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COVER NOTE

from: Presidency

to: Council (EPSCO)

Subject: **G20 Labour and Employment Ministers' Recommendations to G20 Leaders
(21 April 2010)**

Delegations will find attached the recommendations of the G 20 Labour and Employment Ministers as a background document for the informal lunch discussion at the Council (EPSCO) on 7 June 2010.

G20 Labour and Employment Ministers' Recommendations to G20 Leaders
21 April 2010

As our Leaders noted when they met in Pittsburgh, the prompt and vigorous response of our governments to the economic crisis pulled the international economy back from the brink of collapse. The International Labor Organization (ILO) estimates that our efforts saved or created 21 million jobs worldwide in 2009-2010. Growth has started to return to many of our economies. However global unemployment is at historically high levels and in many of our countries unemployment rates are still rising. The ILO also estimates that half of the world's three billion workers are employed in vulnerable forms of employment.

As the global economy stabilizes, our Leaders asked us to examine whether further measures are needed to ensure that employment recovers quickly. We have concluded that measures already announced and, in some cases, additional efforts are necessary to ensure that economic recovery is sustained and produces job-rich growth for the future. While unemployment persists we must also continue to provide income support, training and employment services such as job search assistance for the unemployed. We must ensure that where private sector job creation is weak, we do not leave large numbers of workers detached from the labor market.

We support the coordination of efforts to prioritize employment growth because strong growth of jobs and incomes in many countries at the same time will buttress global demand, creating still more jobs. Growth in employment and incomes in all regions, and particularly in countries with large shares of low-income households, also represents an indispensable contribution to strong, sustained and balanced global growth, a key goal of our countries' overall economic policy coordination.

With economic recovery we must also address a number of challenges that had been building even before the crisis. We want to ensure that productivity gains are shared with workers as rising living standards; that work is a reliable path out of poverty for all of our people; that the fundamental rights of workers are respected; and that social dialogue is fostered. We can learn from each other's experience with policy interventions to improve the quality as well as quantity of jobs.

The crisis and recovery will invariably bring structural changes to our economies. We want to anticipate these changes and help our people prepare for opportunities that arise as we transition to a more balanced global economy based on sustainable growth. Efforts to raise educational attainment levels and the quality of education, combined with increased focus on skill development and on-the-job training will contribute to sustained growth of productivity and living standards for the future. Social protection systems that provide support to household income and access to health care and pension schemes, where applicable, can also contribute to the labor mobility that will be needed as our economies adjust to structural change.

To achieve these necessary goals, we ask our Leaders to consider the following policy recommendations. We asked the ILO, with input from the OECD with respect to its members, to prepare an analysis of the policy measures we adopted to address the crisis and their impacts to date. That report, attached to these recommendations, and the ILO Global Jobs Pact and Decent Work Agenda are valuable resources for our governments as we design further measures to address employment and social protection systems. These recommendations reflect the diversity of our economies, our labor markets and our stages of development. They provide ample room for adaptation to the particular needs of our countries while keeping in perspective that we can reach a higher equilibrium of progress and well-being for our citizens by acting together than any of us can achieve alone. We believe they will make a strong contribution to the G20 Framework for Strong, Sustainable and Balanced Growth and will enhance policy coherence.

Accelerate Job Creation to Ensure a Sustained Recovery and Future Growth

- *As some countries begin to experience economic recovery, we recommend that continued attention be paid to job creation and job preservation, including vigorous implementation of existing policies and consideration of additional employment measures.*
- *In countries with extensive underemployment, informal sectors, and/or high rates of poverty, we recommend targeted efforts to generate employment for poor households and vulnerable groups, utilizing lessons learned from recent policy innovations.*

Strengthen Social Protection Systems and Promote Inclusive Active Labor Market Policies

- *We recommend that, where needed, social protection systems and active labor market policies be strengthened because significant numbers of people, including the most disadvantaged, will remain unemployed even after recovery takes hold and others will need help to adjust to structural changes in our economies.*

- *We recommend that all countries establish adequate social protection systems so that households have sufficient security to take advantage of economic opportunities.*

Place Employment and Poverty Alleviation at the Center of National and Global Economic Strategies

- *We recommend that our Leaders prioritize employment and poverty alleviation as they lay the foundation for strong, sustained and balanced growth that is beneficial to all.*

Improve the Quality of Jobs for Our People

- *We recommend renewed attention to labor market policies and institutions to improve the quality of jobs and respect for fundamental rights at work. We stress the importance of social dialogue.*

