



## IOE / BIAC PAPER

# MAXIMISING THE BENEFITS OF INTERNATIONAL POLICY COHERENCE FOR ECONOMIC AND SOCIAL POLICY

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### INTRODUCTION

The global business community welcomes the G20 under the French Presidency focusing on strengthening economic and social policy coherence. We agree that such increased coherence can make a strong contribution to the overall G20 Framework for Strong, Sustainable and Balanced Growth.

A fundamental responsibility of government is to support job generation and the creation of meaningful work opportunities and aspirations. It is increasingly recognised that social stability, security, peace and prosperity rest most securely on the foundation of work. This challenge has been brought home all too visibly during the first months of 2011 in various parts of the world. Economic and social policy coherence will become ever more important to the success of the global economy in delivering overall economic and social stability and wellbeing.

There are a range of possible dimensions to such policy coherence: in the messages governments deliver internationally, between different areas of domestic and international policy, leadership across government agencies, and in how international organisations work together and delineate their work.

Employers want to see a positive, practical policy coherence that generates real benefits for businesses, working people and their societies. Generally, important to this policy coherence will be:

- ▶ Efficient, effective, targeted policies and processes that reflect the priorities of the countries concerned.
- ▶ Clarity and simplicity of policy approach. More than ever, businesses and working people need governments to use precise language in expressing a clear policy direction and vision.
- ▶ Scope for competing ideas and approaches, and avoiding policy coherence becoming policy homogenisation.
- ▶ Effective monitoring, feedback, evaluation and a willingness to make changes and refine policies and programmes.
- ▶ Ensuring policy commitments translate into action, particularly across different areas of government.
- ▶ Ensuring international policy dialogue complements and supports domestic policy dialogue, and does not displace meaningful consultation with social partners.

In this context, the following addresses job creation, fundamental rights, the concept of a global social protection floor and coherence between international organisations.

## COHERENCE AND JOB CREATION

The G20 Labour process provides an important forum for dialogue and cooperation between governments and international organisations to ensure that employment is expressly treated and acted upon in the G20 as a fundamental part of the Framework for Enhancing Strong, Sustainable and Balanced Growth.

Coherence of employment policy does not mean that governments must come up with common policies and approaches to issues. However, successful employment policies require coherence through coordination within and between governments, an exchange of good practices between governments, the engagement of the social partners, and the support of international organisations.

For employment recovery to be sustainable over the long term, governments must continue efforts at national and global levels to undertake coordinated policy actions to restore confidence and sustainability in financial markets, and to maintain the availability of capital necessary to sustainable growth and job creation. International bodies should focus on the economic growth aspect of labour market interventions and social protection policies and not on redistribution or financial burdens alone.

*At the national level, a “coherent” employment policy requires a comprehensive strategy linking all relevant policies including global macroeconomic impacts, and engaging all relevant actors, including the social partners.*

Good governance and pro-competitive regulatory frameworks, which support labour market participation and flexibility, trade and investment, are critical in restoring employer confidence to invest and create jobs.

Effective coordination of employment, social and taxation policies is an important element of business friendly environments at the national level, and is necessary to ensure that individuals have incentives to work, and become more employable.

Policies must also support innovation, entrepreneurship and improved productivity, critical elements for competitive economies, higher value and higher income jobs, long term economic growth and development. It is critical that employment policies support growth in innovative industries and green growth.

Ministries responsible for employment and social policy should effectively engage with finance, education, and other relevant ministries, which are fundamental to stimulating enterprise activity and job creation. Governments must avoid looking at policies impacting employment in isolation. This is especially critical in this period when many governments face tight budgets and reduced revenues, and must do more with less in efforts to restore long term recovery.

Education and skills are fundamental to competitive economies, and to boost individuals' ability and capacity to work and adapt to the changing demands of today's dynamic

labour markets. Governments must consider efficient and effective ways within budget constraints to ensure that access to quality education, including early education, are an integral part of comprehensive strategies for employment.

*Successful employment policies also require and benefit from effective global collaboration, both between governments and across international organisations engaging governments in a coherent manner.*

Global coordination has become paramount as global financial markets, trade and investment, information communications technology (ICT), technological innovation, labour mobility and migration, have significant and transformational impacts on labour markets at local, national and global levels.

Global macroeconomic policies in the recent economic crisis significantly impacted upon employment, and will continue to require a coordinated, coherent approach as financial markets become ever more integrated, and trade and investment continue to increase cross border economic activity in goods and services. It is critical that governments work together to harness the positive potential that these drivers can have for job creation and for increasing income levels, in areas where global cooperation is necessary and feasible.

