



In Response

“Towards More and Better Jobs”

BIAC Statement to the Meeting of the OECD Employment and Labour Ministers 29-30 September, 2003

BIAC appreciates the opportunity to participate in the September 2003 Meeting of Employment and Labour Ministers. We are pleased to provide these written comments that reflect the views of international business in the OECD countries on the issues being addressed at this important meeting.

Creating a Framework for Growth

Increasing employment rates is a major challenge for many OECD countries. A sound policy framework strengthening the competitiveness of companies is an essential prerequisite for the private sector to make its full contribution to creating new jobs, and thereby funding social networks in the future. Economic growth and structural change, which are accompanied by improvements in public health and reforms in social welfare, are key factors for sustainable employment.

The fact that unemployment is on the rise in most countries, and this in a context of global cyclical economic weakness, underlines the importance of wasting no time in pushing ahead with appropriate structural reforms. These circumstances have significant impact on entrants into the labour market, especially for groups like young people and older employees who face accrued obstacles to finding employment. Likewise challenges posed by ageing populations are a key factor in current socio-economic developments and labour issues in OECD member states.

We note that those OECD countries that will join the European Union in 2004, in particular, will have to make an enormous effort to adapt their labour market policies to new and challenging circumstances.

In most countries the current unemployment rates are linked to, among other issues, rigidities in labour legislation, high non-wage labour costs, overly strict job protection,

minimum wages, income taxes and overly generous benefits systems, as well as excessive administrative barriers. These elements are disincentives for companies to hire. OECD findings confirm that more jobs would be created in the private sector if there were fewer barriers to adapting companies' use of human resources to the changing economic circumstances and market needs. Existing protective measures should be reviewed and modernized.

Companies require heightened flexibility in the labour market in order to respond to market shifts, customer needs and competitive pressures because changes take place in these areas much faster than in the past. The overall public burden of taxation on both citizens and companies will and should be under continuous pressure. A more efficient and competitive environment must be created in which labour markets are sufficiently flexible so that companies can match the right skills, employees and work organisations to challenging circumstances.

The quality of human capital is a key contributor to innovation and economic growth and is becoming all the more important in the context of a knowledge society. The expansion of the knowledge society, the diffusion of new technologies, ageing populations, and the increased movement of people and ideas will define the challenges to education policies, work organisation and labour markets for years to come. As trade in services and the application of information technologies grows, the economy will increasingly call for employees with new skills and competencies. Therefore an efficient education system, adapted to the needs of the labour market, and the improvement of skills and employability are crucial to continued economic growth and increased employment.

Job growth can only be achieved if governments implement the necessary structural reforms of their economies and facilitate policies that are conducive to greater flexibility, competitiveness and job creation. Some steps have already been taken. However, these measures frequently do not go far enough in addressing the serious structural problems that exist in most of our countries. The supply side is only one side of the coin. OECD Education and Labour Ministers should also consider policies to stimulate the demand side of the labour market.

In this context BIAC strongly supports the OECD work programme related to the OECD Jobs Strategy.

More Flexibility, More Jobs, More Choices, More Security

The development of non-standard forms of employment should be seen as a positive direction toward achieving greater flexibility and diversity in employment. New forms of employment should be encouraged with the support of dialogue among all stakeholders. This discussion should focus on enhancing flexibility and security. Education and training including "life long learning " are essential to equip the labour force to adapt to new forms of employment. In this context we note that:

- New forms of employment not only favour the adaptability of companies but also the variety of needs of an increasingly diversified workforce.
- New forms of employment will stimulate the demand side of the labour market.
- New forms of employment can serve as the “stepping stone” to other forms of employment that may be more desired.
- Undeclared work should be minimised through structural reforms.

The growing variety of forms of employment can not only contribute to overall job creation, but also to addressing the needs of specific categories of employees as well as those of employers.

Mobilising Underrepresented Groups

In order to alleviate the difficulties for groups at the margin of the labour market, the overall labour market must be functioning smoothly and real incentives to work must be given. This requires policies that encourage job creation through entrepreneurial activity by reducing taxes and eliminating regulations that needlessly impede starting or expanding an enterprise. The use of part time work and fixed term contracts for example, is a useful means of getting people into the labour market, and is certainly more beneficial than being without employment prospects.

Outdated subsidised early retirement schemes should be phased out, as well as other over-protective measures for elder workers. Measures should be taken to create more flexible employment arrangements in order to meet the needs of a more diverse workforce as well as those of employers, for example: part-time or flexible working hours, variations in working time, innovative leave arrangements, telecommuting, part-time retirement, etc. Labour legislation should facilitate such flexible arrangements, and social partners should work to develop working conditions that meet related challenges.

