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**BUSINESS STATEMENT**

**G20 – MEETING OF THE  
EMPLOYMENT SENIOR OFFICERS**

**PARIS, 7 APRIL 2011**

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## INTRODUCTION

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Business welcomes this opportunity to meet with G20 Employment Senior Officers to discuss policies necessary for a return to sustainable job creation in the recovery from the financial and economic crisis.

Economic recovery is the essential first step to jobs recovery. A return to strong economic growth, combined with effective employment and education policies, are the prerequisites to ensure sustainable enterprise and job creation, and improve the employability of all individuals.

Most countries have begun to experience a return to growth, but the international situation remains uncertain. We are concerned about the current uneven economic recovery with serious social impacts of persisting high unemployment, especially among youth. In addition, constraints on public finance, external imbalances, protectionism, volatility in commodity prices, and low levels of business confidence continue to have significant impact on employment and social systems in many countries. If a global recovery is to take hold, governments and international organisations must continue their efforts to undertake coordinated and coherent policy actions, in an efficient and effective manner.

At the Seoul G-20 Summit, G-20 Leaders recognised “the critical role of the private sector to create jobs and wealth, and the need for a policy environment that supports sustainable private sector-led investment and growth”. Business welcomes this political message, having long advocated the crucial role played by private sector entrepreneurship and investment for driving economic growth in an enabling policy environment that supports job creation. G20 countries should effectively address social and employment policy issues based on the G20 framework of strong, sustainable and balanced economic growth.

At the first G20 Washington Labour Ministers Summit business emphasised a number of key issues, which are consistent with our key messages in this year’s G20 discussions:

- ▶ Review and reform regulation affecting business operations to better support a return to sustainable growth, investment and employment.
- ▶ Focus on employability for all groups
- ▶ Improve education and vocational training
- ▶ Harness more flexible working options in providing pathways to work.

Building on these priority issues, the following statement puts forward the views of employers with respect to four key policy areas for job creation and the enhancement employability of all groups. These include:

- ▶ Enterprise development and job creation,
- ▶ Enhancing employability
- ▶ Focus on youth
- ▶ Policy coherence.

## 1. ENTERPRISE DEVELOPMENT AND JOBS CREATION

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Thanks to prompt and significant governmental rescue packages through massive stimulus programs, many economies are now experiencing positive growth. However there is still much uncertainty regarding what lies ahead and employment growth in some countries continues to lag behind economic recovery with continuing threats of significant long term structural unemployment.

For the global economic and jobs recovery to take hold long term, governments will need to continue and intensify efforts to undertake coordinated and coherent policy actions to restore confidence and sustainability in financial markets and availability of capital. Pro-competitive regulatory frameworks that support innovation, trade and investment, as well as a successful conclusion of the Doha Development Round, in addition to structural reforms in labour markets, will be critical in restoring employer confidence and job creation.

The *OECD 2010 Economic Outlook* emphasised the need for acceleration of structural reform which has slowed in the recession. In particular the OECD report emphasised an urgent need for structural reforms in labour markets to increase employment, facilitate reallocation of jobs and workers, and help ensure that the unemployed and vulnerable groups remain attached to the market<sup>1</sup>.

As deficits remain a challenge for many countries, structural reforms are also necessary to reduce deficits and ensure fiscal sustainability in the years to come. Reform must deliver smarter more effective regulation, fundamental to sustainable job creation and public policy must support sustainable enterprise creation and activity, necessary also to support aggregate demand – key elements for sustainable recovery.

Policies that support innovation and improved productivity are also critical for long term economic growth and development. In addition, small and medium sized enterprises (SMEs), which are in many countries the key source of new jobs, need the focus of policy makers to ensure that policies support SME job creation. Regulation should also be reviewed to better encourage formality.

### ENTERPRISE DEVELOPMENT

A priority for policy makers must be to restore business confidence; confidence for employers to create jobs and confidence for investors to invest their capital in enterprise development. The decisions of individual business people will determine the collective success in reducing unemployment. Employers are very concerned about continued low employer and investor confidence in key economies, and in particular the lag between economic recovery and job creation. This represents a brake on recovery and also an unacceptable ongoing risk of further crisis.

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<sup>1</sup> 2010 OECD *Economic Outlook Editorial on Rebalancing Policy*. 18 November 2010. OECD.

A second priority for policy makers should be to ensure policies which support the operating environment for doing business, for enterprise development and job creation — an environment that enables companies to innovate, to prosper, grow, expand and employ.

