



**BUSINESS**atOECD

# **Business priorities for the future of work**

*Business at OECD (BIAC) Statement to Employment Ministers*

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June 2022

## OECD action for a job-rich recovery

Global trade, digitalization, and demographics change the way firms do business, organize production, and provide services. Dynamism and complexity are becoming structural and companies need to anticipate change more often. This impacts the way businesses of all sizes seek, organize, and deploy work. Indeed, the labor market landscape is changing dramatically as we speak: many workers are now working remotely, and online meetings are part and parcel of our business lives. At the same time, Covid-19 has exacerbated labor shortages, which is ultimately a policy issue we should tackle if we are to enable a job-rich recovery. Furthermore, calls for moving towards “greener” economies also present policy considerations employers and governments should jointly address.

In turn, work is expected to provide income, purpose, social inclusion, independence, and emancipation. The changing labor market composition requires efforts to maintain and grow participation and work supply, including, where appropriate, through facilitating targeted labor mobility, both during and after the Covid-19 crisis.

Building on our Business at OECD Ambassador Briefing in April 2021, where we presented to over 25 OECD Ambassadors the employment policies we believe OECD governments should pursue, we provide below actionable recommendations to the OECD where its analysis and guidance can help in the design and implementation of policies that will enable employers to create greener, more sustainable and inclusive jobs.

### Pillar 1: Supporting Dynamic Labor Markets

#### Context

The measures taken to contain the Covid-19 outbreak have caused unprecedented economic damage and disruption to labor markets as supply chains were interrupted and labor mobility severely impeded. Millions of people were projected to lose their jobs following the sudden and parallel drop in economic demand and supply in 2020. Other trends have made economies and their labor markets unpredictable: ongoing developments in technology, trade, geopolitics, and changing demographics have meant more structural and frequent disruptions.

At the same time, these current trends have created both the need and the opportunity and the incentive to shape new ways of working. Workers look to better balance the benefits from working, learning, caring, and leisure. Adapting to several Covid-19 sanitary measures, companies have embraced innovative and digital strategies to stay operational and boost their productivity. Notably, the shift to remote work has become the new work modality for many. As [the International Organization of Employers position paper on teleworking](#) points out, the rapid surge of teleworking practices came with various new considerations including working time, occupational safety and health, and cross-border mobility, among others.

Simultaneously, businesses are looking for new ways to attract, recruit and deploy an appropriately skilled workforce. To this end, workers and businesses leverage new technological tools, creating more digitally enhanced economies, workplaces, and labor markets.

## An enabling policy environment requires:

- **For all diverse contractual forms of labor relations appropriate social protection should be available on the national level.**
- **A regulatory framework that promotes diverse forms of work and workstyles, and does not create legal or structural barriers between different contractual work relationships.**

Work status classification is key for maintaining a level playing field and work quality. Clear and simple worker classification parameters are key for implementation by workers and employers and for enforcement by governments.

Differences in regulation, protection and taxation across the various forms of contractual relationship should not produce adverse incentives and pose a threat to the level playing field for workers and businesses. The extent of these differences should determine the clarity of classification and the enforcement capabilities.

Governments should provide a regulatory framework for remote work that creates clarity on the rights and responsibilities of employers and employees. Given the high degree of flexibility that remote working provides to both employers and employees, a legal right to remote working is not necessary. Such mandates would detract from the intended goals of this work model and create unnecessary complications where job roles, business strategy or market needs do not support remote work. The impacts of these constraints on individual workers should not be a matter of public policy.

- **Social protection schemes that better integrate employment, lifelong learning, and transitions in the world of work. Social security mechanisms that prevent or obstruct transition should be reformed.**

Ever too often safety nets are insufficiently tailored to provide added value for people working in new and flexible ways, and to accommodate diverse employment paths and job transitions. This can result in unequal treatment between workers.

