



G20 LABOUR MINISTERS CONSULTATIONS WITH BUSINESS AND LABOUR ORGANISATIONS

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BUSINESS PRIORITIES

Increasing economic uncertainty and heightened risk of downturn and recession following the 2008/09 financial and economic crisis again threaten global stability. Optimism for a return to growth following recovery measures across the G20 has been replaced in many countries by the hard reality of sustained slow growth, persistently high unemployment, worsening debt, the exacerbating effects of property markets, and very limited capacity for fiscal and monetary measures.

Under these circumstances, private enterprise, which will be the primary engine of job creation in any country (as recognised by G20 leaders in Seoul), has lost confidence to invest and create jobs. As the global economy has likely entered into a low growth period which may persist for the medium term, efforts to boost the private sector confidence necessary for economic growth and employment creation must be redoubled, urgently requiring coordinated policy leadership at national, regional and global levels.

G20 work to date built a sound foundation to mitigate the impacts of the economic and financial crisis of 2008/09. G20 countries must now deliver in this slow growth period, by committing to policy actions that restore business confidence to create and sustain jobs within the G20 framework of strong, sustainable and balanced economic growth.

Extraordinary measures may be needed. G20 countries, with the support of international organisations, must undertake coordinated efforts for structural reform, and implement smart, effective regulation, to boost investor confidence, encourage innovation and enterprise creation, promote trade and investment, and foster a competitive business environment.

New sources of growth – innovative industries and green growth - must continue to be the focus of recovery, including the necessary skills development to support employability in these dynamic labour markets. Education and training budgets must not be reduced, but made more efficient and effective in enhancing the employability of the workforce.

The world continues to witness the economic, human and social costs of joblessness, with unrest, amongst youth in particular. These circumstances need to be urgently addressed.

This position paper outlines business priorities for G20 action on the key agenda issues for this G20 Labour Process under the French Presidency, including:

- ▶ **Job Creation**
- ▶ **Social Protection**
- ▶ **Fundamental Principles and Rights at Work**
- ▶ **Policy Coherence**

I - JOB CREATION

Slow recovery from the economic and financial crisis has been accompanied by persistently high unemployment, which shows no sign of subsiding in a meaningful way. Current efforts to restore job creation are being pursued in a sustained low growth environment, which may continue in the short to medium term. This is exacerbated by ongoing fiscal challenges and high debt in many countries, leading to increased long-term/structural unemployment. Under these serious circumstances, job creation must be a priority issue for the G20.

Private enterprise will be the primary engine of job creation in any country, as recognised by G20 leaders in Seoul. In order to create jobs, the private sector urgently needs strong government leadership to provide certainty in government policy and coordinated policy actions at national and global levels. This is critical to restoring investor confidence in financial markets, and to stimulating consumer demand. The current environment is not instilling the business and investor confidence necessary to increase sustainable private-sector job creation.

Governments need to work with business to understand and engender the necessary confidence to invest and employ. Predictable, pro-competitive regulatory frameworks are critical to unleashing the capacity of enterprises to create jobs. This is recognised in the G20 Seoul Action Plan, which encourages various structural reforms to “boost and sustain global demand (and) foster job creation”.

Government regulation must also support labour market participation, operational flexibility, innovation, trade and investment. Employment regulation, in particular barriers and disincentives to hire, should be systematically reviewed for reform opportunities that can stimulate confidence and job creation, including part time and short term work, without incurring more government debt. Litigious risk and labour costs can constitute considerable disincentives to employers offering work, and productivity is also directly affected by how countries regulate their labour markets.

Labour market and wider regulatory reform does not mean de-regulation. It means smart regulation that is better balanced, more effective, up-to-date and better delivers on both the core purpose of regulating and the needs of business.

National policies must support productivity, innovation, entrepreneurship, and green growth, which are fundamental to competitive economies; higher-value, higher-income and more rewarding jobs; and long-term economic growth.

Resisting protectionism and combating corruption are also vitally important to creating an environment for sustainable job creation, as is effective coordination of employment, social and taxation policies to deliver more supportive environments for doing business, and to ensure that individuals remain employable and have incentives to work.

Prioritise youth employment

Youth unemployment has become an even greater concern for many countries in the wake of the crisis, heightening demand for renewed global commitment to creating jobs for young people. Youth employment should be a top priority for the G20 leaders and ministers. Employers will make a similar call for action at the 2012 International Labour Conference.

The corrosive impacts of sustained joblessness on young people, society and economies as a whole cannot be accepted. Governments, employers, and trade unions in countries at all stages of development must be more effective in ensuring young people do not become disenfranchised or marginalised from the labour market and society.

Business, governments and academic institutions must work together to develop frameworks for training, school-to-work transition and employment that encourage young people to work, and make employers more confident to train and hire youth.

Policy frameworks must ensure that the costs and risks of offering work opportunities to younger people are not prohibitive.