The only truly secure jobs are with sustainable enterprises, supported rather than held back in their efforts to do business, and to employ people. Packed into this are issues of entrepreneurship, regulation, anti corruption, and freedom of markets – which we will explore with the G20 and other forums in coming months.

## **JOBS CREATION**

By ensuring that economic, labour market and social policy frameworks support sustainable enterprises and business activity, including enterprise of the self employed, public policy must ensure frameworks that support sustainable exit from the jobs crisis. The best social safety net is an economy that generates jobs, thus reducing unemployment and raising labour market participation of all groups.

In today's dynamic economy, employees need frameworks that support transfer to new jobs, and employment protection must be properly balanced with encouraging job creation and maximizing employability when jobs are no longer sustainable. Active labour market policies (ALMP) that incorporate lifelong learning approaches and effective, sustainable social benefit systems are critical to supporting these transfers.

Labour regulation which supports flexible work approaches enable employers to employ and also when necessary retain workers more effectively in response to market dynamics (subject to suitable minimum standards and protections) – and will continue to be important to maximise employment and counteract future jobs crises.

## **TEMPORARY AND PART-TIME WORK**

One major trend that began before the current crisis is the growth in part-time, contract, agency and temporary work. The growing diversity in working hours and contract approaches provides options for more people to work, and to reconcile work with other commitments such as family. These forms of work regularly support participation from parents, students, elderly workers and persons with a disability – many of whom would be excluded from working by narrowing employment options. At the same time, they meet the needs of companies to increase their own adaptability.

This trend is positive. It offers opportunities to improve not just overall numbers in work, but who can work, and the quality of their working experience. Many people in part-time work have chosen this option, which allows them to also fulfil other commitments in their personal lives. Flexibility should thus be seen to be in the interest of employers and employees alike.

A key policy priority should be to ensure the effective interaction between flexible work approaches and social benefits systems to maximise and encourage labour market participation by all groups across all work opportunities.

## 2. ENHANCING EMPLOYABILITY

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Employability of all groups through better education, effective skills development including through vocational education and training (VET), and improved matching of skills to the labour market, should be a continued priority for this G20 labour process. The aim should be to better prepare and support individuals in meeting the demands of today's labour markets. The OECD Skills Strategy and ILO OECD joint work on a G20 training strategy support efforts in this area.

### EDUCATION AND TRAINING: LIFELONG LEARNING

IOE and BIAC published in 2010 a Lifelong Learning Strategy. This Strategy can be accessed at [www.ioe-emp.org](http://www.ioe-emp.org) and [www.biac.org](http://www.biac.org).

Business strongly supported the creation by the ILO of a Global Training Strategy to respond to the current financial and jobs crises and also to adapt labour markets from the long-term perspective. The OECD Skills Strategy can also provide important analysis to this important area. Improved lifelong learning will contribute to minimising the impact of future downturns in the global economy and will help to ensure as many working people are retained in jobs and in the labour market as possible. Lifelong learning that meets the needs of the economy, employers and learners is pivotal to business growth and job creation. In many countries, young people are not well equipped when they enter the labour market.

A lifelong learning approach integrates all stages of education, vocational training and skills development into both policy development and service delivery. Training should not be seen in isolation from education. Education, be it public or private, as well as vocational training, plays a crucial role in enabling young people to enter the labour market and embark upon their adult life. Governments must give due attention to improving instructional systems for all ages, including education, pre-employment and vocational training.

Governments must focus on the quality and effectiveness of the education system. Governments, individuals and communities must effectively engage to maximise the contribution of lifelong learning to labour market outcomes. Youth development and a life cycle approach to learning are core to achieve sustainable growth, create innovation, foster prosperity, raise living standards and well-being, meet demographic challenges, as well as eradicate poverty.

There is an ongoing need to improve the relevance of education and training provision to the needs of the economy, employers and learners – in terms of pre-employment education and training, and education and training for the current workforce. This includes generic skills that support an adaptable and a flexible workforce and specific technical skills that are important to a range of industries and occupations. They are important for the flexibility and adaptability of both young workers and their employers in adjusting to, and taking advantage of, changing workplaces, markets and technologies. It is also necessary to find effective tools to anticipate future skills requirements and how to match them with labour market needs.

Government has primary responsibility for education by ensuring that young people leaving the education and training system have the relevant skills to be employable in changing labour

markets. Responsibility for further vocational training should be shared between society, employees and employers according to interest and benefit. Employees must meet their responsibilities to manage education, careers, pursue opportunities and maintain employability.

