



The Voice of OECD Business



**Joint BIAC-IOE Statement to the G8 Presidency:
Co-operation and Co-ordination for Sustainable
Economic Recovery**

**On the occasion of the ad-hoc social partners
consultation with the**

Italian Presidency of the G8

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Rome, Italy

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

Introduction

Business welcomes this opportunity to meet with the G8 Presidency to discuss policies necessary for recovery from the financial and economic crisis. In particular, we appreciate this chance to make a further contribution to the G8 Leaders Meeting in L'Aquila. Our comments should be regarded as a follow up to those we presented at Social Summit, held in Rome in March. Our focus remains on addressing the impact of the crisis on jobs and individuals.

A number of countries have recently begun to show promise of a return to growth. However, employment most often lags behind recovery. If a global recovery is to take hold, governments and international organisations will have to redouble their efforts to undertake coordinated and coherent policy actions, respecting each organisation's mandate and expertise. The OECD and the ILO in particular have important roles to play with respect to employment and social policy issues. BIAAC and IOE support their continued engagement in the G8 process, and we encourage the G20 governments to avail themselves of the involvement and expertise of these organisations.

This global coordination is critical. 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.

The following statement outlines business priorities for G8 policy makers in the effort towards recovery from the financial and economic crisis. It is organised around three themes:

1. Achieving Sustainable Economic Recovery
2. Recovering from the Jobs Crisis
3. Global Co-ordination and Social Dialogue: OECD Role and the ILO Jobs Pact

1. Guiding Principles for Policy Action:

Enterprise creation, entrepreneurship and innovation are the only sustainable bases for the creation of wealth, jobs, new products and services. As such, they are key drivers of recovery, from which society as a whole will benefit. Public policy, including reactive and countercyclical emergency responses, must support enterprises. This means that they must deploy appropriate regulatory frameworks that support competitive business environments.

Despite recent signs of recovery in financial markets, many businesses continue to face a liquidity crunch. Global production is contracting, and world trade volumes have declined. As

a result, unemployment levels across the OECD are projected to reach 9.9% at the end of 2010, its highest level since the 1970s¹.

A swift and sustainable economic recovery critical to jobs and sustaining social benefit systems will require continued government efforts in the following areas:

- Financial regulation
- Keeping markets open
- Good governance
- Green growth

Financial Regulation

G8 governments must continue to work to restore confidence in the financial sector. Financial market stabilisation is a prerequisite for the recovery of the real economy and labour markets. Importantly, a healthy balance needs to be found in the financial sector between innovation, competitiveness, and the prevention of excessive risk taking.

G8 governments should ensure sufficient credit and liquidity, as many countries have real financing costs for companies that are too high to stimulate economic activity, or that detract from the stimulatory effect of counter cyclical measures. This will hamper ability to create and retain jobs.

Business urges G8 governments to develop appropriate exit strategies, ensuring competitive open markets and sustainable enterprise creation. Government involvement in financial sector institutions and other sectors has been a necessary step to restoring confidence and recovery, but this must be a temporary solution until confidence is restored.

Ensure open markets

International trade and investment are key drivers of global growth, thus contributing to raising standards of living and poverty alleviation. It is therefore concerning that volumes of trade and cross border investment have fallen considerably as a result of weakening global demand.

Trade and investment protectionism at any time is counterproductive. During an economic crisis, protectionist policies are particularly dangerous. They impede economic growth, and can be detrimental for labour markets. Governments must avoid discriminatory practices towards foreign investors and exporters, such as higher applied import tariffs, or “buy national” requirements.

G8 countries should reaffirm their commitment to open markets. We urge G8 Governments to lead international efforts to reach consensus on details for trade in agricultural and industrial products, and thus pave the way for conclusion of the WTO Doha Development Round.

¹ OECD, 23 June 2009.

Governance

The economic slowdown must not weaken governments' commitment to structural reforms, which in the mid and long term remain essential to enhance sustainable growth and job creation. Such reforms are necessary, not only in the area of financial regulation, but also in areas such as tax, innovation, education and skills development, energy security, infrastructure, and regulation in product, service and labour markets.

