



**Business Statement to the
Meeting of G8 Ministers of Labour and Employment**

“Shaping the Social Dimension of Globalisation”

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Dresden, Germany

This statement reflects views of
the International Organisation of Employers (IOE) and
the Business and Industry Advisory Committee to the OECD (BIAC)

Business appreciates the opportunity to contribute to the meeting of G8 Labour Ministers addressing the Social Dimension of Globalisation. G8 governments play a central role in promoting the economic and social conditions, which are necessary for sustainable economic growth and job creation. The G8 business community will remain the primary engine for this job creation.

INTRODUCTION

In today's world, innovation in technology, communications and business processes that enhance productivity and cost efficiencies, are working to diffuse the benefits of globalisation across societies. Developments in information communications technology (ICT) and transportation are laying the foundation for important infrastructure that is necessary for improved distribution of wealth and employment opportunity. Innovation is providing for greater access to and efficiencies in social services such as health-care and education, and in managing important resources such as water and energy. Innovation in global financial markets contributes to better access to capital for international investment.

This potential however, is only realised through establishing competitive business environments that encourage innovation and investment, and through policies that provide for flexible labour markets that can adapt to the dynamic nature of today's global markets. It is in face of these opportunities and challenges that sustainable growth through trade and investment stimulated by innovation continues to be the most important basis for reducing unemployment, and increasing productive employment across all groups of society.

At the same time, business recognises and shares in the challenges presented by globalisation all of which impact employment. Increased international competition has quickened the pace of change. Companies are seeking new markets in which to invest and to remain competitive. The nature of investment risk has changed as emerging markets are increasingly integrated into the world economy. Demographic changes characterise the face and cost of the workforce. In this context, many of today's jobs are demanding greater flexibility by employees and employers alike to adapt to the dynamic nature of the global economy.

The G8 dialogue on labour and employment issues, and the important analyses by OECD, ILO and other international institutions in this area, are essential to demonstrate the benefits and to effectively address the challenges of globalisation. Policy guidance based on such tools as the OECD Jobs Strategy, the OECD Growth Study, and ILO Declaration on Fundamental Principles and Rights at Work is critical for social and economic development in the globalised economy. The recent WTO/ILO joint study on the impact of trade on employment also provides important evidence to demonstrate the benefits of open markets for growth and employment.

The work by G8, OECD, ILO and WTO is critical to demonstrate that increasingly open markets for trade and investment, and the integration of new large emerging markets such as the BRICS, are unleashing new potential for more inclusive economic growth and development. Such analysis and international cooperation enables policy makers to identify solutions to the challenges posed by globalisation, and pre-empt protectionist policies.

It is in this context that the following sections of this paper address the three main topics addressed this year by G8 Labour Ministers:

- Strategies for More and Better Employment
- Broadening and Strengthening Social Protection
- Corporate Social Responsibility

STRATEGIES FOR MORE AND BETTER EMPLOYMENT

As stated in the introduction to this Statement, sustainable growth through trade and investment stimulated by innovation continues to be the most important basis for reducing unemployment, and increasing productive employment across all groups of society.

The benefits of globalisation can only be achieved through serious efforts of governments to implement structural reforms that stimulate investment and support competitive business environments. Business seeks policies that support the dynamic nature of global trade and investment, innovation and entrepreneurship, coupled with active labour market and social policies that provide for an adaptable, mobile and educated workforce.

These frameworks are characterised by good public governance, appropriate macro-economic policies, pro-competitive regulatory frameworks, open trade and investment policies, an entrepreneurial climate, flexible labour markets and access to high quality education.

Business priorities for structural reform related to employment advocate an integrated approach to “active” labour market and social policies through elimination of overly rigid employment protection legislation, frameworks that support flexible working arrangements, more efficient employment search services, enhanced labour mobility, modernisation of social benefit systems, and high quality education and lifelong learning.

Emphasising Employment Security over Job Security

In response to the competitive pressures placed on companies today that impact individual job sustainability, an easier transition to other jobs should be made possible through policies that emphasise and encourage employment security over job security.

The concept of “flexicurity” highlighted in the 2006 OECD Jobs Strategy emphasises employment security and the interaction between active labour market and social policies. From the business perspective, the concept of “flexicurity” is about moving away from a system in which individual jobs are protected to a system that focuses on job creation and provides people with increased opportunities in the labour market.

While the implementation of such an approach may vary from system to system, to achieve the goals of a flexicurity approach it is necessary to activate the unemployed through flexible labour markets by providing social protection that links rights and obligations of the unemployed to unemployment benefits, efficient provision of employment search services and opportunities for education and training.

Education as a Priority

Education is perhaps the most effective mechanism to improve employment prospects for all groups and contributes to social inclusion by equipping students with the basic skills and competencies needed to engage in society in both their personal and professional life. Companies also depend upon a labour pool that is flexible, technologically literate and work-ready, and have a vital interest in schools turning out young people equipped to take on the ever more technologically sophisticated and knowledge intensive jobs.