Self-employment, and entrepreneurial skills and aspirations should be engendered via education and vocational training throughout working lives. Governments should encourage and support business start-up and innovation by targeting barriers and impediments to starting businesses and scaling-up viable business ideas.

Education, Training and Lifelong Learning

Education, training and lifelong learning are critical to sustainable employment recovery and to ensuring that individuals at all stages of their life are able to adapt to increasingly demanding and dynamic labour markets.

21st century skills and competencies enhance employability and enable people to remain attached to labour markets across economic cycles. The G20 Seoul conclusions recognise the importance of education and training and should now be translated into specific actions and policy options for national consideration.

Governments must ensure that access to quality education, including early education, forms an integral part of comprehensive strategies for employment.

Education budgets must not be reduced, but enhanced through more efficient and effective education and training strategies, including through partnership with business, academic institutions and labour unions.

Business supports the ILO Training Strategy prepared for the G20 in 2010 and the OECD Skills Strategy, and call on governments to enhance dialogue and cooperation with business in the policy, planning and operation of skills and education systems.

PRIORITY ACTIONS BUSINESS CALLS ON THE G20 TO:***Job creation:***

- ▶ Deliver clear and pragmatic national strategies for growth and job creation, which encourage transparent, predictable pro-competitive regulatory frameworks, to increase investor and consumer confidence, innovation, entrepreneurship and sustainable business activity.
- ▶ Implement active labour market and social policies taking into account global and national macroeconomic considerations, through engagement between labour, finance, education, and other ministries, and dialogue with the social partners.
- ▶ Ensure access to affordable capital for the private sector, including SMEs, which is critical to investment and job creation.
- ▶ Maximise employment options for all groups through frameworks that support flexible forms of employment, including part time and temporary work.

Youth Employment:

- ▶ Prioritise youth employment and policies that support successful school-to-work transition through active employment and social policies linked with training programmes, and focus on reduction of barriers or disincentives to hiring youth.
- ▶ Pursue effective measures to foster youth entrepreneurship, including: delivering the skills and confidence to start a business, addressing regulatory barriers to starting a business, and providing financial support and incentives/reducing financial barriers.

Education, Training and Lifelong Learning:

- ▶ Increase investment in and access to quality education, including initial education and lifelong learning for all through more effective and efficient administration and partnership between government, business, academic institutions and labour unions.
- ▶ Revise education curricula and develop training programmes to increase the adaptability of individuals to acquire key employability skills.
- ▶ Develop a specific action plan to progress the implementation of the ILO Training Strategy (building on the G20 commitment in Seoul) with the support of the OECD Skills Strategy.

II - SOCIAL PROTECTION

Employment provides the best social protection. Any social protection scheme must first and foremost encourage ongoing active labour market participation and employability wherever possible.

Business supports the goal of more people throughout the world having access to social protection, and the promotion of minimum levels of social protection (through social protection floors) as policy options for governments. Many good and different practices already exist and their promotion will be important in considering the best solution for each country.

Discussions on social protection must be realistic and take into account prevailing economic risks and uncertainty. Governments should be encouraged to establish or improve national social security schemes and social protection floors for those excluded. Policy discussions should be based on national priorities and budgets with the involvement of social partners.

Most social security schemes should be reviewed to better reflect demographic changes, financial realities and the increasing and positive role played by private schemes. Schemes also have to make jobs transition easier and promote the re-entry into the labour market. Appropriately tailored social protection floors must be available to countries at all stages of development, and must be nationally funded to ensure sustainability.

Neither is there a “one-size-fits-all” approach to implementation. Any scheme should be introduced progressively according to a country’s particular context. Global economic volatility and fragility have highlighted the need to support vulnerable people, but have also put pressure on governments to restrict their expenditures in limited fiscal space. Placing additional fiscal burdens on companies should not be seen as a source of financing social protection schemes as this would jeopardise business sustainability in already highly challenging times.

The informal economy is growing in most countries, affecting competition and fiscal capacities of the State. Social protection floors should encourage formalization, and avoid providing identical benefits to those in informal and formal work. The formal economy cannot finance the extension of social protection to the informal economy.

PRIORITY ACTIONS BUSINESS CALLS ON THE G20 TO:

- ▶ *Support national determination and progressive implementation for any social protection schemes with the involvement of social partners, taking into account the financial capacity of the state concerned.*
- ▶ *Review social security schemes to reflect demographic changes and to make employment transition easier (including examples of social security reform, incentives for workforce participation and conditionality of benefits).*
- ▶ *Support the concept of the establishment of social protection floors at national level, taking into account the ILO resolution on social*

security (June 2011) and a possible ILO recommendation (to be discussed in 2012) and circulate examples of good practices.

