



IOE Statement to the Meeting of G8 Labour and Employment Ministers

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I. Introduction

I am honoured to express the views of the IOE, which represents 144 Employers Organizations in 138 countries around the world, on the subject of social protection. I would like to begin with a few general remarks:

Importance of Social Protection

Employers understand that social safety nets are an essential policy accompaniment to globalization. Indeed, fiscally responsible and sustainable safety nets are integral to well functioning and peaceful societies and therefore to economic growth and job creation.

But it would be counterproductive if social protection became a barrier to employment or the competitiveness of businesses. Job creation is both the best means of providing social security, as well as the key to sustaining it. And social security is a shared responsibility.

No 'One Size Fits All'

Our message to you today is that while G8 and developing countries all face significant challenges in providing social protection to their citizens, these challenges vary profoundly. G8 governments have a role to play, both in addressing the coverage and sustainability of their social safety nets, but also in assisting developing countries in capacity building for sound social protection systems appropriate to their economies.

Regardless of the system adopted (public, private or a combination), we would like to highlight four characteristics of a well-functioning system that strikes an appropriate balance between the provision of social security and job creation, competitiveness and economic growth:

Sound administrative and financial management is essential;

Social benefit systems must make work pay and should encourage people to stay in the workforce.

Tax policies should not place undue burdens on workers or employers; and

Social policies should be linked with active labour market policies that serve economic growth and job creation anywhere.

II. The Demographic Context

To a large extent, this policy response will be shaped by demographic reality. Let me share a few facts with you:

By 2050, world population is set to increase by some 2.5B people (from 6.7-9.2 B), the vast majority of whom will be born in less developed regions. Indeed, were it not for projected net migration the population of developed countries would decline.

Over this period the population of the 50 least developed countries will more than double. The populations of Afghanistan, Burundi, the Democratic Republic of the Congo, Guinea-Bissau, Liberia, Niger, Timor-Leste and Uganda are projected to at least triple.

In sharp contrast, the populations of 46 countries, including Germany, Italy, Japan, the Republic of Korea, most of the successor States of the former USSR are expected to be lower in 2050 than in 2005.

What does this mean for social protection? The answer lies not just in total numbers, but in distribution of population. Between 2005 and 2050, half of the increase in the world population will be accounted for by a rise in the numbers of those aged 60 years or over, and the number of persons under age 15 will decline. This trend is particularly acute in the developed world, where the population aged 60 or over is expected to nearly double.

In short, the vastly different economic, political, fiscal and social challenges facing policy makers in the developing and developed worlds are shaped and exacerbated by their differing demographic situations.

III. Developing Countries

Social protection in low-income countries is typically confined to the minority of workers who are employed in the formal sector. Strengthening the capacity of these countries to design and implement social protection programs, should enable them to cope better with the social impact of economic reforms as well as help to increase popular support for the reforms themselves.

Thus, social protection policies need to be geared towards reducing the economic vulnerability of households. To have sustainable interventions, a more comprehensive approach is needed, one that draws attention to the large numbers of risks (e.g. illness; crop failure; conflict etc), and that proposes a variety of instruments to deal with these diverse risks.

IV. OECD Countries

A very different context applies to most OECD countries, where policymakers must confront the challenge of an aging workforce.

Older workers represent an enormous pool of wisdom, skills and knowledge, and it is in everyone's interest to create the right environments to keep all workers employable throughout their careers, from youth to old age.

Policies should aim at facilitating active aging and reducing obstacles to productive employment opportunities for older workers – for example, providing policy frameworks that increase the effective age of retirement, and making this feasible through pension schemes that do not penalize or make it impossible for older workers to continue gainful employment.

Longer working lives will require cultural shifts for both employers and employees. A climate conducive to workforce participation and 'active ageing' can be encouraged through such measures as:

- Increasing the effective age of retirement;
- Diversifying working times and work organisation, including encouraging part-time and temporary work;
- Increasing emphasis on lifelong learning;
- Analysing the effects of employment protection measures on enterprise creation and sustainability;
- Encouraging more wage flexibility; and
- Promoting effective job placement

V. Conclusion

In sum, business calls upon the G8 to assist developing countries in capacity building for sound social protection systems. Here at home, we urge the modernization of social benefit systems in ways that are financially sustainable, and that encourage work across all age brackets.

Thank you.