



A powerful and balanced voice for business



International Labour Organization



CHANGING BUSINESS

and Opportunities for Employer and Business Organizations

Executive summary



Five global trends are shaping the way businesses across the world operate. Technological innovation, global economic integration, demographic and generational shifts, climate change and sustainability, and a global shortage of skilled labour are impacting businesses regardless of size, sector and location, with major implications for the Employer and Business Membership Organisations (EBMOs) that serve and represent them. As the pace of this change accelerates, policymakers, businesses and EBMOs need to innovate, adjust and become more flexible in order to harness opportunities and

remain relevant in the rapidly changing business environment.

The ILO Bureau for Employers' Activities (ACT/EMP) and the International Organisation of Employers (IOE) jointly conducted research into these trends, their impact on business, and the ramifications for EBMOs. The study drew on a multi-language literature review, a quantitative survey of 500 business executives, a series of best-practice case studies, and semi-structured interviews with senior EBMO representatives, academics, and ILO/ACTEMP specialists.



The impacts of these five global trends highlight the need for businesses and policymakers to not only keep up with developments, but also to anticipate future issues, trends and scenarios.

Technological innovation – including automation and digitisation – is transforming how and where businesses operate, their workforces and skills requirements. 56 per cent of respondents named technological innovation as the global trend having the greatest overall impact on business. Technology is facilitating access to new markets, fostering opportunities for new digital business models, accelerating the development of new products and services, enabling new ways of working (such as virtual international teams and remote working), and expanding digital networks of suppliers and business partners. 76 per cent of businesses participating in our survey recognised that technological innovation is granting them access to new markets. In North America, 72 per cent of survey participants reported that technological innovation has had a large impact in creating opportunities for new digital business models.

Despite recent setbacks, the world economy has become truly global with a rapidly changing profile. Emerging economies—once on the periphery of global value chains, mainly as suppliers of low-cost goods, unprocessed natural resources or simple services—are becoming hubs for capital, innovation and talent. Global economic integration is increasing the harmonisation of corporate global governance, tax/regulatory and business environments, with a large impact on companies. 40 per cent of businesses reported that this increasing harmonisation has had a large impact on their companies. At the same time, businesses are increasingly exposed to the global economy, and political uncertainty is a major factor influencing business decisions. 37 per cent of executives mentioned increasing exposure to global economic and political uncertainty as a major trend.

Shifting demographics are changing the workplace. A multi-generational workforce of baby boomers, generation X and millennials encompasses diverse professional expectations. A diversified and inclusive population is also increasingly represented in the workforce, but perhaps the most significant change is the inclusion of women, who are entering employment at historic, record levels. Businesses are concerned about managing a multi-generational workforce. In some regions such as the OECD and ASEAN economies the shifting demographic dynamics and declining working-age population are expected to reshape the long-standing fundamentals of work, retirement and savings. In other parts of the world such as Sub-Saharan Africa and Latin America the conversation is focused on how to take advantage of the youth dividend and its potential economic gains while managing pressures on labour markets and society.

Companies are increasingly pressured to become sustainable by considering the triple bottom line: financial sustainability alongside social and environmental impact. Environmental risks are increasing the vulnerability of businesses and people worldwide. Yet increased exposure to environmental risks comes alongside innovation in more sustainable materials and energy sources. Pressure for more sustainable working environments, corporate values and responsible business conduct is coming from workers, consumers and government policy, providing opportunities and premiums for quick-to-adapt companies.

The challenge of locating, hiring, and retaining skilled workers is felt across borders, sectors and pay grades. Shifts in knowledge, education and training often mean that the most suitably skilled employees are not found where jobs are located. A lack of relevant skills for the world of work is already creating problems even at entry-level positions. Executives across regions express concern that it is becoming harder to recruit people with the skills needed. 40 per cent of employers noted lack of skills as the main reason for entry-level vacancy, and 60 per cent stated that new graduates were not adequately prepared for current work. The majority of executives believe matching the curriculum to the economy's needs would provide the skilled employees they need. Moreover, they want to see business playing an active role in shaping educational systems to boost skills.

The ongoing impact of these trends requires anticipation and adaptation by businesses, governments and EBMOs. EBMOs should be prepared to adapt their structure and operate in unfamiliar scenarios and with new, unrepresented or uncoordinated sectors and industries, where relevant data and research is still in its early stages. They need to respond more quickly to

changing business needs in the face of global integration, a more mobile workforce and rapid technological change. EBMOs can help reflect and coordinate diverse opinions from emerging-market and developed-economy firms on pressing global issues like migration, trade, and technological governance.



