



**JOBS PRESERVATION
AND JOBS GROWTH -
G20 MEETING**

MARCH 2010

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EXECUTIVE SUMMARY - JOBS PRESERVATION AND JOBS GROWTH

ECONOMY

- ▶ Economic recovery is the essential first step to jobs recovery.
 - Employers need renewed confidence and incentives to create jobs.
 - The best safety net is a competitive economy that generates jobs.
- ▶ Employees need greater support to transfer to new employers. *Flexicurity*, more efficient labour markets, and life-long learning are critical to supporting these transfers.
- ▶ Flexible labour market options will be critical to recovery and navigating future crises.
- ▶ Governments should pursue pro-employment policy frameworks.
- ▶ Employment protection must be properly balanced with encouraging job creation.
 - This does not mean cutting regulation.
 - It means reform to deliver smarter, more effective regulation.
- ▶ Improving productivity is more important than ever.
- ▶ Smaller enterprises need particular support in creating and maintaining jobs.

NEW AND EMERGING FORMS OF WORK

- ▶ Flexible work approaches have played an important role in retaining jobs – and can play a greater role in future in maximising employment and counteracting jobs crises.
- ▶ New working options should be better supported to facilitate employment.

SUSTAINABLE ENTERPRISES

- ▶ Improving the sustainability and resilience of enterprises is critical to ensuring future downturns do not create widespread job losses.

EMPLOYABILITY AND JOB MATCHING

- ▶ Working people need better capacities and support to make effective job transitions.

SOCIAL SAFETY NETS / SOCIAL SECURITY

- ▶ Safety nets must simultaneously support individuals in need and encourage jobs growth.
- ▶ Reforms can enhance the effectiveness and sustainability of social security systems.
- ▶ Adequate investment in benefits and public services will better support employment.

FINANCIAL SYSTEMS, STIMULUS AND DEBT

- ▶ Financial regulation will be reformed through other processes/other areas of government.
- ▶ G20 countries must make their own decisions on stimulus and debt.
- ▶ Economic stimulus should be timely targeted and temporary. Debt must be considered.

INFORMAL EMPLOYMENT

- ▶ Key barriers to informality should be targeted and removed, and labour regulation and taxation should be reviewed to better encourage formality.

INTERNATIONAL DIMENSIONS

- ▶ The G20, and governments at the national level, should continue to engage with business and trade unions on economic and employment issues.
- ▶ G20 Governments should encourage cooperation between international organisations such as ILO, OECD and the international financial institutions, on employment issues.
- ▶ Social Dialogue and implementing the Global Jobs Pact can support jobs growth and increase productivity.
- ▶ The ILO and the OECD (through the Jobs Strategy) provide key policy resources for G20 governments.

MACRO ECONOMY AND LABOUR MARKET REFORM

- ▶ Sustainable economic recovery is the pre-requisite for jobs recovery.
- ▶ Labour market flexibility will be critical to recovery and navigating future crises.
- ▶ Employment protection must be balanced with encouraging job creation.
- ▶ Employees need greater support to transfer employers in future crises:
 - The “*flexicurity*” approach, lifelong learning and skills development, and an efficient labour market are critical in better facilitating these transfers.
- ▶ Policy frameworks should support the creation of productive jobs.
- ▶ Employers need renewed confidence to create jobs. Communities need to regain confidence in the private sector.
- ▶ Smaller enterprises need more support in creating and maintaining jobs.
- ▶ Social dialogue and the Global Jobs Pact remain important to jobs growth.

1. THE ECONOMIC CRISIS HAS BECOME A JOBS CRISIS

Restoring global growth is vital for tackling the jobs crisis. G20 countries must continue to adopt appropriate policies and structural change that will support enterprise creation, entrepreneurship and innovation. Structural reforms will be necessary in years to come to diminish growing fiscal deficits and support economic development. These are the only sustainable foundations for sustainable economic growth, the creation of wealth, jobs, new products and services.

This will be achieved by governments implementing Pro-employment Policy Frameworks that make labour markets more adaptable and social systems financially sustainable.

2. PRO-EMPLOYMENT POLICY FRAMEWORKS

Pro-employment Policy Frameworks incorporate:

- a. Stable macro economic frameworks/policies that encourage jobs growth.
- b. Quality pro-competitive regulatory frameworks and good governance.
- c. An entrepreneurial climate.

- d. Employment supporting labour law.
- e. Support for innovation and entrepreneurship.
- f. Policies that support trade and investment and avoid protectionism, including the completion of the Doha Development Round.
- g. Pro-growth taxation/fiscal policy, and continued economic stimulus where necessary (which is timely, targeted and temporary, and with due consideration of debt).
- h. Good public governance.
- i. Harnessing Green Growth for job creation.
- j. Access to high quality education and training.

