



The Voice of OECD Business



**Business Statement to the
G8 Social Summit**

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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)

Introduction

Business appreciates this important opportunity to meet with Labour Ministers and colleagues from labour unions and international organisations, to address employment and social policy challenges emerging from the financial and economic crisis.

The human dimension of this crisis, as it impacts individuals, is indeed a jobs crisis. The ILO has estimated that up to 50 million jobs may disappear by year end 2009. Jobs are being lost across all sectors, in all parts of the world. These circumstances necessitate a comprehensive approach to addressing employment and social policy issues, in a period where budgets are further constrained by the vicious cycle of tightened credit, lack of confidence and falling demand.

This meeting should aim to elaborate on the important role of Labour Ministries in ensuring coherent, consistent, practical and innovative approaches to implementing necessary policy solutions to the jobs crisis.

Governments of course cannot find the answers alone. Policy actions must be informed and supported by social partners, who themselves assume a deepened responsibility to work together. We must share experience regarding what works and doesn't work, and be prepared to rapidly implement measures accordingly.

We must identify and implement practical policy solutions that effectively respond to short term needs of business and their employees. These solutions should encourage and not hinder business entrepreneurship and innovation, while at the same time create a path for long-term sustainable recovery, economic growth and job creation.

It is in this spirit, that business is pleased to provide its views to the G8 Social Summit. We also request that they be effectively carried forward by Labour Ministers to the upcoming G8 and G20 meetings.

This statement, which confines itself to the employment and social policy aspects of the jobs crisis, will address the following:

1. Guiding Principles for Policy Action
2. Business Recommendations for Government Action Regarding Jobs and the Crisis
3. Role of the OECD and ILO
4. Conclusion: Role of Employers and Looking Ahead Turning Crisis Into Opportunity

1. Guiding Principles for Policy Action:

Business suggests the following as guiding principles for employment and social policy measures needed now to sustain employment and put people back to work, bearing in mind that that we may well be in the midst of a wholesale change in the landscape of the global economy.

- **Actions Must Support Job Creation**

Policies, including emergency actions in the current crisis, must encourage entrepreneurial activity, innovation and enterprise creation, in the right regulatory framework that supports competitive business environments. This is the only basis for sustainable creation of wealth, jobs, new products and services. Entrepreneurship and innovation will be key drivers of recovery, from which society as a whole will benefit.

Many stimulus packages focus on “green jobs” as a way to stimulate future job creation, focusing on environmental protection and addressing climate change. The issue of “green jobs,” should be understood in the wider concept of “sustainability” that builds on the three pillars of ecological, social and environmental action, which will also be driven by innovation.

Equally important is the focus on innovative sectors that create and utilise science and technology, including Information Communications Technology (ICT), critical not only for job creation, but in supporting new more flexible and productive work methods in the global knowledge economy.

- **Employability Trumps Security**

A flexicurity approach – effectively linking active labour market policies with employment and social benefits, education and training, and effective employment services -- should ultimately provide more opportunity for both individuals and companies in the workplace.

In this context, education and training, including lifelong learning remain the most important means to improve employment prospects and are key to future growth and productivity.

- **The Most Vulnerable Must Be Protected**

Social protection systems must focus on those most vulnerable to unemployment and less likely to be re-employed – the young and old, women, the disabled, the low skilled, and other groups such as temporary workers. It is critical that social safety nets can effectively reach these groups, and support them in their transition back to work.

- **Social Dialogue is Necessary**

Dialogue is critical to ensure that expectations and needs are well understood, as well as to leverage all resources in developing practical approaches to the jobs crisis. For example, governments, business and workers must work jointly to review and consider effective regulatory approaches for employment and social policies, identify obstacles

created by labour market rigidities, and ensure a better match between skills and labour market needs.

- **Protectionism is Not the Answer**

History has taught us that protectionism in the face of crisis is dangerously counterproductive, and can have a particularly negative impact on jobs. In a global and integrated world, international trade, freedom for investment, and continuation of pro-competitive open market principles are essential for job creation and economic recovery. In this connection, subsidies matter – what we do now we will have to live with for the long term. Jobs should not be subsidised that would naturally disappear. Measures should take into account value for money – with a focus on encouraging “job rich” investment.

