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**BUSINESS STATEMENT**

**G20 LABOUR MINISTERS' MEETING**

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*WASHINGTON, 19 APRIL 2010*

# BUSINESS STATEMENT

## INTRODUCTION

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Business welcomes this opportunity to meet with G20 Labour Ministers to discuss policies necessary for a return to sustainable job creation in the recovery from the financial and economic crisis.

Economic recovery is the essential first step to jobs recovery. A return to strong economic growth, combined with effective employment and education policies, are the prerequisites to ensure sustainable job creation and improve the employability of all individuals.

A number of countries have begun to experience a return to growth, but the outlook remains uncertain. If a global recovery is to take hold, governments and international organisations must continue their efforts to undertake coordinated and coherent policy actions. Labour Ministers must work in cooperation with economic ministers and the involvement in the process of business is critical.

The OECD and the ILO in particular have important and complementary roles to play with respect to employment and social policy issues, including in the G20 process. We recall the Leaders' Statement from the G20 Pittsburgh Summit, calling on this meeting to build upon the 2009 OECD Employment Ministerial and reaffirming the importance of last year's London Job Conference, the Rome Social Summit and the adoption of the ILO Global Jobs Pact. We urge that the G20 Labour Ministerial communiqué builds on the outcomes of these events.

Global coordination is critical. While there is no "one-size-fits-all" approach to employment and social policy issues, the full benefits of the globalised economy will only be realised if governments foreswear unilateral protectionist measures and act in a coherent and coordinated manner. Government protection of specific jobs and enterprises is ultimately self-defeating and hurts the development of new employment opportunities.

The following statement outlines business priorities for G20 policy makers in the effort towards recovery from economic crisis with respect to employment. It is organised around the themes being addressed at the G20 Labour Ministers' Meeting as follows:

1.	<b>Jobs Growth and Jobs Preservation</b>
2.	<b>Education and Training: Lifelong Learning</b>
3.	<b>Job Quality</b>
4.	<b>Global Co-ordination</b>
5.	<b>Conclusion and Recommendations</b>

*Business has also prepared detailed background documents on these topics available at [www.biac.org](http://www.biac.org) and [www.ioe-emp.org](http://www.ioe-emp.org).*

## 1. JOBS GROWTH AND JOBS PRESERVATION

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Thanks to prompt and significant governmental rescue packages through massive stimulus programs, many economies are experiencing initial signs of recovery, with some but not all countries showing improvements in their labour markets and unemployment rates. However there is still much uncertainty regarding what lies ahead and concern that employment growth will continue to lag significantly behind economic recovery.

In this recovery, continued attention must be given to restoring conditions for sustainable private sector led recovery – this is the necessary path to maximize sustainable job creation.

For the global economic and jobs recovery to take hold long term, governments will need to continue and intensify efforts to undertake coordinated and coherent policy actions to restore confidence and sustainability in financial markets and availability of capital. Pro-competitive regulatory frameworks that support innovation, trade and investment, as well as a successful conclusion of the Doha Development Round, will be critical in restoring job growth in the recovery.

Public policy, including reactive and countercyclical emergency responses, must support enterprises and aggregate demand. As deficits are also growing, structural reforms will be necessary to diminish deficits and ensure fiscal sustainability in the years to come. Importantly, government stimulus must continue to be targeted, timely, and temporary with a view towards long term recovery and more balanced growth.

The 2010 OECD report *Going for Growth* emphasized that in the return to growth, governments will need to work on phasing out some of the exceptional policy measures that they took on in a crisis context, while at the same time reinforcing other measures -- launching new reforms and resisting protectionist measures in international trade and labour markets. Reforms that boost competition, productivity and so called “green growth” can help to stimulate economic activity and job creation. Improving productivity is more important than ever for long term economic growth and development. In addition, smaller enterprises need particular support in creating and maintaining jobs, and regulation should be reviewed to better encourage formality. This means reform to deliver smarter, more effective regulation.

Governments must ensure that economic, labour market and social policy frameworks support sustainable business activity, including enterprise of the self employed, which is the prerequisite for recovery from the jobs crisis. The best social safety net is an economy that generates jobs, thus reducing unemployment and raising labour market participation of all groups.

In today’s dynamic economy, employees need frameworks that support transfer to new jobs, and employment protection must be properly balanced with encouraging job creation and maximizing employability when jobs are no longer sustainable. A “flexicurity” approach, including effective active labour market policies that incorporate lifelong learning approaches and effective social benefit systems, is critical to supporting these transfers. In addition, flexibility in labour regulation can enable employers to employ available workers, without unduly restrictive work practices or excessive regulation preventing such action. In some countries, policy frameworks that allow for this flexibility (subject to suitable minimum

standards and protections) have also played an important role in retaining jobs – and can play a greater role in the future to maximise employment and counteract future jobs crises.