Effective governance and oversight in the financial sector would have helped to avoid the excessive risk taking that led to the financial crisis. Both individuals and firms are now facing significant reductions of wealth, threat to pensions, and much great financial insecurity. Business encourages the G8 governments to focus reforms on smarter regulation, not necessarily more regulation which may in the end increase compliance costs without really improving economic and social benefits in the crisis recovery.

The G8 Finance Ministers have expressed their support for the Lecce Framework, a declaration of action by G8 Finance Ministers on propriety, integrity and transparency, raising the profile of existing instruments that address key issues such as corporate governance, responsible business conduct, bribery, tax cooperation, government and business interaction and other areas.

This Framework as an important initiative to strengthen the many existing international instruments, addressing both public and corporate governance, which can be employed to further strengthen the economy with emphasis on both economic and social dimensions. We look forward to discussions on how to formulate and implement this new framework.

Green growth

Business remains committed to addressing climate change as a top priority and supports a successful outcome of the UN climate change conference in Copenhagen at the end of 2009. An effective global climate change framework including all countries and taking into account business realities should help avoid distorting impacts from uncoordinated efforts to reduce carbon emissions and provide business with the clarity and predictability necessary for future business investments.

G8 leaders should give due attention to the need for breakthrough technologies, mitigation and adaptation to climate change, and market-based approaches for green growth. This will be one of the most important areas of opportunity for economic growth and job creation.

Indeed, "green growth," and "green jobs" are now seen as important sources of job creation. We urge that these concepts be understood in the broader context of sustainability, i.e. recognising the equal and interrelated importance of economic growth, and social and environmental action. All jobs can be made "greener," and "green jobs" should be defined broadly. Thus, business encourages G8 leaders to think in terms of "greening" instead of "green."

Development of new industries and technologies, especially those related to energy, can be an important employment generator, but it will not be a panacea. Changing the energy mix of the global economy is a complex long term process, and will require massive investment by

business and governments over time. It will be an important part of recovery and future job creation, but it is unrealistic to expect it to be a short-term cure for the jobs crisis.

Education and training that will enable individuals and firms to move into new these new and innovative growth areas, must also be an important focus for policy in the economic recovery. This priority and is discussed further in the section below.

2. Employment and social policy in the crisis

Unemployment has continued to rise across all sectors, in all parts of the world. Budgets are being further constrained by costly stimulus packages, the vicious cycle of tightened credit, continued lack of confidence and lowered consumer demand. Social protection systems are under extreme stress. A comprehensive approach on the part of governments is essential to addressing these employment and social policy issues.

At the March G8 Social Summit in Rome, business emphasised a number of guiding principles and actions needed now to sustain employment, put people back to work, and provide basic social safety nets. These are summarised below:

- **Actions must support job creation:** Jobs may be created by short term stimulus and emergency measures, but policies must also encourage entrepreneurial activity, innovation and enterprise creation, and support trade and investment activity. Governments should ensure that regulation supports and does not restrict the capacity of enterprises to retain their workforce and take on new employees. Sustainable enterprises are the most important source of jobs, and the only path to sustainable job creation.
- **Policies should focus on employment, not job security:** We cannot afford to insist on protecting jobs, especially those that would no longer exist otherwise due to structural transformations in the economy. Rather, we must focus on employment and employability, supported by labour market policies that activate the labour force into work and provide for labour market mobility. These policies must be underpinned by effective social benefits, and strongly supported by opportunities for education and training.
- **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.
- Actions must continue to target vulnerable groups, to ensure that those most disadvantaged when facing unemployment can return to jobs as quickly as possible, and that they do not slip into poverty

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- **Invest in skills, education and training:** An important element of employment policy in stimulus measures is to provide budget support for training and education, to improve quality and access for all, and for governments to effectively engage with employers in this area. Governments should seek to make education systems more efficient and where possible increase investment. 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 are encouraged and available to support innovative industries. Local and regional level partnerships between the main economic actors are critical in this regard.

- **Social dialogue is necessary:** No one actor has all the answers. Policy solutions must be practically focused and should reflect in a balanced way the needs and expectations of all stakeholders.

Based on these principles, BIAC and IOE continue to recommend to governments the following policy objectives that we believe will contribute to a faster return to growth:

- Reduction of labour market rigidities
- Implementation of the flexicurity approach
- Reduction of non wage labour costs
- Investment and provision of education training and skills
- Support for labour mobility
- Investment in and improved public services
- Reduction of administrative as well as compliance costs for SMEs.