These economic and labour market fundamentals stimulate innovation and investment, encourage mobility, enhance productivity and support competitive business environments.

Labour Ministries have an important role to play within their areas of responsibility to ensure coherent, consistent, practical and innovative approaches to implementing necessary policy solutions to the jobs crisis.

3. SUPPORT SMALLER ENTERPRISES IN CREATING JOBS

SMEs are an important source of innovation and driver of growth and employment in crisis recovery:

- a. Attention should be paid to reducing barriers to SME start-up, viability, growth, and job creation. This should be supported with policy action to ensure that regulation is better targeted and focused with respect to SMEs' specific needs.
- b. Ensuring access to necessary credit for SMEs also remains critical.
- c. There may also be a role for improved financial and advisory assistance to SMEs in many countries to kick start job creation (See also Sustainable Enterprises - below)

4. GOVERNMENTS SHOULD CONTINUE TO ENGAGE WITH LABOUR MARKET REFORM TO SIMULTANEOUSLY ENHANCE EMPLOYABILITY AND EMPLOYMENT

- a. Governments will continue to face an enormous challenge to act under increasingly tight budget constraints. In this climate, a commitment to structural reform remains important. Governments must therefore rapidly implement measures to improve the environment for job creation.

- b. No system can ultimately protect jobs that would not otherwise exist due to structural transformations in the economy. Rather the focus should be on greater employability and capacity to move into new work where necessary.
 - i. This is supported by positive labour market policies, including reducing non-wage labour costs, which activate the labour force into work and provide for labour market mobility.
 - ii. This is also supported by maximising opportunities for work, including through support for new and emerging forms of work.
 - iii. Supporting labour mobility is also important. Labour mobility enables transition to new employment and overall employability. Governments, business and workers alike need to better provide the frameworks and skills necessary for rapid adjustments in changing markets into the future.
- c. Employability policies must be linked with effective social benefits and safety nets, and be strongly supported by opportunities for relevant education and training. This requires continued commitment of government resources in order to reduce risk of long term joblessness and poverty.
- d. Some countries have successfully pursued “*flexicurity*” measures, active labour market policies effectively linking labour market policies with social benefits and training to facilitate job transitions. There is no one size fits all approach to these frameworks, but they may offer more G20 countries with workable options to increase workforce employability in future.
- e. Structural reform of labour market rigidities must continue even in this challenging economic environment. Flexibility in labour markets is essential not only for the survival and sustainability of firms, but also for their ability to be able to retain employees through economic downturn. The strictness and scope of employment regulation or social safety nets can impact on capacities for recovery, and can risk perpetuating joblessness and risk worsening the impacts of future economic downturns. This does not mean eliminating regulation – it means smarter, more effective regulation.
- f. Maintain labour market attachment. Business, governments and other stakeholders should work together to keep people connected to labour markets through enhanced skills and training interventions (where possible), quality employment services, and through innovative schemes such as work sharing.
- g. Employment recovery can be impacted on by simple increases in minimum wages. Considerable caution needs to be exercised in setting minimum wages during this period, lest job losses re-emerge or job creation be discouraged.

5. RESTORE CONFIDENCE OF BUSINESS TO EMPLOY

Labour market and economic policy should encourage and support the confidence and capacity of employers to create jobs including through:

- a. Reducing non-wage labour costs which has immediate confidence effects and will improve companies' incentives to hire once crises abate.
- b. Stimulating consumer demand, as employment subsidies alone (whilst often positive) will not encourage employers to hire.
- c. Employment regulation that supports and incentivises job creation, and minimises the unsustainable costs and legal risks of creating new jobs.

6. PRODUCTIVITY DELIVERS MORE SUSTAINABLE ENTERPRISES AND MORE SUSTAINABLE JOBS

Increasing productivity remains critical for all countries. Productive jobs, geared to modern markets and able to adapt rapidly to change, remain the best hedge against future economic uncertainties.

- a. Policy frameworks that support labour market flexibility effectively linked with social benefits that provide positive incentives to work, contribute to more productive labour market allocation outcomes.
- b. Approaches to employability, education and training, and labour market regulation significantly contribute to each country's capacity to increase productivity.
- c. Many G20 countries have productivity centres and actively promote productivity improvement. Countries should invest in such measures and make them accessible to and usable by SMEs.