Safety nets must simultaneously support individuals in need and encourage jobs growth. Policies must continue to address the effectiveness and sustainability of social benefit systems. Adequate investment in benefits and public services, such as health, education, transportation and housing, and more effective interaction between social benefit systems that provide the right incentives for all who can work to work will also support employment and labour market participation of all groups, in particular those most vulnerable such as youth, older workers, women and the disabled.

## **2. EDUCATION AND TRAINING: LIFELONG LEARNING**

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IOE and BIAC have published a Lifelong Learning Strategy, from which the following section is taken. The paper has been developed as a contribution to a G20 Global Training Strategy, and can be accessed at [www.ioe-emp.org](http://www.ioe-emp.org) and [www.biac.org](http://www.biac.org).

Business strongly supports the creation of a Global Training Strategy to respond to the current financial and jobs crises and also to adapt labour markets from the long-term perspective. Improved lifelong learning will contribute to minimising the impact of future downturns in the global economy and will help to ensure as many working people are retained in jobs and in the labour market as possible. Lifelong learning that meets the needs of the economy, employers and learners is pivotal to business growth and job creation.

A lifelong learning approach integrates all stages of education, vocational training and skills development into both policy development and service delivery. Training should not be seen in isolation from education. Any global training strategy must give due attention to improving instructional systems for all ages, including education, pre-employment and vocational training.

Governments, individuals and communities must effectively engage to maximise the contribution of lifelong learning to labour market outcomes. We need all the human capital we have (both male and female) if we want to achieve sustainable growth, create innovation, foster prosperity, raise living standards and well-being, meet demographic challenges, as well as eradicate poverty.

Through their global representative organisations, employers in and outside the G20 are closely engaged with the ILO, and with other organisations such as the OECD, in the formulation of the Global Training Strategy requested by the G20 leaders (Pittsburgh, 2009).

There is an ongoing need to improve the relevance of education and training provision to the needs of the economy, employers and learners – in terms of pre-employment education and training, and education and training for the current workforce. This includes generic skills that support an adaptable and a flexible workforce and specific technical skills that are important to a range of industries and occupations. They are important for the flexibility and adaptability of both workers and their employers in adjusting to, and taking advantage of, changing workplaces, markets and technologies. It is also necessary to find effective tools to anticipate future skills requirements and how to match them with labour market needs.

Government has primary responsibility for education by ensuring that young people leaving the education and training system have the relevant skills to be employable in changing labour markets. Responsibility for further vocational training should be shared between society, employees and employers according to interest and benefit. When the interest is more on the employee side, she/he should bear most of the costs, and vice-versa. Employees must meet their responsibilities to manage education, careers, pursue opportunities and maintain employability. This includes parents' responsibility regarding their children's education.

Business calls on G20 governments to enhance delivery of lifelong learning and employability to ensure that the needs of companies and learners are better served, especially by ensuring:

- ▶ Access to quality education and training, including vocational training for all
- ▶ Matching education and the needs of the labour market with capacity of the system to respond to change
- ▶ Employability and flexibility during one's entire professional life
- ▶ Continuous improvement and system renewal

### **3. JOB QUALITY**

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“Job quality” is a complex and subjective concept, and can mean different things to different constituencies. For employers, job quality rests on the foundation of compliance with all relevant national law and regulation, good human resource policies and practice, and social protection, as well as respect for, and promotion of, internationally recognized fundamental principles and rights at work as expressed in the 1998 ILO Declaration.

Employers provide the first building block for quality employment through their commitment to employ people lawfully, to pay people what they are due, and to provide safe and decent conditions. Rule of law in employment, and meeting national level employment obligations in full are the bases for operationalizing job quality.

The quality of employment is also underpinned by education systems, social protection systems and public services that support the labour market and wider society. Public policy and economic foundations to support enhancing the quality of employment should achieve stable and socially cohesive societies, an open market system (including open labour markets)

which delivers macroeconomic stability, and properly functioning labour market and legal institutions.

Additional key elements for improving the quality of jobs include:

- ▶ Policies that support the sustainability of enterprises enhancing their capacity to start, to stay in business, , grow, thrive and employ;
- ▶ Good human resource policy, which supports dialogue and engagement between employer and employee that motivates all actors in a positive and productive work environment;
- ▶ Work environments in which employers and employees can work together to improve productivity, innovation and competitiveness;
- ▶ Access to quality education and training including early childhood education and lifelong learning;
- ▶ Frameworks that address the needs of SMEs, which harness the unique nature of smaller enterprises as an engine of jobs growth.

## **TEMPORARY AND PART-TIME WORK**

Our labour markets, like our societies, are changing – they were changing before the crisis, and they will continue to do so. One major trend that began before the current crisis is the growth in part-time, contract, agency and temporary work. This growing diversity in working hours and contract approaches provides options for more people to work, and to reconcile work with other commitments. These forms of work regularly support participation from parents, students, elderly workers and persons with a disability – many of whom would be excluded from working by narrowing employment options. At the same time, they meet the needs of companies to increase their own adaptability.

