



The Voice of OECD Business



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

“Seeking the Best Balances Towards a Resilient and Sustainable Society”

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

The international business community appreciates the opportunity to meet with G8 Labour and Employment Ministers in Niigata and to contribute to discussions on “Seeking the Best Balances Towards a Resilient and Sustainable Society”. Building on discussions at the 2007 G8 Labour Ministers in Dresden, we are pleased to carry forward this important dialogue on labour market issues.

Setting the Context for the Niigata Themes: Frameworks to Ensure Effective Adaptation to Change and Growth in the Global Economy

Today's labour markets must be viewed in a global context. At the G8 Labour Ministers meeting in Dresden, it was recognised that globalisation offers the world economy potential opportunities for more wealth, growth, employment and better lives for people, but that it can also entail disparities and adjustment difficulties. As a result, enabling effective adaptation to change must be a key element in employment and social policies in order to maximise the benefits that globalisation can bring for both employers and workers.

Demographic change, rapid technological innovation, and the increasing role of major emerging economies, as well as challenges related to environmental sustainability, climate change, and the performance of global financial markets, are among the issues that present significant implications for labour markets, social benefit systems, and local economic development. The increasing pressure on workers and employers from globalisation and other economic and social changes requires that labour law responds to these new challenges.

In this dynamic environment, G8 countries must continue to place priority on frameworks that stimulate economic growth and job creation. This can only be achieved through serious efforts of governments to implement policy frameworks that make labour markets less rigid and social systems financially sustainable, that stimulate innovation and investment, encourage mobility, enhance productivity and support competitive business environments. These frameworks are characterised by good public governance, appropriate macro-economic policies, pro-competitive regulatory frameworks, open trade and investment policies, an entrepreneurial climate, employment friendly labour law, appropriate fiscal policies, and access to high quality education and training.

Flexicurity

There must also be a continued effort to promote “employment security” for all groups over job security, with the overall aim to bring people into work. The concept of “flexicurity” highlighted in the 2006 OECD Jobs Strategy supports this approach where employment security is dependent upon effective interaction between active labour market (ALMP) and social policies. This entails moving away from a system in which individual jobs are protected to a system that focuses on job creation and provides increased opportunities in the labour market throughout a person's life.

Important pre-conditions for flexicurity to work are sound macroeconomic policies and a favourable business environment realising and supporting full growth potential and ensuring the necessary financial basis for public services and labour market policies.

Innovation and well-functioning labour markets

Innovation has the potential to bring greater efficiencies to the labour market by contributing directly to higher productivity, and as a driver of sustainable economic growth. A strong

foundation, including adequate skills, to enhance innovation in the global economy -- non-technological as well as technological -- is indispensable.

Innovation plays a key role in providing more opportunities for more people to engage in productive jobs. Development and diffusion of Information Communication Technology (ICT), for example, is contributing to more inclusive and flexible working arrangements and greatly enhances labour mobility. Innovation is also a major factor in driving international investment and the integration of labour markets, including in large emerging economies such as China, India and Brazil.

Placing priority on education and skills

Quality initial and higher education, and lifelong learning are essential for raising labour market participation and facilitating employment transitions.

Today, skills development programmes need to respond to changing workforce demographics, the challenges of new skill development, re-skilling and up-skilling. This is particularly important as technology and innovation are demanding greater skills from all workers at all levels. It is important that education and training programmes focus on the necessary competencies for all groups to enhance their ability to work (“employability”) in a dynamic marketplace.

Particularly for G8 countries, it is a competitive advantage to have a labour pool that is highly skilled, technologically literate, and as a consequence, competent for the world of work. Therefore, close dialogue between employers, educational institutions and government is critical to ensure that education and training programmes, addressing all skill levels, are aligned with labour market needs.

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

1. Enabling Well Balanced Lives in Harmony with Increased Longevity
2. The Contribution of Labour Market and Employment Policies to Addressing the Needs of Vulnerable Workers and Areas
3. The Commitment of G8 Members to the Challenges to Global Sustainability

1. Enabling Well Balanced Lives in Harmony with Increased Longevity:

Addressing the Challenges of Demographic Change and Achieving Better Work Life Balance

G8 countries are facing the reality of aging populations and greater longevity. As a result, social protection systems are increasingly under pressure, and the threat of labour shortages for some economies looms ahead. In response, policies must aim to support longer working life and raise labour market participation of all groups including youth, women, and disadvantaged groups such as the disabled and immigrant populations.