7. MINIMISING LAYOFFS

- a. Employers with the support of their employees have gone to extraordinary efforts during this crisis to retain jobs. Many employers have deliberately not made redundancies that are otherwise justifiable on economic grounds, and have implemented a range of innovative measures to keep people in work until demand re-emerges (including reduced working hours, work sharing, temporary unpaid leave and training options).
- b. Layoffs are sometimes unavoidable for enterprises to survive. Where required, layoffs and redundancies should be carried out as fairly and openly as possible, and decisions should be communicated to workers and their representatives (where present) in an open and timely fashion.

- c. Regulatory obligations on employers laying-off staff must be balanced and realistic. Restructuring should be achievable with minimal delay and subject to only essential administrative requirements.
- d. The costs of restructuring (both regulatory costs and in transfer payments) must be balanced, and should not render essential restructuring impossible. Disproportionate retrenchment costs do not enhance employment protection. They preclude or delay essential enterprise restructuring and thereby endanger wider employment in a company.
- e. If essential layoffs are rendered inaccessible the impact of future crises will be worsened, and protracted.

8. FOCUS ON VULNERABLE GROUPS

- a. Social protection systems must properly focus on those most vulnerable to unemployment and least likely to be re-employed. It is critical that social safety nets can effectively support these groups, and their transition back to work (and ensure they do not slip into poverty through long term unemployment).
- b. Policy frameworks and services are needed to support equity of opportunity for all groups to work. Governments should work with employers to develop and implement such frameworks.
- c. New work options can address changing demographics and facilitate employment for a more diverse workforce (including sections of the labour force such as aging populations, women and persons with a disability).
- d. There should be focus on ensuring that youth get a firm foothold in labour market including through job search assistance, career guidance, targeted training and apprenticeship programmes and internships.

9. IMPROVE LABOUR MARKET INFORMATION

Good policy is built on good information. Greater efforts are needed to strengthen labour market information gathering and circulation.

- a. G20 countries should lead the world in delivering the labour market, demographic, educational, and other relevant information required for sound policy making.
- b. Employers can improve dialogue in this area, including working with the education and training sector on projected labour market needs.
- c. International organisations such as the OECD and ILO provide important analytical data on labour markets and employment policies that should inform policy dialogue on employment. The OECD can provide important multidisciplinary analysis of employment issues (i.e. economic, fiscal,

education, innovation, investment and trade information) which complements work from other organisations such as the ILO.

10. IMPORTANCE OF MULTI-STAKEHOLDER DIALOGUE

Policy dialogue is critical to ensure that expectations and needs are well understood, as well as to leverage all resources in developing practical approaches to preserving and generating jobs. Governments, business and workers must engage with more effective regulatory approaches for employment and social policies, identify obstacles created by labour market rigidities, ensure a better match between skills and labour market needs, and ensure innovation and entrepreneurship remain key approaches for exiting the crisis.

11. MAINTAIN SUPPORT FOR THE GLOBAL JOBS PACT AND OECD JOBS STRATEGY

- a. The options and approaches outlined in the ILO Global Jobs Pact remain relevant to countries at all stages of the crisis and recovery process; in the G20 and beyond.
- b. The Reassessed OECD Jobs Strategy provides policy guidance on macroeconomic, structural and education aspects of employment. It continues to be assessed on the basis of economic and structural analysis and provides important framework for continued labour market reform.

NEW AND EMERGING FORMS OF WORK¹

- ▶ **Flexible work approaches have played an important role in retaining jobs during the current crisis.**
- ▶ **Policy frameworks should support new working options as specific avenues to facilitate more employment**

12. FLEXIBLE WORK APPROACHES HELPED RETAIN JOBS DURING THE CRISIS:

Reduced working time, part time, temporary leave and work sharing arrangements are among the approaches successfully utilised to retain jobs during the crisis (often agreed through collective bargaining). This demonstrates the utility of new and emerging forms of work as critical measures of labour market recovery and ongoing employability.

¹ "New and emerging forms of work" encompasses employment such as casual, contract, temporary and agency working, and work for less than a full time working week.

- a. Such flexibility contributes to well functioning of labour markets. Approaches such as flexible working hours, part time work, tele-working, and work sharing contribute to job retention, labour reallocation and overall to the functioning and productivity of labour markets.
- b. Additional working options allow more people to participate in the labour market and translate more potential labour demand and potential participation into actual jobs. New and emerging forms of work regularly suit the needs and priorities of both employees and employers.
- c. Frameworks that support flexible work approaches facilitate increased labour market participation including from youth, older workers, women and persons with a disability.