Business calls on G20 governments to enhance delivery of lifelong learning and employability to ensure that the needs of companies and learners are better served, especially by ensuring:

- ▶ Access to quality education and training, including vocational training for all
- ▶ Matching education and the needs of the labour market with capacity of the system to respond to change
- ▶ Employability and flexibility during one's entire professional life

Employers provide the first building block for employment through their commitment to employ people lawfully, to pay people what they are due, and to provide safe and decent conditions. The quality of employment is also underpinned by education systems, social protection systems and public services that support the labour market and wider society.

Additional key elements for improving the youth employment include:

- ▶ Promotion of good human resource policies, which encourage and support dialogue and engagement between employer and young employee that motivates them in a positive and productive work environment;
- ▶ Work environments in which employers and young employees can work together to improve productivity, innovation and competitiveness;
- ▶ Promotion of recruitment of young people by SMEs and create frameworks that address the needs of SMEs, which harness the unique nature of smaller enterprises as an engine of jobs growth.

### **3. FOCUS ON YOUTH**

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Youth unemployment continues to be a critical concern for many countries and is generally twice the overall unemployment rates across OECD countries. Business shares the concern with governments on this issue and welcomes the G20 Labour focus on youth employment, with the aim of developing practical and comprehensive policy approaches to tackle this serious issue.

The youth employment challenge is as great, as it is grave. In a great number of countries, young people are finding it more and more difficult to enter the labour market – and this risks not only placing social peace in danger but also represents an obstacle to individual development and to the development of society as a whole.

Employers are aware that youth unemployment is, among other factors, the reflection of an unfavourable economic situation which cannot be resolved without a global increase in

employment. To achieve this, it is indispensable to promote an appropriate macro-economic, educational, administrative and legislative framework which encourages employment creation by enterprises.

## **YOUTH EMPLOYABILITY**

Tackling the challenges of youth unemployment, made all the more challenging with the global economic crisis, is critical to the future well being of young people and to our societies. Actions need to focus on inclusion instead of exclusion. With the dynamic nature of today's economies and societies young people possess great social and cultural competence. They are the most valuable resource and important potential for our societies that we must not miss.

Initial employment experience for young people is shown to have long term impact on their well being and future opportunity in the work force. The school to work transition is critical. Lack of work experience is often the most common obstacle for first time job seekers who find it difficult to compete with skilled and more experienced workers.

Ensuring that young people can make a successful transition from school to work should be a top priority for governments and is a major concern of business. Tackling youth unemployment requires the co-operation and commitment of all stakeholders. Employers are committed to working with youth, with governments, academic institutions, trade unions and other relevant stakeholders to improve the opportunities for young people in the labour market.

Employment policy has significant impact on work opportunities for youth. Reducing barriers to a productive work experience for young people including those most disadvantaged are critical. These policies must be successfully linked with education, economic and social policy.

As shown by recent OECD studies, the high unemployment rates of youth, if persistent, can have significant negative social and economic consequences. Persistent high school dropout rates, skills mismatch, rigid labour markets, and labour market duality for youth are among the main challenges to reducing youth unemployment rates.

A successful approach to employing youth must take into account the national context as well as a policy framework that includes the range of interdependent policies necessary to creating sustainable employment opportunities for youth. With this, labour market policies must be effectively linked with education, and economic and social policy, to effectively activate youth into work and to address those most disadvantaged. Business has a key role in this process.

Education and training alone is not sufficient – it needs to be relevant to industry needs and compatible with the rate of job creation. Economic development in developing countries has not kept pace with educational achievement. There is a great paradox in the youth employment challenge – while young people on average have higher education levels than

older workers, they enjoy more limited access to employment. More education will not improve job prospects.

In this context, Business has identified a number of core objectives, which should form the basis for an effective integrated youth employment policy. These core objectives should include:

- ▶ Identify and eliminate the obstacles to hiring young people, especially those of a legislative, administrative or statutory nature;
- ▶ Recognize that enterprises play an active role in the provision of continuous training to young people;
- ▶ Encourage young people to develop attitudes corresponding to the changing needs of the economy for new skills;
- ▶ Enhance the image of the enterprise as well as that of entrepreneurship vis-à-vis young people, in order to encourage them to create their own enterprises;
- ▶ Encourage employment service agencies, public and private, to provide young people with easy access to the labour market;
- ▶ Take the necessary measures to facilitate the creation and viability of SMEs and to improve competitiveness and investments, in order to promote employment-creating economic development, especially for the young

In terms of specific youth employment responses, governments could create incentives for employers to hire young people by removing barriers that hinder youth employment generation and develop efficient and specific labour placement services for young people.

