The global economy remains in a fragile state. Business is deeply concerned that we have not returned to higher and sustainable levels of growth, that some economies are slipping back into recession, and that the level of employment is below potential. Public resources are increasingly scarce in many countries, while fiscal and monetary policies are reaching the point of exhaustion. Youth unemployment in many countries has reached crisis levels.

Efforts to improve the framework conditions for open and competitive markets should be at the heart of G20 policies and co-ordination to stimulate growth - the essential underpinning for sustainable job creation. A lasting return to growth and sustainable job creation evidently lies in the private sector. There is simply no substitute for a confident, healthy, investing, innovating and growing private sector to foster the growth that underpins the stability and advancement of our societies.

This growth however, will not be achieved without enabling policy frameworks, a qualified and mobile workforce, good governance, and reliable policies for companies to invest and to create new employment.

Business appreciates the opportunity to contribute to the G20 Labour Ministerial process and welcomes the first joint meeting of G20 Labour and Finance Ministers, which we believe should support a more comprehensive policy approach to addressing job creation, employability, and policies which activate people into work.

We are pleased to provide the views of employers on the following topics being addressed under this G20 Labour Ministerial Process:

1. Job Creation – Enabling Frameworks for Private Sector Led Growth and Job Creation
2. Labour Activation, Equity and Inclusion
1. Job Creation - Enabling Frameworks for Private Sector Led Growth and Job Creation

We cannot begin to reduce the seriously high unemployment, including youth unemployment, without a return to sustainable growth. All actors must be engaged in implementing consistent and comprehensive policy solutions and recognising that private sector growth will be the primary source of job creation. It is critical too that investor and consumer confidence are quickly restored. To create sustainable jobs, companies - large, medium and small - require a stable business-friendly environment at national and local levels.

This calls for:

- Improving policy consistency and certainty
- Stepping up policy implementation
- Providing a reliable regulatory framework

For longer-term growth, businesses need policies and regulation that facilitate, not impede, their activities. This calls for balanced policies, structural reform and competitive markets.

Governments must be more proactive and responsible in implementing business-enabling policy environments. We need urgently to move away from a situation in which many states follow contradicting policy paths. The G20 Governments should commit to implementing the comprehensive and ambitious national structural reforms which are necessary to foster job creation and which will support sustainable and inclusive economic development. The G20 Heads of State and Government should present at the 2014 G20 Leaders’ Summit comprehensive and ambitious national reform strategies with clear implementation timelines, which should then be discussed with the B20 and the L20. Reporting on implementation should be a standard component of each G20 Leaders’ Summit.

The following are key factors to enable private sector led growth and job creation:

- **Balanced macro-economic policies and a sound financial sector for growth:**
  Macro-economic stability is critical for business confidence to invest and to boost consumer demand. Fiscal discipline and private sector-driven growth can work hand-in-hand. Recognising that “no-one-size-fits-all”, a country-specific approach needs to be taken into account, especially when examining fiscal measures.

  We urge governments to consolidate public budgets where needed, in a way that also minimises impact on future growth, including effective management of key public services such as health, education, and public infrastructure, and to implement structural reforms in order to enable the private sector to recover.

- **Good governance with less, but smart and consistent regulation:** Establishing a coherent and well-functioning national regulatory framework for transparent and efficient markets across all sectors is vital for building confidence and restoring growth.
Crucially, there needs to also be proper implementation of regulatory reforms. Overlapping and unnecessary regulations by different levels of government at national level should be removed, as should the barriers to starting an enterprise and doing business.

- **Open and competitive markets, and resistance of protectionism in all its forms:** Open and competitive markets are essential pre-requisites for economic growth worldwide. However, in the light of economic uncertainty, foreign investors are witnessing a revival of protectionist rhetoric and measures, a trend which must be reversed.

  Important work is underway at OECD to measure and analyse the growth and job creation potential of global value chains in order that the benefits of open markets can be more effectively harnessed and diffused in our economies and societies. The level playing field for trade and investment also needs to be supported by sound competition policies and effective international co-operation between antitrust authorities. OECD analysis has shown the positive results of enhanced product market competition on economic growth and employment creation.

- **Sound financial system conducive to growth in the real economy:** The implementation of any new financial regulatory measures should maintain a balance between the need for the financial system to support the recovery in the short term and the need to strengthen the health of the financial sector in the long term. In response to the wave of new and proposed financial regulations, banks are increasingly de-risking and this is leading to a decrease in bank lending to the rest of the economy. Without banks’ confidence to lend, small- and medium-sized enterprises are struggling to access credit precisely at a time when it is most needed.

- **Non-distortive taxation at levels that encourage enterprise and investment:** Ensuring stable, transparent, non-distortive frameworks for taxation is essential for business confidence to invest and create jobs. The viability of international tax standards, international co-operation, and effective and efficient tax administration importantly contributes to greater certainty and confidence in the international tax system.

  At OECD, business is engaged with governments in addressing the project on Base Erosion and Profit Shifting (BEPS) and awaits the G20 endorsement of a BEPS Action Plan. We believe that the BEPS project presents an opportunity to restore public and private sector confidence in the corporate taxation system, by undertaking review and analysis to make sure that tax rules are up-to-date, without dampening the potential for private sector growth and job creation through cross border trade and investment.