SUSTAINABLE ENTERPRISES

► **Improving the sustainability of enterprises is critical to ensuring future economic downturns do not translate into widespread job losses.**

13. **BALANCING THE REGULATORY BURDEN ON ENTERPRISES**

Jobs that are more resilient to changes in the economic cycle will be built on the foundation of more sustainable enterprises. *This means delivering the best possible policy environment for enterprises to start, grow, thrive and employ.*

There should be a systematic review of regulation affecting the capacity for enterprises to start-up, invest, grow and hire staff, and a commitment to identify and address impediments to business growth and employment. This includes:

- a. Targeting taxation, labour and other compliance costs.
- b. Limiting the cost of enterprise failure to encourage entrepreneurship.
- c. Reforming anti-competitive regulation of product markets.

14. **PROMOTING SMEs**

Better supporting SMEs should be a priority. Options include:

- a. Supporting SME access to information, credit, business development services and explicit local level strategies to promote competitive entry into markets.
- b. Targeting government procurement to younger and smaller firms.
- c. Fast-tracking payments to SMEs by government clients.

- d. Measures to encourage the participation of SMEs in government procurement and tenders (including infrastructure spending).
- 15.** In economic recovery, access to credit remains critical for enterprises, in particular SMEs. Governments should ensure that recast financial regulation and more risk-averse lending practices do not restrict the lending necessary to kick start business growth. The following steps can ensure that needed capital reaches recovering and start up enterprises:
- a. Encouraging lending to SMEs, and advisory and assistance services for SMEs.
 - b. Encouraging and rewarding venture capital.
 - c. Cutting taxes and charges on credit, and providing government guarantees.
 - d. Taxation relief to make businesses more sustainable and encourage jobs growth.
 - e. Reducing unemployment contributions and other non-wage labour costs.
 - f. Investment incentives (or tax relief) for those investing in productive infrastructure (which will create and support jobs).

16. PROMOTE INNOVATION AS “JOB RICH INVESTMENT”

In the wake of the crisis both lenders and borrowers will use capital more cautiously, and businesses may cut back on R&D and other expenditure seen as carrying excessive risk. Governments have a role to play in counteracting such risk-averse behaviour, including:

- a. Encouraging market competition and avoiding protectionist measures that undermine efficiency and innovation.
- b. Promoting measures to mitigate the impact of the crisis on innovation, research and development (R&D), and supporting entrepreneurship (which can be critical in unlocking new employment options).

EMPLOYABILITY AND JOB MATCHING

- ▶ **Individuals need better individual capacities and public support to make effective employment transitions when faced with major crisis and the loss of current jobs.**
- ▶ **The IOE-BIAC Briefing Note on *Lifelong Learning* expands upon the skills, employability and employment services needed following the crisis.**

17. The development and maintenance of relevant and up-to-date skills are critical to maximising employment, avoiding future crises and allowing more working people to maintain employment across the economic cycle.
 - a. Business strongly supports the development of a Global Training Strategy (requested by the G20 Leaders' in Pittsburgh).
 - b. Tripartite policy development can make a particular contribution in this area.

SOCIAL SAFETY NETS / SOCIAL SECURITY

- ▶ **The best safety net for employment is an economy that generates jobs.**
- ▶ **Social safety nets should support both individuals in need and jobs growth.**
- ▶ **Reform can enhance the effectiveness and sustainability of benefit systems.**
- ▶ **Investment in public services is important for employment**

18. **THE BEST SAFETY NETS ARE GROWING, JOB GENERATING ECONOMIES**

Social security systems have played a vital role in protecting people from the worst of the crisis in many countries. The policy balance between (a) providing a social safety net (and the level and scope of that safety net) and (b) efficient government spending and a growing economy is as challenging as ever.

- a. Governments' best macroeconomic contribution is striving for stable, continuous growth, which in turn generates sustained jobs demand.
- b. The best safety net remains properly equipping citizens for work (including enhancing employability through lifelong learning), and providing employers with the capacity and confidence to hire.

19. ENSURING FINANCIALLY SUSTAINABLE SOCIAL BENEFIT SYSTEMS

Fiscal space is under increased pressure. Any country can only viably pursue social safety net spending which is consistent with encouraging economic growth, and labour market engagement.

- a. Employers should work with governments and other stakeholders, towards planning and building efficient, effective and financially sustainable social security systems, appropriate to national circumstances.

20. REFORM TO SOCIAL SAFETY NETS

Social security systems should both protect people in need and provide the right incentives for those who can work, to work. A number of G20 countries have delivered critical innovations in social security administration, including:

- a. Designing and administering social security to the highest possible standards of administrative rigour, transparency, and sound financial management.
- b. Fines and loss or suspension of benefits for fraud and breaches of system rules.
- c. Mutual obligation (including work-for-benefits style programmes).
Employability programs which seek to re-skill people for re-entry into work.
- e. Medical review of benefit recipients geared to a return to the labour market.

