Meeting of the Employment and Social Affairs Committee at the Ministerial Level

“Building More Resilient and Inclusive Labour Markets”
15 January, 2016

Introduction

We are living and working in the midst of a profound transformation that is changing the context in which work is organized, distributed and performed. Among the forces propelling this change are globalization, technological advances (including digitalisation), migration patterns, and demographic trends. These are transforming economies, industries, companies, jobs and attitudes towards work. They are creating enormous new opportunities. But they are also challenging the status quo, demanding new and updated skills, and presenting obstacles for those less willing or able to adapt. The promise of benefits from technological advancement, for multinational companies and SMEs alike, rests on adapting regulatory and policy frameworks fit for these new realities.

To face these challenges, business requires stable macro- and microeconomic conditions, open trade and investment frameworks, and sensible regulatory regimes. The latter must acknowledge that enterprise creation and growth – the keys to job creation and prosperity– require flexible labor market regulation. They also require an appropriately trained and mobile workforce. Employers recognize the importance of diversity and inclusion in their societies and their businesses alike. Legal and regulatory regimes should therefore also encourage the participation of women, youth, older workers, and migrants in the labor force.

The OECD has an important role to play in producing the evidence and analysis required to advise governments in the policies areas that speak to these objectives. Its horizontal work has illuminated the necessary and complementary relationships among these policies. Its Jobs and Skills strategies are vehicles for incorporating a multi-disciplinary and forward-looking view on employment, labour and social policies. BIAC therefore welcomes the opportunity provided by the January 2016 OECD Ministerial meeting on Building More Resilient and Inclusive Labor Markets to offer business views on the policies and conditions necessary to enterprise creation and growth. Our submission is structured around the following Ministerial themes:

- Labour market resilience and inclusiveness
- Work Quality
- Skills
- Labour Market Inequalities
Revision of the OECD Jobs Strategy

I. Promoting greater labour market resilience and inclusiveness

Business investment has not rebounded as quickly or as forcefully as other indicators of post-crisis recovery, and job creation has borne the brunt of this failure. Financial policy uncertainties continue to plague both start-ups and expansion of existing firms, and regulatory burdens, including overly onerous Employment Protection Legislation (EPL), continue to constrain enterprise growth and investment. In a number of OECD countries, EPL imposes substantial or unpredictable costs on companies’ ability to manage the workforce, undermines firms’ productivity growth, reduces their willingness or ability to deploy new technologies, and/or weakens their ability to attract resources to commercialize new ideas.

Technological and structural changes inevitably result in labor market disruption. Flexibility-enhancing policies, together with those promoting life-long learning and development of strategic skills are necessary to address these disruptions and raise aggregate employment levels. Accompanying measures, including early and targeted active labour market policies (ALMPs), can help to mitigate short-term costs associated with flexibility-enhancing reforms. In sum, employment and social policy frameworks should place employment security over job security, i.e. they should support labor market flexibility and facilitate the ability of workers to successfully progress among or between jobs. At the same time, targeted policies are needed to support employability and to ensure opportunities for disadvantaged groups. Policies that promote gender equality can tap the unrealized potential of women in the workforce.

Thus, future OECD work in this area, and in particular, the revision and update of the 2006 OECD Jobs Strategy, should focus on ways to create more resilient and adaptable labour markets and jobs, while bearing in mind the over-riding goal of enhancing productivity.

In this context, BIAC provides the following recommendations:

• **Focus on the role of both macro- and microeconomic conditions in promoting labour market resilience and inclusiveness.** Policies should aim at improving the productivity and efficiency of the overall economy. They should address strengthening rule of law and protecting property rights; fostering competition through opening hitherto protected sectors; maintaining and developing infrastructure (including in particular building IT infrastructure, where government support may be necessary); encouraging smarter regulation, including reducing unnecessary bureaucratic hurdles to establishing and running a business; and ensuring access to finance.

• **Support entrepreneurship,** as a proven contributor to growth, innovation, and job creation. Governments can help foster conditions conductive to entrepreneurship, both through
education and through ensuring that regulation does not unduly inhibit or penalize risk taking.

