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Financing for development in the era of COVID-19 and beyond EMPLOYER INPUTS ON THE SOCIO-ECONOMIC RESPONSE

The COVID-19 pandemic has had an immediate and negative impact across every level of society and has also resulted in an acute job crisis. The latest estimates from the International Labour Organization (ILO) show that the equivalent of 255 million full-time jobs were lost in 2020; and at current rates, employment growth will be insufficient to make up for the losses suffered until at least 2023 (World Employment and Social Outlook: Trends 2021).

While the pandemic caused massive disruptions to most businesses, it has had a devastating and disproportionate impact on micro and small businesses, especially in hard-hit sectors such as the hospitality, tourism, wholesale and retail trade, construction, and manufacturing sectors. Recent survey evidence shows that SMEs have been over 50 per cent more likely than larger firms to be strongly affected by the crisis, with over 70 per cent indicating severe financial difficulties (WESO Trends 2021).

In the face of the difficult crises generated by COVID-19, the private sector has still played a key role; developing the life-saving vaccines, ramping up production, providing medical supplies and equipment, securing livelihoods, joining in relief efforts, adapting workplace regulations in real time, and fighting to protect lives. The pandemic also displayed the major importance and interconnectedness of global supply chains as key drivers of business and employment.

The private sector generates 9 out of 10 jobs worldwide - contributing to greater economic and social equity, integration, and political stability. Agenda 2030 clearly showcases the importance of the private sector, understanding that employment and prosperity would not be possible without the engagement of businesses of all sizes and in all sectors. SMEs play a key role for minimizing the employment impact of the crisis, as they are the backbone of all economies and employ the majority of the world's workforce.

Priorities for employers and the private sector on a socio-economic response:

- **A sustainable environment for inclusive economic recovery**
- **Job creation and business continuity**
- **Improve the productive capacities of countries**
- **Skills and life-long learning**
- **Social protection and the informal economy**
- **Public Private Partnerships and Social dialogue**

PRIORITY 1 – A SUSTAINABLE ENVIRONMENT FOR INCLUSIVE ECONOMIC RECOVERY

Private sector-led economic growth is the most conducive path to a sustainable and inclusive recovery. As the main engine of jobs and growth, the private sector is central to the recovery of employment and for the investment necessary to drive economies forward. Micro, small, medium, and large businesses participate and contribute resources, expertise, innovation, and jobs around the world.

Action is needed to support business continuity, income security, protect lives and livelihoods, and build resilient economies and societies. Businesses cannot restart operations spontaneously and economies will not be able to return to previous levels of prosperity without persistent and adequate financial support, or without an enabling business environment. An enabling business environment is essential for creating a stable, predictable, and incentivizing environment for investment and innovation. Businesses need governments to do what only governments can do – and that is to facilitate and create the environment for private sector growth and resilience.

This means a business climate that:

- encourages businesses of all sizes and in all sectors to thrive and innovate,
- attracts domestic and foreign investments to job-rich sectors such as agriculture or technology,
- facilitates the integration of SMEs in international supply chains.
- increases productivity and employment,
- unleashes people's potential and encourages innovation
- provides policy coherence across the economy, including finance, trade & investment,
- reduces unnecessary red tape and bureaucratic obstacles, such as excessive paperwork or more than 25 days to start a business.

In such a business climate, companies can expand their investment in better technology and in up-skilling and re-skilling; produce better goods and services and attract great talent. In doing so, they will become more productive, sustainable, innovative, and competitive; create more and better employment opportunities. The laws, regulations, policies, international agreements, and public infrastructure should facilitate, rather than hinder, the movement of products or services along domestic and global value chains. Even before the pandemic, rigid labour laws and regulations have hampered the development of businesses thereby slowing private sector growth and investment leading to weaker job creation.

Governments can build this type of business climate by:

- Reducing the costs for registering, starting, and doing business.
- Simplifying policies and procedures to enable businesses to pay taxes.
- Ensuring adequate public infrastructure is in place by making long-term investments in sustainable and resilient infrastructure.
- Making it easier to access finance, especially for SMEs.