Work life balance

Given the importance of longer working lives and raising labour market participation, the concept of “work life balance” must be the focus of dialogue between government, business and labour. From their respective roles in the labour market, stakeholders should work towards achieving a common understanding of this concept and develop workable solutions that support job creation, labour market participation, and workers' job satisfaction.

Promoting efficiency in the workplace and encouraging flexible employment conditions should support employers' and employees' objectives in achieving better “work life balance”. Such an approach must be specifically tailored to the needs of employers and workers, and be supported by well functioning labour markets and social protection systems in accordance with the aforementioned flexicurity approach.

With respect to improving efficiency, work procedures should aim to raise productivity through efficient and effective implementation of work responsibilities. This requires clear goal setting, evaluation of goal attainment, and remuneration based on performance. Work environments that are more productive, efficient and flexible should enable better reconciliation between work and family life, and also contribute to the competitiveness of companies.

New forms of work should be encouraged through dialogue among all stakeholders to ensure better understanding of their needs. Frameworks that provide for necessary leave from work, flexible work arrangements and facilities for child and elder care are important in this respect. These should meet the needs of a more diverse workforce as well as of employers. Implementing part-time or flexible working hours, variations in working time, innovative leave arrangements, telecommuting, part-time retirement, etc, require that governments provide policy frameworks that facilitate such flexibility.

The tripartite agreement on a “Work Life Balance Charter” reached in Japan between Employers, Labour and the Government, is an important example of what can be achieved in this regard. This agreement focuses on objectives of addressing demographic change through a more inclusive work force and supporting longer working life by providing

opportunities to address responsibilities throughout the life course such as raising a family or adjusting to changing life stages and responsibilities.

In the Framework of Actions on Gender Equality drawn up by the European Social Partners in March 2005, supporting work life balance was identified as one of the four priorities mentioned to increase gender equality. The Framework offers recommendations and examples of practical tools towards this objective.

Moving towards an intergenerational approach to labour market reform in response to demographic change

The impacts of demographic change are felt throughout societies and economies, and must be addressed by co-ordinated policy measures that include but are not limited to labour legislation. Business emphasises the need for an “intergenerational approach” to unleash the benefits and address the challenges posed by aging societies to the goal of continued economic growth and job creation. Such an approach necessitates a comprehensive long-term view on the range of policies that must be coordinated, as well as the involvement of social partners across generations. By creating frameworks that aim to support employment opportunities for younger and older workers alike, this approach should also support the sustainability of enterprises. For example, successfully promoting complementarity of skills and experience across age groups working together should foster innovation and the transmission of know-how.

An effective intergenerational approach is inextricably linked with policy components of flexicurity, comprehensive lifelong learning, effective active labour markets, and modern social security systems, which activate people into work and to work longer, eliminating unconditional income support and disincentives to work.

The intergenerational approach should aim to:

- Avoid shifting the burden of present policies onto future generations by pursuing sound public finances with progressive removal of public deficits, including the reform of pensions and health care systems;
- Improve efficiency of education and training systems in order to provide access to lifelong learning for all age groups;
- Modernise social protection systems to remove disincentives to employment and ensure their financial sustainability;
- Increase the employment rate of older workers in particular by discouraging and progressively removing incentives for early exit from the labour market, and providing incentives for employers to employ and retain older workers to stay in the labour market;
- Implement human resource policies that support effective employment of workers at all ages.

2. The Contribution of Labour Market and Employment Policies to Address the Needs of Vulnerable Workers and Areas:

Current demographic trends -- including aging populations, declining birth rates and greater labour mobility -- make it ever more important that employment frameworks more effectively engage and draw on the capabilities of all groups in the workforce, across all regions and sectors of the economy.

Policies to promote labour market inclusion of vulnerable workers

Active inclusion of those furthest from the labour market is an important part of the flexicurity approach which seeks to remove obstacles to creating new jobs, enhance labour market mobility, and to assist workers to grasp employment opportunities. All groups have potential to contribute to the workforce, and there should be the opportunity for anyone to enter into the labour market.

