs to hire overseas skilled labour more easily.

### **Policy 3.2.: Address informality**

Already today nine out of ten young workers in low-income countries and two thirds of young workers in middle-income countries are employed informally. ILO reports that in many emerging economies new jobs are predominantly created in the informal sector. Above all 91% of SMEs worldwide are informal. This state of affairs cannot go unaddressed. Companies in the informal economy have limited access to essential services such as training, education and technology, as well as access to credit which lower its potential productivity and are main obstacles for expansion. Moreover, there are risks with regards to working conditions and product quality are highest in the informal sector. Furthermore, lacking contributions through taxes and into social security systems limits the ability of states to fulfil their main functions.

Fighting informality cannot be done without coming to terms with the basic reality that labour market policies or human resource management will not alter the profound changes happening in the economy today. These changes alter the way labour is demanded. Creating a path out of informality requires a diversity of recognized, legal, regulated forms of work and that lower the barrier to entry allows workers and entrepreneurs to respond to the market in a formal way. G20 Governments cannot but acknowledge changes in labour demand and supply, and provide inspiration and tools in formalising both labour market forces.

No form of recognised and regulated work arrangement, self-employed or business stands a chance of survival in a place devoid of rule of law and/or proportionate enforcement by the competent public authorities. Having basic legal certainties and level playing field are key for any entrepreneur to develop and grow a formal business-case. Enforcement and rule of law should be the starting point of any G20 recommendation or policy action.

New (digital) forms of (multi-party) working and production might very well be covered by existing national regulation. Moreover 'an online talent platforms' should not be confused with a 'legally recognized contractual arrangement'. Before haphazardly assigning all kinds of businesses and workers to the informal sector, G20 governments should engage with business to discuss, investigate and classify forms of work on the national level in order to determine whether enforcement (of misclassification), or labour market reform is the appropriate policy response.

An important way out of informality is to start a business. Especially when formal job opportunities are not available because of insufficient rule of law or labour regulations that do not accommodate labour market dynamic. Formal self-employed and own-account workers are able to contribute and create an income. Yet, formalization starts with registering. Registering as self-employed should be devoid of unjustified barriers. This start the path out of informality.

To fight informality G20 governments should:

- Ensure rule of law and proportionate enforcement by the competent authority.
- Lower the barrier to entry of the formal economy, by implementing labour market reform and creating incentives to start a business as a formal self-employed (see above recommendation 1 and 2).
- Engage with social partners to classify forms of work in order to balance labour market reform and labour market enforcement.
- Implement International Labour Organization (ILO) Recommendation 204, on Transition from the Informal to the Formal Economy.

\*\*\*\*