This trend is positive. It offers opportunities to improve not just overall numbers in work, but who can work, and the quality of their working experience. Many people in part-time work have chosen this option, which allows them to also fulfill other commitments in their personal lives. Information Communications Technology (ICT) is enabling a growing number of tasks or jobs, especially in the service sector, to be carried out irrespective of working hours and the place of business.

Flexibility should thus be seen be in the interest of employers and employees alike. Effective interaction with social benefits systems contributes to improving the benefits that can be gained by supporting flexible approaches to work and should be a focus of government reform.

## IMBALANCES

The issue of quality of employment also raises distributional concerns, which are a perennial consideration in national and international debates on labour market, social and economic policies.

Inequality is a natural outcome in a competitive market economy, but it becomes an issue of serious concern when it raises the risk of people falling into poverty. Likewise, it matters when it threatens the legitimacy of institutions or creates political instability. Work is not the only way, but it is surely the best way to address poverty and maximize economic opportunity on a sustainable basis. Thus, G20 governments must ensure policies that encourage and support a rapid restoration of jobs and greater scope to preserve and create jobs into the future to help avoid persistent long term unemployment. Adequate social protection should be in place to support those who cannot work.

As highlighted by OECD studies on growing inequality, policies must work to support positive intergenerational social mobility, which promotes equal opportunity for individuals and enhances growth by putting societies' human resources to best use. OECD work also points to the importance of education and education reform, in particular access to early childhood education in this regard.

## 4. GLOBAL CO-ORDINATION

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Global coordination, with a particular focus on employment, is critical to help avoid long term structural unemployment, and the resulting social and economic repercussions. Effective co-ordination by governments, international organisations, business, trade unions and other stakeholders is essential to forming practical solutions for the economic recovery. Developing economies must be meaningfully engaged in this international dialogue. Business calls upon the G20 to recognise the added value that the major international organisations, including the OECD, ILO, international financial institutions, bring to the table in this global effort.

The OECD and the ILO in particular have important and complementary roles to play with respect to employment and social policy issues. The OECD, is uniquely placed to support policy considerations and actions by governments with a multi-disciplinary fact-based analysis of issues and the factors impacting employment and social protection systems. The OECD is also an important forum for dialogue among governments and stakeholders to share best practices and experiences in the current crisis situation, including on employment and social policy issues.

As the international agency mandated to deal with labour market and social policy issues, the ILO has an important role in providing information on labour market activity, stocktaking of various measures taken by governments, supporting dialogue among the social partners with governments through the tripartite process, and providing technical assistance. While the labour market responses required move beyond a rights-based approach, the ILO's

Declaration on Fundamental Principles and Rights at Work should continue to be a key reference point for governments on the issue of labour rights and their intersection with international economic policy.

Employers recommend that the OECD and ILO continue to co-operate, exchange information and leverage their complementarity in addressing employment and social policy issues, and that G20 Labour Ministers recognise the important and complementary role of the OECD and the ILO together in support of the continued global leadership co-ordination critical to exiting the crisis.

## 5. CONCLUSION AND RECOMMENDATIONS

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A number of guiding principles and actions are needed now to sustain employment, put people back to work, and provide basic social safety nets:

- ▶ **ACTIONS MUST SUPPORT SUSTAINABLE JOB CREATION:** Jobs may be created by short term stimulus and emergency measures, but policies must also encourage sustainable economic growth driven by innovation and enterprise creation, trade and investment activity. Governments should ensure that regulation, including tax policy, does not restrict the capacity of enterprises to retain their workforce and take on new employees.
- ▶ **POLICIES SHOULD FOCUS ON EMPLOYMENT, NOT JOB SECURITY:** Government action must focus on employment and employability, supported by labour market policies that activate the labour force into work, make work pay, and provide for labour market mobility. These policies must be underpinned by effective social benefits, and strongly supported by opportunities for education and training.
- ▶ **ENSURE SAFETY NETS PROMOTE EMPLOYABILITY AND INCENTIVES TO WORK:** To the extent possible, social spending should be aimed at supporting employability and re-entry to the workforce as soon as possible. Income supports should be treated as any other type of incentive – they should be temporary, well targeted to those in need, and timely. Actions must continue to target vulnerable groups, to ensure that those most disadvantaged when facing unemployment can return to jobs as quickly as possible, and that they do not slip into poverty.
- ▶ **INVEST IN SKILLS, EDUCATION AND TRAINING:** An important element of comprehensive employment policy is to provide budget support for training and education, to improve quality and access for all, and for governments to effectively engage with employers in this area. Governments should seek to make education systems more effective and where possible increase investment responding to need for constant updating of skills, with particular focus on Science, Technology, Engineering and Math (STEM).
- ▶ **GLOBAL COORDINATION IS NECESSARY:** Effective global co-ordination of governments, international organisations and social partners is essential to forming practical solutions for the economic recovery. Developing economies must be meaningfully engaged in this international dialogue. OECD and ILO in particular have important and complementary roles to play with respect to employment and social policy.

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