- **Labour market flexibility and a skilled workforce:** Reducing high non-wage labour costs and frameworks, which support a diversity of work contracts, are essential components of a business enabling environment. A diversity of work contracts allows companies to react rapidly to market changes and quickly create jobs. This requires all
forms of work to be effectively linked to the social benefit system and there needs to be the incentive to work.

Investment in human capital is crucial to enable individuals to successfully navigate and adapt to the changing demands of the labour market across sectors, and in particular in emerging innovative industries. The knowledge economy demands that individuals continue to update skills throughout their working lives.

- **A policy framework that promotes innovation and entrepreneurship to foster growth and sustainable development:** Now more than ever, steps need to be taken to create the right regulatory environment for entrepreneurship and sustainable enterprise creation, including measures to reduce excessive administrative costs and red tape, ensuring stability of regulation and non-distortive tax policy that affect start-ups and business growth, promoting synergies and innovation clusters between universities, the private and public sectors, access to lending facilities and simplified public administration.

- **Youth entrepreneurship** holds great potential for our economies and societies and fostering skills and a culture of entrepreneurship should be part of education. Young entrepreneurs bring vibrancy and innovation to world economies, which is particularly important in view of youth unemployment.

### 2. Labour Activation, Equity and Inclusion

Business shares the widely held concern over persistent and high unemployment rates and continuing negative economic and social impacts, especially among youth, resulting from recession and sluggish growth in many economies. The risk of rising structural unemployment continues as the long-term unemployed become detached from the labour market. Enhancing the employability and economic and social mobility of all groups must be a top priority for public policy and is essential to achieve sustainable and inclusive economic growth and societal development.

Reduced income inequality and inclusive growth can only be achieved by enhancing the employability of all groups equally including the most vulnerable, through education, training, and employment, and social policies that provide incentives for all to work. Continued attention to gender equality is also critical.

Companies must be successful in competitive markets in order to provide employment - requiring that governments deliver clear, practical national strategies and institutional frameworks that support sustainable private sector-led growth, and provide the incentive for all who want to work through access to quality education and training, active labour market and sustainable social policies.
In this context, we emphasise a number of key points for government action:

- **Employment strategies must consider private sector job creation:** An enabling environment that fosters private sector growth, innovation and entrepreneurship, must be a basic premise for any employment strategy. Employment strategies must include and effectively link active labour market and social policies, taking into account national and global economic developments. They must consider the interaction between competitiveness, employment, stability of financial markets, labour market reforms, education, and other policies, and be informed through active dialogue with the social partners.

- **Reduce labour market rigidities and high non-wage labour costs:** Policymakers should make labour market flexibility work for all groups, recognising that flexibility is a necessary element for competitiveness. Structural reform of labour market rigidities must continue and efforts to seek effective reduction of labour segmentation and of high non-wage labour costs, even in the most difficult fiscal environments. This is essential for the ability of companies to hire, as well as to retain employees through economic downturn and to grow.

- **Invest in skills, education and training:** Quality education, training and skills policies that also foster lifelong learning is a critical factor for lifelong employability. A sound basic education lays the foundation for subsequent vocational training or university, or continuing education in job transitions. At the G20 Labour Ministers’ Meeting in 2014, the G20 Labour Ministers should report on what has been implemented at national levels from the G20 Training Strategy, as well as from the G20 key elements of Quality Apprenticeships, and identify the remaining gaps and challenges. There must be renewed emphasis on increasing the quality of teaching in schools in many countries, improving the evaluation and assessment of learning outcomes, and also increasing the use of vocational training, workplace learning, apprenticeships and traineeships, and instilling a culture and skills for entrepreneurship. Innovative industries and emerging technology sectors require (STEM) skills in addition to other general skills and competencies.

- **Ensure labour mobility:** Frameworks that support labour mobility are key to ensuring that people can go where the jobs are and that companies can reassign employees to other job opportunities.

- **Invest in developing and improving public services:** 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.

- **Ensure safety nets promote employability and the incentive to work:** Social safety nets are important and helpful in special critical circumstances. To the extent possible,
social spending should be aimed at supporting employability and re-entry to the workforce as soon as possible and providing an effective pathway from informal to formal work. Reducing informality in the economy is critical also to ensure fair competition and a level playing field for all companies.

- **Employment and social policies must be inclusive, supporting economic opportunity and social mobility for all groups:** Enhancing opportunity and mobility for all groups, through quality education and training. Policies should support effective equal opportunities between men and women, as well a create conditions to integrate migrant workers, the elderly and the disabled. The May 2013 OECD Council Recommendation on Gender Equality provides important guidance for achieving greater gender equality in employment, education and entrepreneurship.

**Addressing Youth Employment**

Youth unemployment, which has reached crisis levels in some countries, needs to be addressed urgently, in a comprehensive and practical manner. Youth unemployment does not exist in a vacuum, but reflects the general performance of our economies and labour markets. Engaging employers in youth employment strategies to facilitate the school-to-work transition and pathways to future employment can help young people to make more informed career choices especially as they earn their education.