At the same time, education policies should not just be looked at as a means of providing a basic education for all. Higher levels of education and training (development of relevant competencies), including life long learning, reduce the risk of unemployment and increase chances of finding work, while lower levels of education contribute to vulnerability in the labour market. Thus, encouraging the workforce to improve their skills and to respond to changing labour market requirements is instrumental to tackle unemployment and to enhance the adaptability of companies and workers.

Both employers and employees have a major responsibility with regard to further training and life long learning. Employees need to take initiative to develop transferable skills and to be receptive to learning that is not exclusively job-or firm-specific. Business remains committed to co-operation

with educational institutions to better match education with labour market needs, and to provide education and training opportunities in the workplace.

The OECD Jobs Strategy

Business welcomes the 2006 revised OECD Jobs Strategy Recommendations as an effective tool for governments in carrying out necessary structural reforms to increase labour market participation and economic growth. The reassessed Jobs Strategy has shown that there is no ‘one size fits all’ policy package for good labour market performance. However, evidence has shown that successful policy approaches are characterised by macroeconomic stability and strong product market competition. It also provides insight which is gained through interactions and synergies between different policy areas.

Throughout the Jobs Strategy reassessment, business maintained four key priorities for sustainable job creation, which re-emphasise points made above:

- Create a framework for economic growth as a basis for sustainable employment creation. This framework is characterised by good public governance, appropriate macro economic policy, pro-competitive regulatory frameworks and open trade and investment policies;
- Create policy frameworks supportive of entrepreneurship, innovation and technology development;
- Adopt active labour market and social policies that reduce barriers to job creation and increase labour market participation;
- Maintain emphasis on education and lifelong learning.

Recent OECD studies related to the OECD Jobs Strategy have shown that the impact of globalisation depends on national policy settings, which maintain pro-competitive regulatory environments that support business creation, innovation and investment combined with labour market policies that enable adaptation to open markets.¹ Effective structural adjustment programmes tailored to specific circumstances can serve to complement economic and labour market policies in the diffusion of the benefits of globalisation, and contribute to more inclusive growth.

Recommendations

- Business calls upon G8 countries to implement the recommendations of the OECD Jobs Strategy and to consider a modern “flexicurity” approach in which employment security is emphasised over job security.
- Business calls upon the G8 Countries to remain focused on implementation of policy frameworks that foster innovation and competitive business environments.

BROADENING AND STRENGTHENING SOCIAL PROTECTION

An emphasis on social protection is a key element in developing policy responses to globalisation, which together with demographic change (in particular aging populations), are placing great

¹ 2007 OECD DELSA Study on Globalisation and Structural Adjustment.

pressures on today's social protection systems. Employers understand that social safety nets are an essential policy accompaniment to globalisation. Indeed, fiscally responsible and sustainable safety nets are integral to well functioning and peaceful societies and therefore to economic growth and job creation.

Social protection systems must be tailored to the economic and social realities of a country - there is no one size fits all. However, there are several characteristics that business associates with positive outcomes of social protection systems including:

- Social protection systems should not serve as a disincentive to employment;
- Tax policy must not place unreasonable burdens on employers or workers;
- Active social and labour market policies must be linked;
- Social protection systems should aim to encourage people to stay in the work force longer.

Social protection is a responsibility of society as a whole. As such, while business is committed to working with governments to develop more efficient social protection systems, employers should not bear an unequal burden in their financing.

Effective and financially sustainable social protection systems, along with active labour and employment policies, are necessary to secure the benefits of economic openness and liberalisation. Effective social protection that provides access to health care and education, encourages family friendly policies, and addresses needs of the disabled and disadvantaged, are critical to maintaining a healthy, skilled and inclusive work force. Social benefit systems that create disincentives to work can impede growth and negatively impact economic and social development. As such they are costly for governments and businesses in developed and developing countries alike.

As globalisation has progressed, international attention has also been focused on how best to improve social conditions and raise respect for labour standards. The ILO Declaration on Fundamental Principles and Rights at Work, which was adopted on the initiative of the international business community, remains instrumental as the only true global consensus on labour principles that all governments should seek to achieve. This Declaration has played, and continues to play, an important role in social improvement.

Broadening Social Protection in Developing Countries

Social protection systems are also important for bringing growth to developing countries. However, developing countries are often unable to afford adequate protection, and social protection in low income countries is typically confined to the minority of workers who are employed in the formal sector. Such situations work against the goal of ensuring a healthy and skilled workforce, which itself is critical to attracting investment -- the source of jobs that create wealth. Reforms aimed at providing well designed affordable social benefits, linked with active labour market and social policies that support business creation, are also important to encourage transition of informal to formal work which is critical for developing economies.

Strengthening the capacity to design and implement such programmes is important to help developing countries better deal with the social impact of economic reforms, as well as to help increase popular support for the reforms themselves. However, simply transplanting publicly provided and financed programmes from developed countries is a wrong approach.

Conceptually, in a developing country context, social protection policies need to be geared towards reducing the economic vulnerability of households with appropriate instruments that take into account cultural and societal attributes.