## **YOUTH ENTREPRENEURSHIP**

Employers consider that government should promote the development of enterprises by young people. Also, there are many cultural considerations to be taken into account.

In some countries, there is a fear of failure which can inhibit young people from starting in the first place. Those young people that start as entrepreneurs need to be given support all the way along the process from start-up until the business is fully sustainable. They need access to technical advice on issues such as marketing, business planning, taxation, finance, accountancy and employment law. “Incubator” business units can be a useful assistance in this start-up phase.

Young people need to see a ladder upon which they can progress and to see where others have succeeded (and failed!). A national system of awards to recognize new ideas and successful young entrepreneurs is one such way. Entrepreneurship could also be encouraged by linking young people to successful entrepreneurs or businesses, in particular larger multinationals. Such a mentoring role could help young entrepreneurs avoid some of the many pitfalls of trying to get a business operational. Small networks of entrepreneurs can also help share

information and guidance. As part of such a network, feelings of isolation or vulnerability can be lessened as all members of the network are in the same boat.

One of the biggest single impediments to potential entrepreneurs is finance. Many microfinance schemes are not applicable to young people without experience, collateral or other guarantees. Innovative schemes need to be explored (for example utilizing the power of migrant remittances to be used by national microfinance schemes aimed at young people). However, youth financing must be seen as a stand-alone concept. It is different and realistic initiatives need to be put in place to enable bright ideas become something more concrete.

Excessive red tape and bureaucracy, often coupled with corruption, hamper entrepreneurship not only during the establishment of the business (i.e. the start-up phase), but can also make it difficult to maintain an entity within the formal economy. Such bureaucracy can be even more daunting for a young person with an idea but no experience.

Mechanisms also need to be considered that enable those who do not succeed in entrepreneurial activity to re-establish themselves.

## **4. POLICY COHERENCE**

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Policy coherence, with a particular focus on employment, is critical to help avoid long term structural unemployment, and the resulting social and economic repercussions. Effective co-ordination by governments, international organisations, business, trade unions and other stakeholders is essential to forming practical solutions for the economic recovery. Developing economies must be meaningfully engaged in this international dialogue. Employers call upon the G20 to recognise the added value that the major international organisations, including the OECD, ILO, international financial institutions, bring to the table in this global effort.

The OECD and the ILO in particular have important and complementary roles to play with respect to employment and social policy issues. The OECD is uniquely placed to support policy considerations and actions by governments with a multi-disciplinary fact-based analysis of issues and the factors impacting employment and social protection systems. The OECD is also an important forum for dialogue among governments and stakeholders to share best practices and experiences in the current crisis situation, including on employment and social policy issues.

As the international agency mandated to deal with labour market and social policy issues, the ILO has an important role in providing information on labour market activity, stocktaking of various measures taken by governments, supporting dialogue among the social partners with governments through the tripartite process, and providing technical assistance. While the labour market responses required move beyond a rights-based approach, the ILO's Declaration on Fundamental Principles and Rights at Work should continue to be a key reference point for governments on the issue of labour rights and their intersection with international economic policy.

Employers recommend that the OECD and ILO continue to co-operate, exchange information and leverage their complementarity in addressing employment and social policy issues, and that G20 Labour Ministers recognise the important and complementary role of the OECD and the ILO together in support of the continued global leadership co-ordination critical to exiting the crisis.

While there is no “one-size-fits-all” approach to employment and social policy issues, the full benefits of the globalised economy will only be realised if governments forswear unilateral protectionist measures and act in a coherent and coordinated manner. Government protection of specific jobs and enterprises is ultimately self-defeating and hurts the development of new employment opportunities.

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INTERNATIONAL ORGANISATION OF EMPLOYERS (IOE)

26, chemin de Joinville  
1216 Cointrin / Geneva  
Switzerland

Phone : +4122 929 00 00 / Fax : +4122 929 00 01

E-mail : [ioe@ioe-emp.org](mailto:ioe@ioe-emp.org) / Internet : [www.ioe-emp.org](http://www.ioe-emp.org)

BUSINESS AND INDUSTRY ADVISORY COMMITTEE  
TO THE OECD (BIAC)

13/15, Chaussée de la Muette  
75016 Paris / France

Phone : +33 (0)1.42.30.09.60/ Fax : +33 (0)1.42.88.78.38

E-mail : [biac@biac.org](mailto:biac@biac.org) / Internet : [www.biac.org](http://www.biac.org)