The five global trends offer an unprecedented opportunity for EBMOs to reinvigorate the collective power of business and shape the future. Companies are looking to EBMOs to engage with policymakers to shape the regulatory environment for future-ready economies and societies, find innovative solutions to emerging issues affecting the workplace and harness the productive potential of change to the benefit of all.

EBMOs can provide guidance to members in navigating emerging norms and regulations concerning innovation, sustainability, demographic changes (e.g., restructured pension schemes), and global economic governance. Due to their nature, EBMOs are well placed to work with different types and sizes of companies, offering small and medium enterprises (SMEs) a seat at the table and helping them integrate into the global economy while connecting multinationals (MNEs) to local business partners and to the government. Moreover, they can align business interests on good governance, stable macroeconomic policies, a conducive environment for companies to flourish, sound fiscal policies and investment in education and infrastructure to build the skills and capacities of tomorrow.

69 per cent of business in our survey recognised that increasing environmental and disaster risks have considerable impact on their operations and reputation. Worries over water, pollution and disaster risk-management are part of the new normal. Meanwhile, 51 per cent of businesses said that policymakers are increasingly demanding compliance with environmental targets, while 40 per cent and 45 per cent of firms from high-income and upper-middle-income countries respectively reported that their workforce is demanding more sustainable working environments and corporate values. EBMOs can help coordinate sector and industry-wide responses to these pressures, drafting policies that help rather than hinder companies in taking advantage of the opportunities offered by greater sustainability.

The challenges posed by changing demographics offer a key opportunity for EBMOs to show leadership and innovation. 62 per cent of companies in Europe and 58 per cent in Asia report that a declining working-age population will have a large impact on their business. 39 per cent of businesses in Africa indicated the youth bulge would have a considerable impact for them, rising to 45 per cent of businesses in LAC. Redesigning work to allow elderly workers to continue to add expertise while earning should be a focus of both EBMOs and businesses. EBMOs will also need to contribute to adapting retirement schemes to reality, with potential solutions including mobile pension plans for individual workers or sector-wide schemes overseen by EBMOs themselves.

78 per cent of executives indicate that updating the school and education curriculum to match the economy's needs would provide them with the skilled employees they need. This sentiment is particularly strong in emerging markets, rising to 79 per cent of respondents in Latin America and 86 per cent of African businesses. SMEs are the most active in supporting changes in the skills agenda, with 84 per cent of small businesses supporting updating education systems to meet skill needs. EBMOs can give smaller firms a voice in these discussions and help ensure that the next generation of workers are equipped with the skills needed by firms of all sizes.



The five global trends present a mix of challenges and opportunities that cannot be addressed by businesses alone. Companies need to develop collective solutions via EBMOs to underwrite the viability and competitiveness of individual businesses. Businesses are seeking improvements in workforce skills, infrastructure, and the business environment. They are keen to play a more active role in this process and work with external partners to do so, including the public sector, private sector, and EBMOs.

EBMOs can help build more collaborative economies in which governments and firms come together to tackle some of the major challenges ahead, and reap the benefits of doing so. *Of those businesses who are not currently members, 70% of executives would consider joining EBMOs if they supported businesses better in facing these global trends. In order to do so, EBMOs will need to develop nuanced and targeted policy proposals and member-support strategies and services, building alliances with other organisations.*

EBMOs can help coordinate and advise on business efforts to improve the skills base of their workforce through revised training programs. *Efforts to increase the skills of current and potential employees have been part of business plans for years, but likely need revisiting in terms of scale and consistency for workers at all skill levels. 70 per cent of respondents recognise the positive effect of providing training and development to support lifelong learning and career transitioning.*

Shaping markets ready for the future will also require proactive engagement by EBMOs with different stakeholders. *Communication and collaborative solutions are needed to promote trust and cooperation between business and society. EBMOs can also bring together policymakers, business leaders, and academics in capturing future business needs and crafting potential responses, while ensuring investments are both timely and relevant in key growth sectors. Business appetite to take part is clear: 67 per cent of executives report that business lacks sufficient input in economic and business policies, and 51 per cent indicate they would participate in a forum to help communicate business ideas to policymakers.*

The accelerating pace of change requires EBMOs to adopt a long-term vision based on strategic foresight; *strengthen representativeness to reflect the current business landscape; provide the leadership required to anticipate the future of work and business; innovate to provide solutions and knowledge to member companies. Harnessing these long-term changes requires sustained planning, but the benefits should not be underestimated.*

Overall, the challenges created by these global trends for companies of all sectors, sizes and geographies offer an unprecedented opportunity for EBMOs to breathe new life into the idea of business collective action, becoming a proactive force in building the work environment of tomorrow. Our findings show that businesses are looking to EBMOs to help provide the right mix of policy and services. EBMOs in turn need to further adapt and innovate to help shape the future for people, businesses and society as a whole.



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