21. INVEST IN DEVELOPING AND IMPROVING PUBLIC SERVICES

Public services (including health, education, childcare services, transportation and housing infrastructure) are important elements of an effective social safety net, as well as important contributors to building human capital that ensures people have the best chances to find and remain in employment. These sectors are also a source of future jobs.

FINANCIAL SYSTEMS, STIMULUS, DEBT AND EXITING FROM THE CRISIS

- ▶ **Business supports a review of the causes of the crisis and emphasises the need for sufficient dialogue on financial regulation between governments, business and international organisations to avoid future downturns.**
- ▶ **Governments should formulate exit policies most carefully, including by coordinating amongst each other wherever appropriate.**
 - **Economic stimulus measures be timely targeted and temporary.**
- ▶ **G20 members are quite rightly beginning to address growing debt.**

22. FINANCIAL SYSTEMS, STIMULUS, DEBT AND EXITING FROM THE CRISIS

Thanks to prompt and significant government rescue packages through massive stimulus measures, many economies are now experiencing economic recovery. Governments must continue their coordinated and coherent policy actions to restore confidence and sustainability in financial markets and availability of capital to ensure successful and sustainable exit from the crisis.

23. FISCAL CONSOLIDATION

Economic stimuli appear to have played an important role in exit from the financial crisis in many countries. However:

- a. Economic settings need to be sensitive to rapidly changing circumstances, including passing peak levels of crisis risk and entering recovery.
- b. Each country must determine when it will phase out stimulus (which should be timely, targeted and temporary).
- c. Government debt is a first order economic concern that must now be considered.
- d. Structural reforms will be necessary to diminish deficits in years to come. Countries may also need to consider austerity measures, spending cuts or other initiatives to reduce debt in the wake of this crisis.

24. GOVERNMENT COORDINATION REMAINS CRITICAL FOR SUCCESSFUL EXIT POLICY

Business supports a review of the causes of the crisis and emphasises the need for sufficient dialogue on financial regulation between governments, business and international organisations to avoid future downturns.

INFORMAL EMPLOYMENT

- ▶ **Informal employment plagues some G20 countries.**
- ▶ **Key barriers to formality should be targeted and**
- ▶ **Labour regulation should be reviewed for options to better encourage formality.**
- ▶ **This does not mean eliminating regulation – it means smarter, more effective regulation.**

- 25.** G20 countries faced with widespread informality should actively pursue policies to better-support SME growth and the formalisation of informal enterprises. In other G20 countries, undeclared work may increase following the crisis.
- 26.** Causes of informality may include: insufficient incentives for job creation; inadequate education and training; weak government institutions; high transaction costs; poor regulation; corruption and inefficiency; prohibitive taxation; an absence of property rights and law enforcement and lack of access to credit. These problems can be compounded by a lack of access to technology and information, labour market rigidity and rural-to-urban migration.
- 27.** It is important to identify barriers to formality in each country, and to properly target efforts to assist formalisation. This may include:
- a. A strong commitment to sustainable private sector development and to reforming the regulatory environment to eliminate constraints to formality.
 - b. Delivering practical, pragmatic reform that delivers actual improvements in entrepreneurs' dealings with public institutions and regulations. Options include:
 - i. Simplifying business registration and making it less costly.
 - ii. Straightforward contract enforcement, legal processes, and protection for creditors.

- iii. Affordable minimum capital requirements to start a business.
- iv. Realistic levels of taxation, and governments working with the private sector as key partners in formalisation.

28. LABOUR LAW

Unduly rigid or inappropriate labour legislation protects some workers to the detriment of the wider workforce. Inappropriately strict or poorly-targeted labour legislation also makes formalising employment more difficult.

Effective labour administration can contribute to formalisation, and to a more stable business climate. This should be done in a way which encourages and supports compliance (including through information and training).

29. EXTENDING SOCIAL SAFETY NETS

There is some discussion of extending the benefits of formal work to those in the informal sector, including access to social security and pension coverage. This needs to be carefully considered at the national level, but should not serve to displace incentives to formalise.

INTERNATIONAL DIMENSIONS

- ▶ **Business considers it of vital importance for the G20 to engage in dialogue with business and trade unions on economic and employment issues**
- ▶ **G20 Governments should encourage cooperation among international organisations such as ILO, OECD and the international financial institutions on employment issues**
- ▶ **Business supports G20 governments continuing to deliver on international commitments, including the Millennium Development Goals.**

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