Labour market integration is a key factor in safeguarding against social exclusion. But in order to alleviate difficulties for vulnerable groups, the overall labour market must first function effectively and real incentives to work must be available. It must also be recognised that there is no one size fits all approach to addressing the needs of vulnerable workers, which may vary according to their individual circumstances and the societies in which they live.

Reform of rigid employment protection systems is necessary to facilitate entry into jobs, and to ensure the sustainability of existing full time or part time work arrangements in such a way that meets the needs of both employers and workers. Skills development programmes must likewise respond to the needs of changing demographics and be tailored to address special needs of vulnerable groups. Social security systems must aim to provide social protection for all workers without creating unsustainable costs or administrative burden for employers or disincentives to work. Labour market rigidity and lack of skills are also key determinants of informality, which can constitute a significant obstacle for workers to entering the labour market.

New forms of employment for the disadvantaged should be provided. Employers recognise the work potential of groups such as those with disabilities, but may need government support such as adequate infrastructure and assistance in understanding disabilities, in order to positively and productively engage persons with special needs in the workplace. Dialogue among stakeholders is essential to fostering the requisite understanding.

Governments should continue to focus on implementation of strategies that provide the necessary incentives to work, that “make work pay”, in particular for low income workers. Access to affordable quality services such as private and public job placement systems should be available. Other services may compliment the process of labour market integration such as social security schemes and health services. Infrastructure such as adequate and affordable housing that support labour mobility is also critical to both maximising labour market participation and addressing labour shortages at all levels. It is

therefore critical that cost effectiveness and efficiency in the provision of such services are improved.

Business notes that geographical and occupational mobility have a significant impact on growth and employment levels. In recent years, EU Member States with the highest levels of mobility also registered strong economic growth and lower unemployment rates. This points to a relationship between mobility levels and strong economic and labour performance.

In the recent OECD Economic Survey of Japan, it was highlighted that declines in the future workforce due to aging make it imperative to raise the participation of women given their current low participation rates. OECD recommendations for policies to support raising participation of women in Japanese labour market include enhancing the attractiveness of employment for women by reducing barriers to regular employment, reforming fiscal and social security systems to remove disincentives for second earners, remuneration based on performance, and the availability of childcare

Addressing the needs of local economies

Globalisation impacts employment at the regional and local level, for example by shifting industries offshore, and through the decline of industries in local areas due to technological change and competition. Thus, national and local government co-ordination among labour market policy, economic development and innovation is critical.

Business supports the messages of the OECD Programme on Local Economic and Employment Development (LEED) concerning the importance of enhancing policy coordination and dialogue among labour market policy, training and economic development goals. Labour market policy needs to have a strong demand dimension in which labour market information and training is geared towards the needs of local business and local innovation systems, while balancing the need for quality employment.

Frameworks that promote innovation, entrepreneurship and mobility supported by a supply of skilled labour are essential to stimulating job creation at the local level. A co-ordinated commitment to local development across all levels of government can ensure that local communities remain an integral part of the national and global economy. Public private partnerships are critical in supporting these objectives.

OECD studies have shown that the impact of globalisation depends on national policy settings. Therefore, there is a need to maintain pro-competitive regulatory environments that support business creation, innovation and investment combined with labour market policies that enable adaptation to open markets across all levels of government. Effective structural adjustment programmes should serve to complement economic and labour market policies in the diffusion of the benefits of globalisation at all levels of the economy.

3. The Commitment of G8 Members to the Challenges to Global Sustainability:

The G8 countries have an important leadership role in addressing the challenges of global sustainability. The scale and urgency of global challenges related to sustainable development are increasingly apparent, and have potential to impact labour markets. It is critical that these challenges are addressed as cross cutting issues for the whole of governments through dialogue across countries, and that policy makers support a pro-growth approach focusing on the potential benefits of globalisation, resisting the temptation to resort to short sighted protectionist regulation.

Business urges G8 Ministers to recognise innovation as a key driver in developing workable solutions to global sustainability, and to continue to provide the necessary frameworks to stimulate innovation. Governments should develop strategies that take advantage of the power of the marketplace, enhancing competitiveness and use global partnerships and international collaboration to ensure effectiveness. Ensuring this approach and the necessary skill development will also contribute to job creation.