- **Work to achieve an appropriate balance in EPL**, so that labor market rules do not serve as disincentives to expansion and hiring, and that they enable employers to adapt to changing circumstances.

- **Facilitate labor mobility through active labor market policies, that pay due consideration** to displaced and unemployed workers. Many employees report a considerable gap and mis-match between required skills and those available. Education and training systems, including up-skilling, should focus on skills relevant to the labor market and aim to ensure the trainee is job-ready. OECD work should include address the recognition of competencies and assisting in the identification of those most vulnerable to becoming displaced or unemployed. Policies and programs targeting these populations should be undertaken in conjunction with both public and private employment services, and in close co-operation with employers.

- **Encourage participation of women in the labor market.** Women’s economic empowerment, including their full participation in the labor market, is key to economic growth and development, as well as an important measure of inclusiveness and a means to source diverse skills and talent.

- **Establish clear, transparent and efficient national immigration laws and policies** that facilitate labour mobility, and allow the integration of migrants to meet labour market needs.

## II. Enhancing the quality of working lives and work-related well-being

OECD work on Job Quality has produced useful data and insights, and provides a foundation for important future research. However, given the subjective nature of much of this work, BIAC advises caution in generalizations based on perceptions of Job Quality.

The most fundamental component of job quality lies in the observation of ILO core labour standards. But beyond this foundation, the quality of jobs is underpinned by more general economic conditions, including the confidence of both workers and employers.

In this context, BIAC provides the following recommendations:

- **Ensure that measures of job quality take into consideration the influence of** tax and social benefit systems that effectively address all forms of work and entrepreneurship.

- **Support measures that address the compatibility of work and private life.** These can include ensuring that part-time workers have access to appropriate benefits and encouraging flexible working schedules.
III. Skills for resilient and inclusive labour markets

BIAC strongly supports the OECD focus on skills. Resilient and inclusive labour markets require a strategic approach to the demand for skills, i.e. training employees for both the skills and capacities relevant to today’s labor market, as well as for longer term needs. This approach requires building better bridges between education and employment. Skills development is a key aspect of enabling worker mobility and resilience to labour market shocks. This mobility implies not only the ability to move to a different job, but also encouragement to relocate to places where jobs are more plentiful. BIAC also welcomes the increased focus on job skills in the digital economy, which we encourage the OECD ELSA to develop in cooperation with the Committee for Digital Economy Policy.

This area of work should include the positive impact that the digitalisation of jobs has on demand for skills. New technologies are not only replacing physical effort. Computers are now able to engage in complex communication and are entering territory once thought to be uniquely human. Policies should aim to support adaptation to these changes. In this context, BIAC provides the following recommendations:

- **Support opportunities for targeted life-long learning**, which help employers and employees adapt to the change in skills demand, in particular for digital skills. There is a pressing need for lifelong learning that pays equal attention to such subjects as science, technology, engineering, mathematics, and languages; as well as to “soft” skills such as creativity, critical thinking, communication, collaboration, and work-readiness.

- **Enhance cooperation with employers in education and training systems** to ensure skills matching for the current and future needs. Modalities for cooperation should include participation by employers in forward looking education policy setting, joint initiatives to develop work-based learning opportunities, and direct cooperation between education providers and employers for assessment and quality assurance systems.

- **Support greater cooperation between public and private employment services** for a more streamlined and effective matching between labour market demand and supply.

IV. Addressing inequalities in the labour market

Social justice and healthy competition – i.e. competition based on transparent, fair, and sensible regulation, as well as differing natural endowments and advantages – are not simply compatible. They are both essential to social progress and social stability. A stable and successful market economy relies on both the perception and the reality of fair competition and equality of opportunity, which in turn implies a level playing field in which achievement, risk-taking, investment and innovation are rewarded.
Productivity and innovation require a broad and diverse pool of human capital. Business relies on an expanding pool of talent, customers and consumers. To the extent that income inequality reflects the exclusion or marginalization of certain groups from economic life, it limits the size and purchasing power of the consumer base and stifles business growth.