3. Global Coordination

Effective co-ordination of governments, international organisations, business, trade unions and other stakeholders are essential to forming practical solutions for the economic recovery. Developing economies must be meaningfully engaged in this international dialogue. Business calls upon the G8 to recognise the added-value that the major international organisations, including the OECD, ILO, IMF World Bank and WTO, can and are bringing to the table in this global effort.

We also strongly recommend the participation of the OECD and ILO at the G20 meetings in support of the many key global co-ordination initiatives underway, mindful of their respective mandates and competencies.

OECD

The OECD has a demonstrated competence in fact based multidisciplinary analysis of economic and social policy issues. It is a key organisation for facilitating co-operation on a wide range of issues, including on employment and social policy issues.

Of particular relevance are the OECD Jobs Strategy, and its work, for example, on open markets, trade and investment, public and private governance, education, innovation, taxation, competition and general economic policy analysis. OECD has particular expertise in joining macro-economic analysis with work on structural policy and reform, a competence of particular relevance in the context of the crisis and recovery. The OECD is also an important global forum for inter-governmental information exchange and sharing of best practices, including through its peer review process.

The OECD Labour Ministerial that will take place in September provides an important opportunity to examine the progress of stimulus packages impacting employment and social policies and general economic recovery.

ILO: The Global Jobs Pact

The ILO response to the jobs crisis should focus on specific proposals to get labour markets moving again. In this context, business welcomes the recent Global Jobs Pact agreed to by employers, labour, and governments, and adopted by the ILO to make employment and social protection a central element of wider economic and social policies.

The Pact highlights the importance of sustaining private enterprises, accelerating employment creation and jobs recovery, combined with social protection for both those in work and those engaged with the social security system. This frame of action requires neither a revolution in global governance nor the end of globalisation. It does call for a better -- more equitable, efficient and effective -- market system, and for a job rich recovery.

The Pact sets forth key labour and social policy principles and options to help countries recover from the crisis and narrow the employment gap, which most often lags behind economic recovery.

The Pact does this by recognising the role of governments in creating the right policy environment to encourage a return to growth. It recognises governments' role in helping to ease the credit crunch, implementing active labour market policies to help the unemployed, including targeted employment services and training. The Pact also emphasises the role of the private sector in recovery and underscores the importance of generating the conditions required to restore the confidence necessary for private enterprise to resume activity. Inherent in these conditions are the key principles that have always guided business: free markets, good governance, rule of law, and respect for property rights.

The Pact clearly promotes efficient and well regulated trade and markets but it also sends a strong message on the need to avoid protectionist solutions.

The Global Jobs Pact is not a prescription. It provides is a set of policy options and a roadmap for multilateral institutions, governments, workers and employers. The goal is to

enable each country to formulate appropriate national level policies in the context of a more coherent international system.

Employers are firmly committed to seeing the goals of the Pact realised, and to this end have identified the importance of:

- Working closely with the ILO, through the IOE, engaging and deepening collaboration with other regional and international organisations, in particular the OECD, World Bank and IMF, to ensure a focused and meaningful implementation of the Pact ;
- Promoting the Pact in the G8 and G20 processes;
- Working closely with workers organisations and the international trade union movement in realising the central objectives of the pact.

The Pact calls on the ILO Secretariat to be practical and to provide tools, analysis and information that will help real labour market actors with crisis response strategies. It urges the ILO to continually test, evaluate and improve guidance and policy advice to ensure positive impact on enterprise growth and employment. It recognises the importance of the ILO working with other multilateral partners in arriving at effective crises responses, leveraging each other's comparative strengths.

Looking Ahead – Turning Crisis into Opportunity

The success of actions taken to address the crisis will be evident by a return to economic recovery and a smarter, sustainable approach to managing and harnessing the benefits of globalisation in a more inclusive manner.

An essential indication of success will be creation of sustainable and productive jobs. 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, environmental and social action.

The key to this outcome is widely accessible education and training. Quality education must be a priority and should instil commitment to lifelong learning to more effectively match labour market demand and supply needs.

Business is firmly committed to working 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 outcome is essential to addressing our employment and social policy challenges.