- Promoting effective ways to tackle informality, and deal with the formalisation of informal enterprises. This will reduce unfair competition and tax-burden concentration on formal sector enterprise. This can be done through registration of informal workers or businesses by means of mobile banking or micro-loans to informal enterprises.
- Providing labour market regulatory frameworks that encourage businesses to hire and train as many people as possible.
- Enabling talent mobility and removing barriers in providing permits to skilled labour, including for skilled migrants.
- Ensuring fiscal policies which incentivize SMEs to grow and encourage climate adaptations.
- Ensuring intellectual property rights are protected.
- Implementing effective competition policies to enable market entry of innovative business.
- Relying on the engagement of social partners through social dialogue.
- Updating tax policies, capital market rules, development cooperation, trade, debt, financial sector regulations, competition policies laws and regulations to fit within the context of a digitalised and climate conscious 21st Century.

PRIORITY 2 - JOB CREATION AND BUSINESS CONTINUITY

Managing a rapid, sustainable, and inclusive private sector-led economic recovery is necessary for people and societies to win the battle against the pandemic and beyond. This recovery includes investing in job creation strategies and vaccine equity to reverse the economic and social consequences of this crisis. In the absence of governments creating such an environment, growth cannot take place, and productive jobs cannot be created.

Full and productive employment and decent work is possible only if sustainable enterprises continue to exist. To emerge stronger out of the crisis we need to urgently improve the framework conditions for business, especially SMEs, to ensure that companies can easily be set-up and create jobs as the economy continues to recover. Business continuity leads to protection and retention of jobs.

Multi-billion economic stimulus packages have been pledged by many governments, but these have regrettably not always followed clear strategies to address the critical needs of businesses that will guarantee sustainability and protection of jobs. There are still too many hurdles that prevent businesses, particularly SMEs from accessing funds quickly enough to survive. This is because mechanisms to access financial support can often be too unclear, complex, and difficult to activate, especially at the local level, when what is needed is efficiency and simplicity.

Public Employment Services (PES) can help protect and promote productive employment and incomes. PES should pay benefits to those who qualify without delay. PES should be modernised and have access to the latest reliable labour market information to ensure jobs matching as labour demand shifts and provide support for skills development.

More decisive action needs to be taken to reduce the negative impact on businesses and slow the rate of job loss.

Key principles and recommendations:

- Flexible and non-bureaucratic access to grants, low-cost loans, interest-free credit, moratoriums on loan payments, waivers of public utility bills, and other economic packages should reach business owners as fast as possible. SMEs should be prioritized as they are the backbone of all economies and employ the majority of the world's workforce.
- Direct wage or income support for workers through wage subsidies and cash transfers
- Tax credits or tax deferrals for businesses
- Support for companies and workers in addressing the health risks of the pandemic through access to protective equipment and specific social protection guidance at the workplace.
- Increase investment in innovation. Such investments can combat climate change, create employment, stimulate growth, reduce risks, and build resilience to future crises.
- Building financial resilience in the private sector to ensure a swifter and more sustainable economic recovery. This includes productive investments in the capital stock to improve debt sustainability.
- Strengthening future skills development systems for sustained economic growth and productive employment by investing in skills and life-long learning, ramping up vocational training and the digitalisation of the economy.
- Invest in policies that promote the employment of the most affected groups: women, youth, migrants, and marginalized groups
- Short-term work schemes to help prevent unemployment.
- Digital tools can help alleviate the problem of the volume of claims. However, extra support needs to be offered to applicants who do not have digital skills or access to the internet.

PRIORITY 3 – IMPROVE THE PRODUCTIVE CAPACITIES OF COUNTRIES

It is equally important to continue building the productive capacities of countries based on their competitive advantage and by focusing investments in job-rich sectors such as agriculture, technology, tourism, or the green economy. Priority should be given to domestic investments and to transfers of technical expertise in a paradigm shift that goes beyond debt relief or official development assistance (ODA). The focus must be on building a vibrant and productive private sector.