Recommendations

- Business calls upon G8 countries to modernise social benefit systems by activating financially sustainable social policies that encourage work across all age brackets.
- Business calls upon G8 countries, in conjunction with international organisations and financial institutions, to assist developing countries through international cooperation in capacity building for sound social sustainable protection systems.

CORPORATE SOCIAL RESPONSIBILITY

Business has always recognised that it has an important role alongside other actors in contributing to the development of the communities in which it operates. Since the late 1990's, the debate on corporate social responsibility (CSR) has expanded internationally, fuelled by both an increasing interest by business itself in CSR as a business tool, and by the growing debate on the role of business in globalisation and sustainable development. Globalisation has also made the global network of modern business and its efforts to address the economic, environmental and social impacts more visible.

CSR is defined by the following:

- CSR is voluntary;
- CSR reaches over and above applicable legal requirements;
- CSR is business driven as opposed to government driven.

As such, corporate social responsibility (CSR) describes the voluntary business activities of companies vis-à-vis the environment, community and economy. It is a multi-dimensional concept and is continually evolving within the diversity of the market. While CSR is most often used as an all embracing term, its operative elements must be differentiated. For example, the methods used for dealing with environmental issues, i.e. standards and certification, are not the same as those that may be used with social issues.

Goals of CSR

Companies engage in CSR for a number of reasons. The vast majority of larger companies devote a significant amount of time, effort, money and due diligence to CSR activities that aim to respond to societal expectations that go above and beyond law, providing added value to the business and reinforcing its competitiveness. In this context, objectives of CSR for companies may include the following:

- To develop core strengths and enhance the business;
- To protect and improve the human and environmental resources;
- To attract and retain employees;
- To build relationships with the community and other stakeholders;
- To reinforce competitiveness;
- To communicate social and environmental performance to investors.

Roles of Governments and Business

Governments and businesses have distinct responsibilities which need to be clearly defined and kept separate. In this respect, CSR activities must not be misunderstood as alternatives or substitutes for government action to provide basic services or fulfil basic public responsibilities, but as complementary to the role of government in the economy and society.

The role of governments is to provide a well functioning legal, political, social and economic environment in which, among other things, companies can operate successfully. Government implementation and enforcement of national laws and regulations are essential for creating competitive markets, protecting the environment and safeguarding individual rights. The quality of the business environment provided by government is the precursor to companies' ability to operate effectively and pursue CSR activities, not the other way round.

Much discussion has surrounded the role of CSR and supply chains. Business has continued to emphasise that companies work with their supply chains to promote CSR principles because they believe in doing business with suppliers and sub-contractors who will embrace high standards of behaviour. However, governments remain the primary means for promoting environmental and social protections through implementation and enforcement of national laws and regulations.

Given the clear distinction between the roles of government and CSR, business does not support linkage of CSR initiatives and instruments with trade and investment policy legal instruments and market opportunities.

The OECD Guidelines for Multinational Enterprises

A multitude of CSR guidelines, recommendations, principles and voluntary commitments have been developed. This proliferation reflects the diverse needs and circumstances of companies, operating both globally and at home. The OECD Guidelines for Multinational Enterprises (the Guidelines) are an important cornerstone of CSR. As part of the OECD Declaration on International Investment, their value for multinational companies stems from the fact that they are part of a comprehensive set of recommendations drafted in partnership with business, labour unions and endorsed by governments.

This strong backing, together with the framework of National Contact Points (NCP) that supports a tripartite dialogue to address issues related to implementation of the Guidelines gives the Guidelines a high credibility and hence also practical relevance for companies.

In addition to the MNE Guidelines, numerous other initiatives can serve as points of reference for companies, including other business initiatives, inter-governmental initiatives (such as the ILO Tripartite Declaration), NGO and government led, and commercial initiatives.

CSR is a Positive Business Response to Today's Business Environments

CSR is a positive business driven response to the business environments of today, which can serve a complimentary role to law and regulation in today's globalised world.

Whatever CSR approach is used by a company there is no one size fits all. It is for the company itself to freely decide on the initiatives, which best suit its business reality, and which is most likely to deliver the desired objective. The voluntary nature of CSR and the vast range of innovative responses available to business mean that the social progress to which CSR contributes can continue to develop.

Recommendations

- Business calls upon G8 countries to recognise the positive role of business in contributing to society through voluntary corporate social responsibility initiatives, which serve to complement legal and regulatory frameworks.

- Business calls upon G8 countries to support private CSR initiatives on supply chains by helping developing countries improve their capacity to effectively implement and enforce national labour and environmental laws.

CONCLUSION

Business continues to emphasise the importance of policy frameworks that promote sustainable economic growth in addressing the impacts of globalisation, and both the benefits and challenges that it brings.

Economic growth is essential to building capacity for sustainable job creation and to achieving effective and sustainable social benefit systems. Through innovation, trade and investment, companies contribute to reducing unemployment, and increasing productive employment across all groups of society. Through CSR, business is implementing initiatives that complement the role of governments in spreading the benefits of globalisation.

Business looks forward to continued cooperation and dialogue with the G8 governments aimed at ensuring that the social dimension of globalisation continues to be effectively addressed.