Such measures as described above should work to facilitate the reconciliation of work and family life, and careers across various ages and groups (women, elderly, disabled etc.).

The government, in particular, has a role to play in stimulating the labour demand side and in activating the supply side by reforming and modernizing tax and benefit systems (including monitoring strict application and penalizing fraud). Labour laws should be modernised to allow for more flexibility and to reduce regulatory and administrative burdens.

“Making work pay” – that is, implementing strategies that provide the necessary incentives to work – is essential. The modernisation of social security systems and the implementation of tax policies that do not discourage the unemployed to seek employment are key tools to achieving this objective.

Enhancing Career Prospects – Emphasising Education and Training

The stimulation of life long learning plays an important role in engaging all groups that make up the work force. Higher levels of education and training (development of relevant competencies) reduce the risk of unemployment and increase chances of finding work, while lower levels of education imply vulnerability in the labour market. Thus, encouraging the work force to improve their skills and respond to changing labour market requirements should be a paramount goal. Employees should also bear personal responsibility and be given suitable opportunities and incentives to strive to improve their employability in a rapidly changing economy.

The right way to enhance career prospects for workers and to minimise vulnerability is to stimulate education and training (development of relevant competencies), to underline people's own responsibility to make use of their potential, to further develop competences during working life, and to reform benefit schemes from protection into activation schemes. Indeed, this will also contribute to further eliminating low-wage/poverty traps.

Both employers and employees have a major responsibility with regard to further training. Employees need to take initiative to develop transferable skills and to be receptive to learning that is not exclusively job- or firm-specific. Employers can provide development opportunities at the workplace as well as firm- and job-specific training. Indeed, large corporations spend massively on internal training and education. In addition to initial education, Government can encourage further training by offering incentives for personal and company investment. At the same time, government has a special responsibility for those, unemployed as well as employed, who were poor performers or never reached the first level of vocational qualification in the initial education system.

High-quality education systems are crucial to ensure an inclusive society and sustainable economic growth. In this respect, new technologies can make an important contribution. ICT has the potential to transform teaching methods by giving students more control and by offering access to an unprecedented wealth of information. Through the application of ICT, teachers can improve their students' attention, interest and ability to retain, using activating methods. Well used, ICT enables learners to engage more directly with the subject, through interactive systems, virtual experiments and networking with other learners and teachers. To make full use of these opportunities, investment must not just be in software and hardware, but in training teachers how to use ICT in the teaching/learning process.

Public Employment Services

Efficiency of (public) employment services should be optimised. The introduction of private agents and market mechanisms has proved to give positive results in different member countries.

It is crucial to focus on active and rapid job search assistance, in addition to improving the quality of the general job brokerage systems. Matching between companies' needs and job seekers' skills must be improved, which could be facilitated by closer liaison with companies. Public employment services should therefore work closely with employers and become more flexible to adapt to the needs of a changing labour market.

Employment services should not only serve unemployed or under-represented groups. Once again, it is also essential that they take into account the needs of companies.

Key Issues Raised in the BIAC Labour Market Survey

The business community is focused on dialogue with all stakeholders that will result in the necessary reforms that bring more jobs and economic growth. In this context BIAC has conducted a survey of its members, examining what positive steps can be taken to improve employment rates in OECD countries. The following are a number of key concerns for business in OECD countries raised in the survey responses:

- The heavy burden of taxation and social security contributions, which constitute a barrier to employment, in particular with regard to unskilled or low skilled workers.
- Over-regulation and lack of flexibility in the labour market. For example, overly rigid employment protection legislation can act as a disincentive for companies to hire due to the difficulties they encounter if the company faces serious economic problems.
- Overly bureaucratic regulations for the hiring of temporary workers. In this context, instruments should be considered as a practical way for those with a vulnerable position to find a way into their workforce when this is possible and when employers are satisfied by their performance. Greater flexibility in working patterns and work arrangements would be beneficial.
- Unbalance between available skills and market demands. Close links between the education system and the labour market are necessary.
- Low activity rates of certain parts of the population (for example: older workers, young workers, women, etc.). Increasing employment rates will be crucial in view of the demographic changes we face.
- Those receiving income support should be encouraged to resume work.

BIAC places great value on its cooperation with OECD to address these issues in a dialogue and analysis focused on positive policy solutions.

In the context of issues raised in the Statement above, the following are BIAC recommendations for further related work by OECD:

- BIAC supports the revision of the OECD Jobs Study and is ready to contribute to this project.
- BIAC encourages analysis of the contributions of labour market and social affairs reforms to the productivity and the growth of companies.
- BIAC backs continued OECD assessment of lifelong learning and human capital formation on employment prospects.

BIAC appreciates the opportunity to provide the views stated above, and looks forward to future discussions on these issues.