## **FUNDAMENTAL RIGHTS**

The 1998 International Labour Conference adopted a solemn Declaration on Fundamental Principles and Rights at Work. The 1998 ILO Declaration (the Declaration), strongly supported by employers, followed extensive discussion on economic globalisation and the role of internationally recognised core labour standards.

The Declaration and its related Follow-Up represent an important promotional and practical tool to advance social progress in the modern world and to address failures to respect fundamental rights at work. Employers, through the International Organisation of Employers, initiated the discussions towards the Declaration and continue to be strongly committed to its ongoing success.

The Declaration does not impose on member States the detailed legal obligations of International Labour Conventions that have not been ratified, often for legitimate technical reasons such as particularities of national labour law and practice that prevent some countries, including G20 members, from ratifying specific conventions even if they apply the underlying principles.

Ratification of the ILO's core Conventions is only one way to promote the fundamental principles and rights at work; it is not the only possible means. By focusing unduly on formal ratification, the importance of promotional efforts and other reforms may be neglected or undervalued, thereby diminishing the Declaration's value and impact. It also undermines the range of effective means governments have used to give effect to the principles in the real world of work.

Fundamental conventions are drafted for and addressed to ILO member States. They require a process of social dialogue to establish how the content of the Convention can

be given force at national level. Companies are unable to give effect to these standards, especially in countries that have not ratified a particular Convention (and they can find themselves acting in breach of national law if they do).

However, the Declaration has taken on a new importance for enterprises in recent years. Though addressed to member States, the principles of the Declaration have increasingly become a reference point for corporate social responsibility initiatives. As companies are sometimes asked to fill regulatory “gaps”, the Declaration can be a very useful vehicle through which to reinforce the clear distinction between the role of governments and the role of business by providing an effective basis for governments that have as yet failed to give effect to the fundamental principles. Nevertheless, the responsibility for creating and maintaining minimum national standards must remain where it has to be – at the government level – rather than on companies.

Employers remain concerned at the possible use of these fundamental rights to restrict trade and investment. Employers recall that paragraph 5 of the Declaration states that labour standards should not be used for protectionist trade purposes and that nothing in the Declaration or Follow-Up shall be invoked or otherwise for such purposes.

Whilst governments are responsible for ensuring respect for the principles and rights within their jurisdiction, employers’ and workers’ organisations should play an active role in the Follow-Up procedures and the promotion of fundamental rights at work.

The G20 should recognize and support the ongoing work of the ILO to promote fundamental rights and principles under the globally agreed framework, with the Declaration as the accepted global mechanism to advance the fundamental principles, rights and core labour standards.

## **SOCIAL PROTECTION FLOOR**

The concept of a social protection floor has been discussed several times at international level in recent years, in particular at the ILO. Employers have always expressed their support for new initiatives that could extend the coverage of social security and fully endorsed the social protection component of the ILO Global Campaign when it was launched in 2003. The 2008 ILO Global Jobs Pact, which was supported by employers, also addressed the social protection floor. This initiative additionally demonstrates effective cooperation among UN agencies.

The recent crisis underscored the need to support vulnerable people, but also the pressure on many governments to restrict their expenditures in very limited fiscal space. Employers continue to insist on the respect for some fundamental policy principles regarding the affordability of a social protection floor.

- ▶ A progressive approach: An exclusive rights-based approach is not the solution, as each country has very particular characteristics that require a specific national approach (as stressed in the Global Jobs Pact).

Many good and different practices already exist around the world and their promotion will be an important tool for stakeholders. A “one-size-fits-all” model is

not the solution and any implementation of the components of the floor should be done progressively. This also requires transparent implementation to avoid corruption and misuse, and good governance of new schemes to ensure efficiency.

- ▶ **Funding:** The social protection floor should be funded nationally in order to ensure its long-term sustainability. Employers do not call for international funding. On the other hand, employers recognize that international assistance may initially be needed. Employers consider that the issue of funding should be left to national stakeholders as this involves the discussion of national priorities and budgets. Placing new fiscal burdens on businesses cannot be seen as a solution, as this would jeopardise their sustainability in an already challenging global economic context. The formal economy cannot be responsible for financing the informal economy which represents more than 90% in some countries.
- ▶ **Return to employment:** Employment is the best protection and the floor should not encourage people to remain inactive. Any mechanism should encourage people to enter the formal labour market through incentives or conditionality. The floor can be a means of introducing incentives to re-enter the labour market.
- ▶ **Informality:** The informal economy is growing in a number of countries, affecting competition and the fiscal capacities of states. The social protection floor should not encourage people who do not pay taxes to remain in the informal economy by providing identical benefits. On the contrary, any system should encourage the formalization of the informal economy and make a distinction in the informal economy between the poorest who need assistance and those who could financially contribute and be encouraged to engage in formal activity.
- ▶ **Role of social partners:** Social partners should be involved in national task forces which could consider and support the implementation of components of the social protection floor as appropriate at the national level.