- ▶ *Support WHO, ILO, IMF and other international agencies working with national governments, employers and trade unions towards the development of national social protection floors.*
- ▶ *Encourage international agencies to take a client focussed approach, responding to the needs of national governments, providing options, including private ones, and the critical information needed for sound decision making on social protection.*

III - FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK

Governments promote the fundamental principles and rights at work through policy frameworks that support economic growth and encourage employment creation.

Where governments want to act more specifically on these fundamental principles and rights, there is an existing and effective international framework for doing so through the ILO Declaration on Fundamental Principles and Rights at Work, which calls on all States to work towards respect for freedom of association, the elimination of forced labour, the effective abolition of child labour and non-discrimination in employment. This Declaration enjoys the support of governments, trade unions and employers from countries.

The Declaration on Fundamental Principles and Rights at Work, although specifically addressed to ILO member States, also acts as a resource for business and provides guidance to companies throughout the world. Companies' respect for these principles contributes to a positive and productive investment climate, supporting economic and social development.

The ILO continues to promote the ratification of labour core conventions. However, the Declaration also promotes the realisation of fundamental labour rights in countries that have *not* ratified ILO Conventions and contains a follow-up mechanism that has effectively guided international action in this area since 1998. This follow-up also enjoys the support of trade unions, employers and governments throughout the world. The G20 should continue to support the ILO in promoting this Declaration, including through technical cooperation.

A further key development is the recent UN Guiding Principles on Business and Human Rights. These Principles provide an important framework, emphasising the State duty to protect human rights; the corporate duty to respect them and the need for access to remedies.

PRIORITY ACTIONS BUSINESS CALLS ON THE G20 TO:

- ▶ *Continue to recognise and support the ILO Declaration on Fundamental Principles and Rights at Work and its follow-up amongst states as the primary international mechanism to protect and advance fundamental labour rights.*
- ▶ *Encourage business to build on progress to date in voluntarily addressing fundamental principles and rights at work underpinned by the ILO Declaration on Multinationals, the OECD Guidelines for Multinational Enterprises and the UN “Protect, Respect and Remedy” Framework.*
- ▶ *Give effect to the state’s duty to protect human rights under the UN Framework, as a foundation to strengthen corporate efforts to respect human rights.*
- ▶ *Maintain the G20’s unambiguous rejection of labour standards as a tool for protectionism, consistent with the ILO’s Declaration on Fundamental Principles and Rights at Work.*

IV - POLICY AND OPERATIONAL COHERENCE

Business expects that the G20 will firmly establish itself as the premier forum for global governance to deliver a positive, growing, job generating global economy. To achieve this, it is essential to establish a solid, coherent and effective relationship between national governments and international organisations.

The G20 has successfully harnessed expert contributions from international organisations in its recent work. There are lessons to be learned for the future performance of international organisations, and the ongoing coordination of their work.

International organisations are already cooperating effectively and producing results:

- The IMF, OECD and ILO have contributed perspectives to the G20.
- There has been wide inter-agency cooperation on the Social Protection Floor.
- The OECD, ILO, World Bank and WTO have published a joint paper “*Seizing the Benefits of Trade for Employment and Growth*”.

During the crisis response period, the G20 mandated international organisations, ad hoc, to address priority issues. This process should be reviewed for further opportunities to promote coherence among international organisations.

Efforts towards policy coherence should progress pro-growth policies. With acute fiscal imbalances, governments clearly need to pursue more pro-growth economic policies to stimulate the private sector investment that will effectively address the global employment challenge. Counter-cyclical measures should be considered,

along with regulatory stability, open trade and investment policies, taxation, innovation and other policies to improve the business environment.

Internationally negotiated instruments and statements also play an important role in supporting coherence between economic and social policy, and providing governments with options and ideas, e.g. the OECD Jobs Strategy and International Collaborative Initiative on Trade and Employment (ICITE), the ILO Declaration on Social Justice, and the ILO Global Jobs Pact.

Other instruments such as the ILO Multinational Enterprises Declaration and the OECD process on Freedom of Investment and International Tax Standards support predictability in investment environments, a critical factor for investor confidence.

PRIORITY ACTIONS BUSINESS CALLS ON THE G20 TO:

- ▶ *Continue to provide guidance to international organisations on supporting the implementation of the G20 Framework for Strong, Sustainable and Balanced Growth.*
- ▶ *Pursue policy coherence geared to generating outcomes, principally pro-growth, pro-employment policies supported by a horizontal/multidisciplinary approach to policy analysis.*
- ▶ *Clearly mandate international organisations to ensure they work together in a systematic and coordinated way to address relevant policy issues and improve communication and dialogue among international organisations, and with international representatives of employers and trade unions.*
- ▶ *Encourage memoranda of understanding, joint projects and partnerships for the sharing of data and research among organisations.*
- ▶ *Examine scope to extend the benefits of effective policy coherence beyond labour market policy to other key areas such as restarting the Doha Round.*

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