Prepare Our Workforces for Future Challenges and Opportunities

- *Education, lifelong learning, job training and skills development strategies should be prioritized and linked to growth strategies. Better anticipation and matching of skills to jobs can help the workforce benefit from post-crisis restructuring and new opportunities.*

Discussion of Recommendations

Accelerate Job Creation to Ensure a Sustained Recovery and Future Growth

- *As some countries begin to experience economic recovery, we recommend that continued attention be paid to job creation and job preservation, including vigorous implementation of existing policies and consideration of additional employment measures.*

Income from employment is critical to sustained economic expansion. In countries where many households are constrained by high levels of debt or depressed asset prices, the importance of employment and labor income to overall recovery may be even greater than in previous recessions.

Our countries have pursued a wide range of measures to stimulate job creation or job preservation. We have created jobs by accelerating infrastructure investment, providing support for services such as health, education and public safety, and investing in “green” activities designed to achieve more sustainable energy use. Other measures taken include targeted reductions in the tax burden on private employers for creation of new jobs which can accelerate job creation. Many countries have offered additional support to micro, small and medium enterprises, including credit. Some countries implemented job-sharing or retention programs designed to keep workers employed and prevent the loss of their skills to employers. Some countries have also subsidized private-sector jobs for key populations, such as low-income families and disadvantaged youth. The attached report and the ILO Global Jobs Pact provide details and lessons from these policies.

- *In countries with extensive underemployment, informal sectors, and/or high rates of poverty, we recommend targeted efforts to generate employment for poor households and vulnerable groups, utilizing lessons learned from implementation of recent policy innovations.*

We recognize the severe adverse effects the crisis has had on economic security and poverty in many lower and middle income countries. Such countries may need to prioritize and accelerate employment generation policies for an extended period. Among the more promising policies are those that have created public work schemes targeted to poor, rural or low-skilled households. Such programs create basic rural infrastructure including irrigation, flood control and roads using labor intensive techniques. Early results have been very encouraging, and lessons have been learned that can improve future program design to maximize the development gains and cost efficiency of these efforts and lead to sustainable long-term growth.

These programs have reduced the economic insecurity of poor households and allowed them to increase current consumption and productive investments, such as sending children to school. They also help the global economy by avoiding further contractions in domestic demand and increasing domestic consumption. We recommend consideration of the impact of these proposals on domestic and global demand as part of the implementation of the Framework for Strong, Sustainable and Balanced Growth.

Strengthen Social Protection Systems and Promote Active Labor Market Policies

- *We recommend that, where needed, social protection systems and active labor market policies be strengthened because significant numbers of people, including the most disadvantaged, will remain unemployed even after recovery takes hold and others will need help to adjust to structural changes in our economies.*

The historical experience of economic contractions triggered by financial crises suggests that unemployment rates may remain elevated for an extended period. Many of our countries are also experiencing pronounced increases in the duration of unemployment. In some countries the rise of irregular and temporary employment relationships has left substantial portions of the workforce ineligible for existing unemployment insurance schemes. Where these circumstances exist it will be important to maintain and in some cases to expand income support schemes in a financially sustainable manner. Spending on social protection systems can also provide significant levels of job creation in the provision of services and multiplier effects, helping to sustain nascent recoveries.

For countries in which health insurance and pensions are tied to employment, expanding the availability of these benefits through social protection systems is an important element of increasing the mobility of our labor forces.

Active labor market policies that help the unemployed and working poor find suitable positions or assist them with training to upgrade skills are particularly important as we emerge from the crisis and adjust to structural changes in our economies and should be integrated with social protection systems. Employment services can prevent workers from being left behind, detached from the labor market. We should encourage high labor market participation because work provides both dignity and incomes. Strong participation also reduces dependency ratios and thus contributes to the sustainability of our social protection systems.

- *We recommend that all countries establish adequate social protection systems so that households have sufficient security to take advantage of economic opportunities.*

Even before the crisis there was growing recognition of the need for basic social protection for all vulnerable people, sometimes called a basic social floor. Measures such as income support to poor households through cash transfers, nutritional assistance, publicly funded access to basic health services, housing assistance and support for children, the elderly and disabled, designed according to a country's stage of development, can break cycles of poverty in which people are unable to take advantage of economic opportunities or make investments in skills and productivity because basic needs remain unmet. They can also reach workers in the informal sector who might have no access to social protection systems designed for the formal economy.