2. Business Recommendations for Government Action in the Jobs Crisis: Continue to Make Reform Happen

Governments face an enormous challenge to act under increasingly tight budget constraints. In this climate, structural reform becomes all the more important, and governments must have the courage to implement measures with speed to improve the environment for jobs.

As stated above, governments must ensure that labour market and social policy frameworks support business activity in order that more jobs can be retained and new ones created.

The following are recommendations from business to government for actions that we believe will contribute to a faster return to growth, sustainable employment, and job creation, also critical to ensuring the financial sustainability and viability of social protection systems.

- **Reduce Labour Market Rigidities**

Structural reform of labour market rigidities must continue, even in this most difficult environment. More flexibility in labour markets is essential not only for the survival of firms, but also for companies’ abilities to retain employees through the economic downturn. In response to the crisis, policies need to facilitate innovative approaches to working hours, to ensure eligibility of benefits to employees and firms when measures must be taken to either reduce working hours, furlough employees, or temporarily scale back production, and to support other such actions.

- **Implement the Flexicurity Approach**

Workers and companies need both more flexibility and security. This can be achieved through removing rigid labour law, ensuring a wide variety of contractual arrangements, putting into place active labour market policies effectively linked with social protection systems, the opportunity to develop skills and competencies, and employment services. While there is no one size fits all to the flexicurity approach, its emphasis should be on employability, thereby enabling individuals and companies to facilitate entry and re-entry to employment in an easy, efficient and timely manner.

- **Reduce Non-wage Labour Costs**

Reduction of non-wage labour costs, through for example, reduction of some social security contributions and fiscal cost, will have immediate effects, and will improve companies' incentives to hire once the crisis has abated.

- **Ensure Safety Nets Promote Employability and Incentives to Work**

Social safety nets are essential. But the crisis will not be resolved on the basis of extending benefits to stimulate consumption and demand alone. To the extent possible, social spending should be aimed at supporting employability and re-entry to the workforce as soon as possible. Income supports should be treated as any other type of incentive – they should be temporary, well targeted to those in need, and timely.

- **Invest in Skills, Education and Training**

An important element of employment policy in stimulus measures is to provide budget support for training and education. Communication and engagement between governments and all actors in the economy are crucial in this effort, as is the constant updating of skills needs. Governments should ensure that ICT, science, and technology training is encouraged and available to support innovative industries. Local and regional level partnerships between the main economic actors are critical in this regard.

- **Ensure Labour Mobility**

As jobs disappear, companies reorganise, sectors disappear, and new ones emerge, mobility is key to ensuring that people can go to where the jobs are and that firms can reallocate employees to other job opportunities.

- **Invest in Developing and Improving Public Services**

Public services, including health, education, child care services, transportation and housing infrastructure, are important elements of an effective social safety net, as well as important contributors to ensuring that people have the best chances to find and remain in employment. These sectors are also a source of future jobs. Education and training should be targeted accordingly.

- **Reduce Administrative and Compliance Costs for SMEs**

The needs of SMEs should be a policy priority in fiscal stimulus packages and in employment and social policy responses. Development of entrepreneurship skills must also receive attention as more individuals attempt to set up ventures. Now more than ever, steps need to be taken to create the right regulatory environment for sustainable enterprises, including measures to reduce excessive administrative costs and red tape, stimulate entrepreneurship, and provide access to lending facilities.

3. Role of the OECD and ILO

The OECD and ILO can add significant value in the global co-ordination of policies to address the jobs crisis.

The OECD is uniquely placed to support policy considerations and actions by governments with a multi-disciplinary fact-based analysis of issues and factors impacting employment and social protection systems. The reassessed OECD Jobs Strategy is important in this respect, and business encourages further analysis to ensure that this set of guidance continues to reflect the current economic and social environment. The OECD Strategic Response to the Financial and Economic Crisis is an example of the integrated policy approach and the cross cutting expertise that OECD can provide to leaders.