Just a year ago, the OECD launched a horizontal Innovation Strategy that was further reinforced by the G8 Summit launching of the Heiligendamm process. These initiatives are important to provide the necessary research and analysis and to support international co-operation, including with emerging economies to develop and implement sustainable and innovative solutions to global challenges. Addressing labour market issues should be a part of these initiatives.

Addressing the environment

Companies today invest significant resources in developing innovative solutions to address environmental challenges, including climate change. Developing more environmentally friendly workplaces and work methods is part of these efforts, as are the development and application of environmentally friendly goods, technologies, services and production processes.

Companies recognise that environmentally friendly business is good business, as improved efficiency lowers costs while environmentally conscious consumers help drive a “race to the top” where companies compete for credentials, market share and new markets. Furthermore as many MNEs use a single set of policies to manage their operations across borders, these corporate policies, technologies, management systems and production methods can be transmitted and deployed in countries that are on a less sustainable path. This is particularly important as it allows for the improvement of environmental conditions in developing countries where environmental impacts are often rising more quickly than those of OECD nations.

Sustainability requires a delicate balance of factors that influence environmental protection, social development and economic competitiveness. Approaches to managing this balance must be comprehensive as a combination of many seemingly small distortions can eventually lead to negative consequences, including a significant impact on jobs.

The G8 countries should foster a societal approach moving all industry sectors in more environmentally friendly and energy efficient directions and promoting new business sectors that may benefit from environmental protection measures as an important investment rather than a cost. By contributing to the improvement of environmentally sustainable business environments in this way, policies should also aim to create employment and promote a smooth transition for workers who need to adjust to changes arising from environmental regulatory policies.

Business underlines the importance of public private sector co-operation and partnerships in addressing environmental challenges and the need for continued research and analysis to gain a better understanding of potential impacts and solutions for addressing environmental sustainability impacts on the workplace.

...and climate change

Climate change is one of the most serious challenges facing the world today. Both climate change itself and climate policies have the potential to have significant negative impacts on labour markets. Governments should implement policies to mitigate negative impacts and promote new opportunities for new more sustainable livelihoods.

In April 2008 at the G8 Tokyo Business Summit, leaders of the major G8 Industry and Employers organisations issued a joint statement calling on G8 Governments to ensure that industry will continue to be competitive without being unduly penalised by unbalanced policy measures related to climate change that would divert resources away from innovation.

In order to understand the impact of climate change on labour markets and the workplace, continued research, analysis and dialogue between stakeholders is needed. This work should ensure that labour markets can effectively deal with structural adjustment that may be necessary as a result of addressing climate change issues.

Governments must also work to ensure that policies and measures undertaken to address the climate change issue emphasise and promote technology development and innovation, which will prove an important part of the solution to climate change, and be an important source of job creation.

Conclusion and recommendations

The continued dialogue between G8 labour Ministers, the Social Partners, OECD, ILO international financial institutions and developing countries is critical to effective labour market policy in the globalised world. This dialogue should continue forward with economic analysis and enhanced co-operation.

In light of discussions on the above themes at this year's G8 Labour Ministers' meeting, business puts forth the following recommendations:

- Business encourages continued dialogue among employers, workers and governments to achieve a common understanding of “work life balance” with the aim of finding workable solutions that support sustainable job creation, improved productivity, increased labour market participation, and workers' job satisfaction;
- Business encourages continued OECD analysis on labour market and social policy in line with the revised Jobs Strategy, in support of Government action to ensure quality and effective active labour market polices together with financially sustainable social protection systems;
- Governments should, as a priority, review, and if necessary, adjust the role of employment protection with the aim to promote productive and rewarding transitions into new or existing jobs for all groups. As part of this effort there should be a commitment to getting young people into their first job.
- Governments should work to ensure that education and training policies address all skill levels and are aligned with labour market needs;
- Business encourages continued research and analysis on the impact of environmental protection measures and climate change on labour markets;
- Business encourages G8 countries to continue implementation of frameworks that support economic growth and resist protectionism; regulation that stifles employment creation must be reformed and avoided;
- Business encourages continued and deepened G8 engagement with emerging economies through the Heiligendamm process with support of the OECD, including continuous dialogue emerging market countries at future meetings of G8 Labour Ministers.

Business continues to place significant value on this opportunity to engage G8 Labour Ministers, and looks forward to meeting next year in Italy.