Some countries have expanded cash transfer programs to meet the increased demand caused by the economic contraction. Others have initiated public employment generation programs for poor households. As noted above, spending on social protection systems can also generate additional employment in basic services such as health care and education as well as multiplier effects in other sectors. We welcome and encourage increased support by multilateral development banks for extension of social protection systems and invite the ILO to assist countries in designing and building such systems.

Place Employment and Poverty Alleviation at the Center of National and Global Economic Strategies

- *We recommend that our Leaders prioritize employment and poverty alleviation as they lay the foundation for strong, sustained and balanced growth that is beneficial to all.*

Our Leaders have already agreed on the importance of building an employment-oriented framework for future economic growth. The crisis has taught that employment and social consequences must be taken into account when adopting economic strategies. This will require greater coherence and coordination of the policies of our national governments as well as between international bodies assigned responsibility for different aspects of international economic policy. We welcome the participation of the ILO among the institutions implementing the Framework for Strong, Sustainable and Balanced Growth to help ensure that decent work, inclusiveness and social sustainability are part of the strong foundation that we seek to build for the future. We strongly concur with our Leaders that international institutions should consider ILO standards and the Global Jobs Pact in their crisis and post-crisis analysis and policy making activities.

Improve the Quality of Jobs for Our People

- *We recommend renewed attention to labor market policies and institutions to improve the quality of jobs and respect for fundamental rights at work. We stress the importance of social dialogue.*

As we plan for the post-crisis period, we support a renewed emphasis on measures to improve the quality as well as the quantity of jobs. Even before the current crisis erupted, a number of countries had experienced deteriorating or stagnant conditions with respect to wages and terms of employment and widening income disparities. Measures such as minimum wage policies and improved institutions for social dialogue and collective bargaining may need to be strengthened in such cases. In some countries there has been significant growth in irregular or casual employment relationships, which may shift risk from firms to workers and their households to an excessive degree. While recognizing that these challenges evolved over several decades, we believe that corrective measures should be implemented as soon as feasible. The ILO's Global Jobs Pact, adopted by member States and representatives of global workers and employers last June, contains a wide menu of measures to foster decent work.

Reinvigorated efforts by labor ministries, labor inspectorates, and other appropriate government bodies are needed in many countries to ensure that the crisis does not lead to violations or weakening of fundamental rights at work or national labor laws or to the exploitation of vulnerable segments of the workforce, including youth and migrants. It is critical that we undertake efforts to ensure that we meet our obligation as ILO Members and implement policies consistent with ILO fundamental principles and rights at work.

Prepare Our Workforces for Future Challenges and Opportunities

- *Education, lifelong learning, job training and skills development strategies should be prioritized and linked to growth strategies. Better anticipation and matching of skills to jobs can help the workforce benefit from post-crisis restructuring and new opportunities.*

During the crisis, many of our countries took steps to turn periods of unemployment into opportunities for training by expanding the supply of training programs, providing financial assistance or extending benefits to workers or firms for training activities. For those who remain unemployed, such support should be continued.

As we emerge from the crisis, enhanced training for our workforces represents a high-return investment in the future productivity of our economies and the job satisfaction of our workers. Even before the crisis, technological change and globalization were changing the nature of jobs and the skills required of workers and managers. As we transition to sustainable energy and resource use more adaptation will be needed. In many of our countries we note the need for improvement in the quality of education, the level of educational attainment, and the availability of relevant lifelong learning opportunities for our people. In some countries, access to basic education is still not universal and this undermines productivity, poverty alleviation, employability and human development. In all of our countries, we should pay particular attention to providing skills to vulnerable groups that otherwise could be trapped in unemployment and poverty and should help young people enter the labor market. Our Leaders agreed in Pittsburgh that developed countries should support developing countries to build and strengthen training capacities.

Our supply of work-related education and skill development should be informed by the demand for particular work skills in our economies and in high growth sectors such as health care, elder care, education and public safety. Investment in a skilled and resilient work force can help drive economic growth. With this in mind, our Leaders requested in Pittsburgh that the ILO, in partnership with other multilateral organizations, convene governments, labor, business and non-governmental organizations to develop a training strategy for the Leaders' consideration. They recognized that all of these actors play critical roles in addressing skill development. We have reviewed the initial work on the training strategy that has been conducted by the ILO, with participation by the OECD, and have provided additional guidance to them to complete the process. We recommend that a full training strategy be finalized for the Leaders by the G20 Summit to be hosted by Canada in June of this year.