The OECD multi-disciplinary approach to inequality demonstrates both the broad relevance, as well as the complexity of this issue. Policy approaches in this area must be based on a foundation of economic growth and an enabling environment for business. The achievement of sustainable and inclusive growth requires pro-growth policies that recognize the role of enterprise creation as one of the foundations for social inclusion. These include comprehensive policies addressing relating to health care systems, housing, early childhood to tertiary education and public services.

Inequality in the context of the labour market is largely centered on issues of wages, skills and productivity. Minimum wages may be helpful in reducing poverty in the short term, but they do not address issues of rising inequality or long-term employability. The employability and productivity of employees can only be secured by appropriate investments in human capital.

In this context, BIAC provides the following recommendations:

- **Focus on giving a better start to all members of society and avoid reducing the opportunities for success.** Policies should aim to compensate for family circumstances that disadvantage children. Equality of opportunity requires that factors such as family income, gender, race or ethnicity do not influence access to basic services and or negatively predetermine lifetime chances of improvement and success.

- **Promote business competitiveness, growth and job creation.** Policy coordination can be facilitated by having sound, unbiased and timely information on employment trends, enterprise competitiveness and productivity and other social indicators. A diversity of labor contractual arrangements can also provide for more work opportunities for disadvantaged workers and create an enabling environment for companies.

- **Work to translate productivity gains into wages.** The diverging trends between productivity gains and wage growth are not the sole, or even necessarily a primary of rising income inequality. However, their decoupling is troubling. Gains in labour productivity should be duly attributed to labour share of income. At the same time, minimum wage setting mechanisms must reflect underlying economic conditions. Setting minimum wages at levels not in line with firm level productivity reduces the competitiveness of firms. It may also discourage employment of low-wage and low-skilled workers, thus exacerbating labour market inequalities.

IV. A Review of the OECD Jobs Strategy
The review of the OECD Job Strategy comes at an opportune time. Governments and international institutions alike are considering The Future of Work. Whatever this future holds, it will require a multi-dimensional approach to more resilient and inclusive labour markets. The OECD Jobs Strategy is well placed to provide the necessary forward-looking and comprehensive analysis.

In this context, BIAC makes the following recommendations:

- **Ensure that the overarching goals of the Jobs Strategy reflect a logical progression of priorities.** BIAC suggests the following order: more resilient and adaptable labour markets, increased labour market participation and job creation, improved quality of jobs and a fairer distribution of outcomes. The last goal could be broadened and clarified so as to include the importance of increasing productivity and a fair distribution of opportunities together with outcomes.

- **Address the role of productivity growth for both enterprises and the larger economy in coordination with other OECD strategies.**

- **Broaden the relevance of the Jobs Strategy to emerging economies and their further integration into global markets.** These are critical elements of labour market dynamics. OECD itself has found that companies that are exposed to more international competition and open markets—whether via trade, foreign direct investment, or global value chains—tend to be more innovative, more skill-intensive, and more productive.

- **Accord high priority to “skills development, activation and use,” while aiming to reduce skills mismatch and increase relevant work skills.** New insights on skills matching and skills management and anticipation policies would be valuable, and would support the overarching goal of improving labor market participation. The Jobs Strategy should address the current and anticipated impact that the digitalisation of jobs has on demand for skills.

- **Broaden the discussion of “labour relations and wage bargaining” to recognize and encompass profound on-going changes in the world of industrial relations,** including the emergence of a diversity of forms of employment relationships. BIAC encourages the OECD to examine an array of tools and arrangements for dialogue and collaboration between workers and employers, not limiting itself to focus exclusively or even predominantly on collective bargaining.

**CONCLUSION**

BIAC looks forward to continued work with ELSA following the Ministerial. We are prepared to contribute the experience of employers competing in domestic and global markets. We value our
engagement with the OECD and governments as we work together to build more employment in
resilient and inclusive labour markets.