The G20 Task Force on Youth has been an important opportunity to identify best practices, and experiences with active labour market policies targeted at youth.

We welcome the *OECD Action Plan on Youth* which sets out a comprehensive framework for activating and enhancing the employability of youth considering the demands of today’s dynamic labour markets. Business is prepared to support the OECD in the subsequent development and implementation of appropriate policies under that plan.

IOE and BIAC are taking action to address youth employability with the IOE BIAC Global Apprenticeships Alliance, which aims to broaden the scope and number of apprenticeships though enhanced communication, the cooperation of businesses and sharing best practices. The B20-L20 has also proposed a common understanding of Key Elements of Apprenticeships to enhance dialogue and cooperation of the social partners to advance the opportunities of apprenticeship systems.

More generally, business recommends the following specific actions related to youth employment:

- Harness employer experience in the design and delivery of labour market policies for youth
- Design specific active labour market programmes for youth employment
• Improve targeted incentives and support for youth employment participation
• Ensure employment services better match young people with job opportunities
• Ensure taxation and social benefit systems support youth employment, including reducing benefit traps that can discourage labour market participation and job take-up
• Harness flexible work arrangements to maximise avenues into work experience for young people

3. Implementing and Monitoring G20 Commitments

Business shares the ambition of the Russian Presidency to foster the implementation of G20 commitments. Without such action, the G20 process risks losing its credibility and legitimacy.

Going forward, we identify the following actions for the G20 labour process, and steps being taken by business, including dialogue with the trade unions.

Recommendations for government action:

• **Implementation of G20 Recommendations on Youth**: The G20 Employment Task Force has produced valuable guidance with regard to apprenticeships. The G20 leaders’ summit in Los Cabos in June 2012 agreed on important recommendations to tackle youth unemployment such as scaling up apprenticeships. These commitments made at G20 level must now be urgently implemented at national level.

• **Monitor reform and secure comparable data**: Governments should monitor their performance by setting benchmarks and comparing their reform success with other G20 countries. Today, G20 States face the challenge of lacking comparable data. With the support of the OECD, ILO and international financial institutions, the G20 should aim to utilise accurate and robust comparable data, to support policy formation, implementation and monitoring.

• **Future issues - The demographic challenge**: Looking ahead, demographic change and ageing populations is a trend that will deeply affect the economic and social systems in G20 countries. Business urges the G20 Labour process to address this issue, with consideration of examining retirement ages in ways that stabilise the old-age dependency rate; diversification within pension systems through the development of sustainable, insurance-based private pensions systems; as well as looking at how immigration policies can be reformed in line with labour market needs. Business welcomes the intention to continue the G20 Employment Task Force and suggests that the mandate of the G20 Task Force on Employment should include the demographic challenge, and develop in partnership with the OECD and ILO, policy guidance to tackle the ageing of societies.
• **Social Partner Engagement:** The views and actions of social partners are critical for the work of the G20 Labour Ministerial process. We appreciate that we have been engaged in the work of the G20 Employment Task Force, and urge that this engagement continue with a view to increasing concrete outputs, also with the support of the OECD and ILO.

**Business Action:**

• **IOE BIAC Global Apprenticeships Alliance:** IOE and BIAC are jointly launching a Global Apprenticeships Alliance. The Alliance is a global company network which is designed to promote the exchange of experience and best practice between companies, employers’ federations and labour administrations, and to promote and scale up apprenticeships across sectors. The Alliance will be chaired by Mr. José Maria Álvarez-Pallete López, the CEO of Telefónica.

• **B20-L20 Key Elements of Apprenticeships:** Employers and trade unions, through the B20 and L20 respectively, have developed a communication outlining a common understanding of key elements of apprenticeships to support the dialogue and cooperation between the social partners to encourage progress on the quality and number of apprenticeship opportunities.

• **Apprenticeships best practices stocktaking initiative:** IOE BIAC are up-dating their compilation of initiatives of national employers’ and business federations around the globe to scale up apprenticeships, which is being submitted to the G20 Labour Ministerial.

• **B20 monitoring of G20 commitments:** The B20 Job Creation Task Force plans to monitor national responses to G20 commitments and will jointly (with national employer and business federations) provide a report of its findings to the G20 summit in 2014.

• **Engagement on G20-related work at ILO and OECD:** Business will continue to engage the OECD and ILO on key initiatives such as the OECD Action Plan for Youth, analysis related to the OECD Jobs Strategy including on Job Quality and Older Workers, and the ILO G20 Training Strategy.

**Conclusion**

The IOE, BIAC and B20 appreciate the continued engagement with G20 governments in the G20 Labour Ministerial process, and hope that this year’s initiative for a joint consultation, also including G20 Finance Ministers, will encourage greater co-ordination of policies aimed at sustainable growth, stability and open markets, effectively linked with employment strategies and structural reforms that enhance employability and efforts to activate people into employment.

We look forward to our continued dialogue, and to a clear focus on the implementation of commitments made to date.