The OECD is also an important forum for dialogue among governments and stakeholders to share best practices and practical experience in the current crisis situation, including on employment and social policy issues. Business welcomes the OECD Labour Ministers meeting that will take place this September and that employment and social policy impacts issues are covered across the Organisation's current discussions related to the crisis.

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, to support dialogue among the social partners with governments through the tripartite process, and to provide technical assistance. The ILO's Declaration on the Fundamental Principles and Rights at Work should continue to be a key reference point for governments.

The ILO response to the jobs crisis should focus on specific proposals to get labour markets moving again. The ILO Secretariat, (The Office), must be practical, providing actual tools, analysis and information that help real labour market actors with crisis response strategies. Finally, it must continually test, evaluate and improve guidance and policy advice to ensure positive impact on enterprise growth and employment.

The ILO needs to work with other multilateral partners in arriving at effective crises responses, leveraging each other's comparative strengths in a fashion that is positive and truly complimentary. In this respect, we call for a stronger, deeper working relationship between the ILO and OECD. The forthcoming International Labour Conference (ILC) will devote a substantive portion of time to the crisis and possible exit strategies from the economic downturn. It is vitally important that the ILO involve the OECD and its other multilateral partners such as the World Bank, the IMF, and UNDP in both the preparations for the ILC and its subsequent rollout.

- Employers recommend that the OECD and ILO continue to co-operate, to exchange information and leverage their respective comparative advantages in addressing employment and social policy issues.
- Employers recommend that Labour Ministers recognise the important role of the OECD and the ILO together with the International Financial Institutions and the WTO in support of the continued global leadership co-ordination critical to exiting the crisis.

4. Conclusion

Role of Employers

Employers are actively working together with governments, employees and employers' organisations, to bring to light best practices and to quickly implement practical solutions in order to retain jobs and ensure readiness of firms and employees for continued change.

These efforts continue to be taken with a long term view to enable companies to emerge from the economic downturn in the best possible condition for the return to growth and job creation.

Business is focused on "job rich investment" – towards innovative, productive activities and new technologies including information communication technologies (ICT), which in turn should produce more and better jobs. Companies cannot stay in business if they are required to retain protected jobs in sectors or activities that are in decline.

Employers will also continue to focus on investment in skills. To this end, business is increasing links with universities, employment services, and local communities, creating internships, strengthening recruitment and communication strategies, and improving vocational training and life-long learning opportunities.

In order to retain jobs during the crisis, employers may also need to take some short term measures, including wage reductions, reduced working hours, and work sharing, a close dialogue with employees is important to ensure understanding and acceptance of measures taken. Furthermore, this dialogue can provide opportunities for employees to bring new ideas to companies from employees on issues such as cost cutting measures. It also helps to more effectively reach solutions that ensure employees are able to sustain themselves as well as and access individual development opportunities such as training in cases of reduced work.

It is critical in this environment to continue communication of the immediate circumstances and needs of employers and their employees to policy makers. Practical approaches to achieving the above stated goals should be the objective of this dialogue and timely action.

Looking Ahead – Turning Crisis into Opportunity

The success of actions taken in this jobs crisis that we face will be evident by a return to economic recovery and a smarter, sustainable approach to managing and ensuring the benefits of globalisation in a more inclusive manner.

In this context, an indication of success will be sustainable productive job creation. If entrepreneurship and innovation are allowed to flourish, new industries will continue to emerge to address the needs and demands of a transformed economy – one that effectively implements the concept of sustainability based on three pillars of economic, ecological and social action.

Education and training must continue to have the highest priority to achieve success, and must be accessible to all. Quality education must be a priority from initial from education, and should instil an attitude of importance and commitment to lifelong learning to more effectively match labour market demand and supply needs.

Business is firmly committed to work with policy makers and others to reinvigorate global economic growth and re-establish confidence in our financial systems based on sound and effective regulatory frameworks. This is the essential path that we must consider also in addressing employment and social policy challenges as we move forward. With this coordinated approach, we should view the future as one of opportunity, for achieving a more prosperous and inclusive economy and society for all.