## **GREATER COHERENCE IN THE WORK OF INTERNATIONAL ORGANISATIONS**

Employers welcome that the G20 has engaged international organisations in support of its work. All countries benefit from the value added analysis and coordination that international organisations provide to advance the goals and work streams of the G20.

International organisations provide leadership in their area of primary competence and advantage. Where responsibility or competence on a particular issue is shared or overlaps, there should be respect for mandates, and consideration of how best to harness the contributions and strengths of different organisations. This also requires that International organisations operate transparently and accountably, subject to effective oversight and governance.

For example, coordinated work of the OECD and ILO for the G20 provides important and distinct perspectives on labour market and social policy issues. We encourage continued coordination and joint work between OECD and ILO.

International policy instruments and initiatives also play an important role in supporting coherence between economic and social policy. For example, the OECD Jobs Strategy, the ILO Global Jobs Pact, and current global initiatives on trade and employment such as the International Collaborative Initiative on Trade and Employment (ICITE) which engages 10 international organisations, are important resources for all participants to the G20 labour process.

Instruments in other policy areas such as the OECD process related to the Freedom of Investment, and OECD international tax standards, support predictability of investment environments as key factors for job creation. The 2010 update of the OECD MNE Guidelines emphasised collaboration across relevant international organisations including the ILO, to ensure consistency of guidance across policy areas for investment, including employment and industrial relations.

The joint paper by OECD, ILO, World Bank and WTO, on *Seizing the Benefits of Trade for Employment and Growth* submitted to the G20 Leaders meeting in Seoul (November 2010) is a very positive example of global collaboration among organisations in the G20 context. It provides a comprehensive and coherent fact-based analysis and a range of recommendations on the benefits of trade for employment and the creation of more high value jobs for governments to consider.

International organisations differ in their approach, analysis and prescriptions to policy, and this is of particular value. For example, Governments benefit from fact-based analysis that illustrates differing perspectives, frames of reference and the presentation of different options to achieve common goals. They may address issues in the short, medium or long term, or provide a structural versus cyclical approach to their analysis. National governments need options and choices, and they benefit from competing ideas and perspectives.

Business commends to the G20 and to the international organisations, a model of practical collaboration for how organisations can work together most effectively at the practical level in delivering on their mandates. This may include:

- ▶ Improving communication and dialogue between international organisations, in support of the G20 framework for Strong, Sustainable and Balanced Growth.
- ▶ Memoranda of understanding or agreements on specific partnerships or projects.
- ▶ Memoranda of understanding or agreements on the sharing of data or research from agencies with primary responsibility for a policy area (trade or employment) with other organisations.
- ▶ Joint research, projects, and service delivery in the interests of effectiveness and efficiency.
- ▶ Collaboration between international organisations to provide consistent and comprehensive policy guidance, as appropriate.
- ▶ Emphasis on a horizontal – multidisciplinary approach to policy analysis.

## CONCLUSION

IOE and BIAC welcome the initiative taken by the G20 under the French Presidency to emphasise economic and social policy coherence in progressing the G20 Framework for achieving Strong, Sustainable and Balanced Growth. Dialogue between governments, international organisations, business and trade unions is indispensable to this objective.

The comprehensive approach undertaken in this G20 Labour process to dialogue with governments, international organisations and the social partners in issues-focused meetings leading up to the G20 Labour Ministers meeting, is in itself a significant effort to achieve greater policy coherence as it relates to economic and social policy issues. The success of these efforts will depend on the outcomes reflecting this coordinated comprehensive process, effective uptake of the outcomes by G20 leaders in Cannes, and taking forward recommendations for implementation at the national level, and by international organisations.

Continued G20 work to strengthen coherence between economic and social policy employment policy requires a common understanding and expectation of what is meant by policy coherence. The sustainability of coordinated approaches also requires leadership and political will to implement effective dialogue and coordination of economic, employment and social policy across government ministries.

We agree with the suggestions made in the Discussion Guide for this meeting that more effective organisational procedures can be implemented to enhance coherence, including to effectively engage the social partners in policy making at the national level and in discussions with and between international organisations. This engagement should be transparent and systematic, with mechanisms to communicate progress and outcomes of dialogues and projects.

Continued analysis by international organisations to provide indicators and multidisciplinary analysis of the impacts of national policies will remain important, coupled with ongoing dialogue to discuss data and share best practices and also unsuccessful policy approaches. It is the lessons learned that should inform future work.

As stated earlier, coherence does not mean that countries will follow the same approaches, but rather that they will pursue coordinated policy approaches that aim to achieve positive outcomes according to each national interest, which ultimately underpin and advance global economic and social stability.

We look forward to continued engagement with the G20 on these issues.

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