Safety nets insufficiently address lifelong learning as a key variable for employability and sustainable incomes. Benefits and safety nets should be analyzed with a view to identifying and eliminating ‘entitlement-traps’ that hamper transition and that risk producing long-term unemployment. Effective cooperation between public and private institutions in the various areas of lifelong learning system, including education, training, career guidance and employment services, support an optimal use of resources.

- **Risks, coverage, and delivery of social protection should be shared beyond businesses and workers alone.**

Well-designed safety nets are a benefit to society and their costs should be shared accordingly. Coverage and financing should not unreasonably discriminate among different contract types, and should accommodate the self-employed.

- **Policies conducive to labor migration based on labor market needs.**

Transparent, consistent, predictable, efficient, flexible migration systems that are focused on satisfying the needs of labor markets can address skills gaps and shortages. Legal pathways should serve business needs and deter irregular migration. The same applies to “virtual” migration: Remote work from abroad by individual employees must also be examined in more detail, especially with regard to its implications on tax and social security law.

## Recommendations for OECD action



**Acknowledge** that 20th century labor relations, production and workplace models still form the basis of many of the labor market institutions and social protection frameworks today. These institutions & business cases, including the predominance of the 9 to 5 fulltime direct employment model, should be up for discussion through a new OECD study, especially in view of the rapid adoption of remote working arrangements.



**Clarify and define** the substantive differences between employment and self-employment. Support the creation of legally clear worker classification models that workers, employers and government authorities can apply and implement.



**Support and encourage** OECD member states to ensure that the design of social protection schemes is effective and accessible for workers in all different types of legal contractual relationships.



**Include** the ability to ensure worker status classification is appropriate to the nature of work undertaken in addressing labor market reform to deal with new ways of working and/or the rise of diverse contractual arrangements.



**Showcase** the impact of economic disruption on labor markets and provide policy recommendations to strengthen people's creativity, capacities, resilience, and employability.



**Move away** from depicting a false dichotomy in the labor market between standard and non-standard workers and promoting or advising one particular work relationship. New analysis should recognize the granularity, complexity, and synergy of the various labor market contractual arrangements in considering their challenges and opportunities.



**Encourage** OECD member states to undertake reforms where national frameworks do not cushion disruption and thus insufficiently align with OECD commitments.



**Collect and share best practices on labor mobility.** Governments should consult representative employers' organizations on policy formation at the national level. Legal immigration systems need to be digitalized to facilitate their continuing operation during a crisis and to increase resilience.





**Analyze** how safety nets and benefits, including those managed by social partners, affect labor market transitions. In addition, explore where safety nets fall short in terms of effectiveness or value to those that most need them.



**Develop** a framework that tracks and inspires OECD membership on the maintenance of sustainable employability and effective access to meaningful safety nets



**Collect** demand side data and analyze the synergy and interconnection between diverse forms of work and how open-ended work models are sustained by the existence of temporary ones.



**Collect and share** cases on the reform of social protection systems that promote employability, resilience and added value.



**Identify** the implications of remote work on tax and social security systems, so that governments, employers, and employees can address any legal concerns when establishing more flexible work arrangements.



**Distinguish** different work arrangements such as telework, remote work, and working from home by referring to the existing definitions by the ILO and IOE.



## Pillar 2: Skills & Employability

### Context

Skills and employability take center stage in labor markets and future of work discussions. Serious skills mismatches persist at both global and national levels. This has very real consequences for countries' competitiveness and for workers' career opportunities. Even before the Covid-19 crisis, more than 35% of workers in the OECD area experienced under- or over qualification. The European economy loses over 2% of productivity per year due to skills mismatches.