Productivity is important because it brings revenue, which in turn pays for the wages and benefits, all of which are important to earn a good living and sustain families. Productivity means businesses are able to compete, especially in a world now where businesses not only compete domestically, also internationally. They are no longer limited by the physical borders, and digital technology offers opportunities which did not exist before. These opportunities also enable entrepreneurs to create more and better jobs. Productivity is not only positive for business and families, but it is also good for governments. A thriving private sector contributes to the GDP, it contributes to economic growth and development, stimulates trade, attracts investments, and creates jobs for the population, which reduces the dependency on the State in creating employment.

Ensuring fiscal and monetary policies work together to stabilise the economy and address the needs of the private sector is key. Central banks and other financial institutions have a big role to play to ensure liquidity, maintain the flow of credit to the economy and safeguard financial stability against global market shocks. Fiscal policies are primarily about solvency—at a time when large segments of the global economy are in dire straits. They need to aim at boosting both supply and demand, considering the uniqueness of this crisis as a demand and supply crisis simultaneously. Working in a coherent and coordinated manner, monetary, fiscal, and financial policies should aim to cushion the impact of the Covid-19 shock and to ensure a steady, sustainable recovery once the pandemic is under control. Close, continuous international coordination will be essential to support vulnerable countries, to restore market confidence, and to contain financial stability risks

Key principles and recommendations:

- Ensuring policy coherence for fiscal and monetary policies
- Reduce barriers to domestic and international investment.
- Incentivize investments and funding in the green economy and sustainable development-aligned priorities. This includes low-carbon technologies and sustainable infrastructure, education and training, and research and innovation.
- Engage in a structural transformation towards a carbon neutral and resilient economic model, which can support job creation, align SDG priorities, and support economic recovery.
- Incentivize long- term domestic and foreign investments (20 years or longer).
- Encourage cooperation between national banks to continue research on appropriate capital and domestic risk management especially for SMEs.
- Encourage SDG reporting frameworks for all stakeholders.
- Facilitate trade by reducing non-tariff barriers, fostering connectivity, and establishing international standards.

PRIORITY 4 - SKILLS AND LIFE-LONG LEARNING

Employment, skills development, enterprise creation and entrepreneurship lie at the heart of sustainable development, economic prosperity, and social stability. At the workplace, the type of skills needed for employment evolve at least every three years, due to sectoral shifts and most notably due to technology. Employability, the mindset and ability to embrace life-long learning, and good cognitive skills, such as complex problem-solving and critical thinking, and socio-emotional skills, such as teamwork, resilience, self-confidence, negotiation, and self-expression, are highly valuable as these skills cannot be imitated by technology. According to the World Bank Group, workers involved in routine tasks that are “codifiable” are most vulnerable to replacement.

The COVID-19 crisis has forced a workplace digitalisation paradigm in a short period of time, that was not foreseen to take place for another few years. But while digital platforms offer incomes, flexibility, autonomy, and opportunities for workers to showcase their talent, 3.8 billion people still don't have access to the internet. The digital divide is very real and public-private partnerships are key to make critical investments in digital infrastructure.

Key principles and recommendations:

- Address the widening skills gap and unemployment by promoting and strengthening proactive policies on up-skilling and re-skilling, including better and effective policies to address skills mismatch.
- Scale investment in initial learning, continuous training, Technical and Vocational Education Training (TVET) along with work-based learning, such as apprenticeships, are a cost-effective way to solve the mismatch between the skills people have and the skills businesses need.
- Implement initiatives to upgrade Industrial Training Institutions (ITIs) into technology hubs
- Guide national institutions whose mandate has a direct relation with education policies, economic policies, technology, skills development policies and programmes.
- Raise awareness of the value of effective training or lifelong learning programmes, including for the increasing demand for apprenticeships, informal and formal lifelong learning;
- Accelerate the acquisition of skills and capabilities of all segments of the workforce, especially women, youth, migrant workers, and marginalised workers, including those with disabilities, and recognising different skills systems.
- Provide real-time and comprehensive data and ad-hoc guidance to support the anticipation and development of skill policies at the regional, national, local and sectoral levels, inform training investment decisions, and help States anticipate skills needs.
- Connect labour market needs with formal education systems and/or effective formal and informal lifelong learning. This should be done by engaging with social partners in developing and implementing national and local skills policies that optimise the functioning of the labour market, designing and implementing curricula and restructuring education and training systems.
- Build a talent pipeline for business that can match the pace of change in the world of work. Aligning education with evolving labour market demands and encouraging work-based learning, enables people and businesses to remain agile and unlock the new opportunities created through the changing world of work.
- Develop programmes to share information and empowering individuals to make good career choices from how to access training, carry out effective job searches, keeping a job, or starting a business.
- Build an inclusive digital economy, including by ensuring affordable internet access and digital literacy for all, and embed artificial intelligence (AI) and digital tools into the priorities of jobseekers

PRIORITY 5 - SOCIAL PROTECTION AND THE INFORMAL ECONOMY

Sustainable Social Protection Systems which guarantee a minimum living income for the needy are an important pillar of socio-economic systems which contribute to reducing poverty and preventing social exclusion. More than 60 percent of the world's employed population are in the informal economy, which translates to more than 2 billion people, and most of them are in emerging and developing countries. With ILO Recommendation 202, there is a global tripartite consensus on the development of social protection floors, which needs to be vigorously implemented according to national realities. Determined actions are further needed to address the challenges occasioned by informality and look for an array of innovative solutions that include transitions from informality to formality.

Key principles and recommendations are:

- *Social Protection Systems need to be sustainably financed*: Finding innovative ways based on incentives to ensure the participation of all stakeholders in building economies and develop sustainable social protection systems is absolutely key. This can be done by improving the framework conditions for companies to ensure that economic growth and employment is created in the formal sector, by enhancing the productivity of the formal sector, and by creating an enabling business environment. This is not only the best means to reduce poverty, but also important for the financial sustainability of social protection systems.
- *Addressing the informal sector*: The development of national Social Protection Systems needs to go in tandem with policies to address the plight of more than 2 billion workers in the informal sector, who are not covered nor are they contributing to these systems.
- *Labour inspection systems need to be strengthened* to detect and discourage enterprises that voluntarily operate informally in order to evade tax, labour law and social protection obligations. Such “opportunistic” firms pose a serious threat to competitiveness and even the survival of formal sector enterprises that pay tax and observe laws.
- *Respect for primacy of national specificities and traditions*: Social protection systems need to respond to the specific needs and be coherent with the socio-economic traditions of respective countries. The role of national tripartite institutions and the autonomy of national employers/workers organisations and Governments need to be fully respected and preserved, as they are best placed to build and/or develop their own social protection systems in accordance with their specificities and priorities.

PRIORITY 6 – PUBLIC PRIVATE PARTNERSHIPS AND SOCIAL DIALOGUE

With the understanding that we must work together more urgently than ever before to minimize the health, economic and employment impacts of this crisis, determined collaboration between the public and the private sector is more important than ever and is espoused in SDG17.

Partnerships with the private sector play a critical role in supporting governments’ efforts for prevention, preparedness, and response to crises like the current pandemic – by harnessing companies’ skills, management capability and technology, such as in telecommunications, healthcare and innovation, hygiene, and water management. A key focus needs to be on SMEs (or MSMEs as applicable in different parts of the world), because it is there where the bulk of jobs are and on the informal economy which needs our help the most.

Governments and the private sector need to come together in innovative ways not just to flatten the curve of infection and mitigate the economic disruption, but also to prepare for a better and resilient future. Greater partnership between the public and private sectors is going to be critical to prepare for an even brighter future.