Now we are facing labor shortages in various sectors, and many employers experience significant recruitment difficulties that result in reduced productivity. The manufacturing sector and construction services are among the most affected, as well as the hospitality and catering sectors—critical pillars as governments and business seek to boost tourism in the aftermath of the pandemic. The problem is exacerbated by the reduction in labor mobility that was a side effect of Covid-19 measures. Another megatrend is the move towards greener, more circular ways of living, working and doing business. Companies now aim to work together with all stakeholders to help them deliver and meet “net zero” targets. The resulting tectonic shift in the labor market and in skills demand in some sectors, means it is vital – and urgent –for workers to not only recognize what the green transition means to them, but also how to respond to the fast-changing landscape of the future of work.

Digitalization and automation continue to reshape the workplace, and in several sectors remote working is no longer an option that is “nice to have”. These developments are having an impact on the needed technical and hard skills, and the transversal/soft skills needed to deal with rapid change, including leading remote teams and driving engagement in times of crisis. For many companies, the external shock of the measures taken to contain the Covid-19 virus in the first half of 2020 has shown that different ways of organizing business are possible. Unfortunately, only 40% of workers in jobs that face significant risk of automation engage in training.

Global supply chains too have an impact on skills demand and supply. Work and tasks can more easily take place in locations where specific skills may be available, and some workers can move around the world, offering their skills to the most competitive employer. Climate change is another major influence on demand for skills.

Employers recognize that securing needed skills means reducing their reliance on formal credentials in recruitment. Instead, employers are increasingly targeting workers equipped with the necessary skills and the ability to learn new skills rather than just credentials, whatever the education pathway or experience they followed to acquire those skills. More than ever, competencies are acquired through different means, e.g. employer-provided learning, life experiences, online courses, and private training.

Finally, demographic change means that the composition of the workforce will undergo dramatic changes in the coming years. Large groups of workers will retire. The cohorts replacing them may be smaller in numbers, and have less workplace experience, but potentially higher education levels.

While stakeholders agree on the urgency of solving the skills gap, and improving worker transitions less agreement exists on how to achieve this goal.

## An enabling policy environment requires:

- **Fixing the double skills gap**

On the one hand, people leaving initial education too often lack the right skills to be successful in the labor market. On the other hand, workers face changes in the workplace that make their skillset obsolete and require them to upskill, i. e. increasing the level of their skills, or to reskill, i.e. obtaining new skills to be successful in a new role or industry.

- **Engaging with employers to develop solutions for matching talent to private sector demand**

Closer collaboration partnerships between employers' organizations, education institutions, and governments are an important mechanism to anticipate and to plan for future labor needs. The importance of private employment services, and career guidance services in particular, should receive more attention to help manage the link between labor supply and demand, and enable transitions between sectors in decline and sectors experiencing growth.

- **A demand-driven approach to education and training**

There is a lot of room for improvement regarding the quality of training: according to the findings of the OECD only half of people who participate in training report they find it useful for their job. Given that “green” skills are increasingly in higher demand, we should increase supply of education and training in these skills. Employer organizations are uniquely placed to be the conduit of the business voice, which can bring practicality to the design and delivery of actions proposed to respond to climate challenges.

- **Labor market intelligence mechanisms required**

The labor markets are changing rapidly. There is a need for labor market intelligence mechanisms based on big data analysis to provide real time information on labor market needs. Such mechanisms are useful for all stakeholders, since they could be used for the design of career guidance, talent retention schemes and skills policies.

- **Innovative finance mechanisms**

In recognition of workers in diverse forms of work, it is no longer enough to rely on employers investing in their workforce, and on public employment services investment in the unemployed. Instead more options for portable training support should be available, linked to the individual rather than an employment contract.

- **Adequate guidance and support to increase workers' ability and motivation**

Providing workers with formal access and funding for training is not enough. Governments, business and workers need to work together to deliver adequate guidance and support to engage in re-and upskilling efforts. It is also important to ensure that employment agencies have the capacity to prepare and connect prospective employees to the available jobs. Public and private agencies should foster cooperation to this end.

- **Non-formal and informal learning and employer-provided learning**

Recognizing and certifying these non-formal and informal skills acquired through these methods will help workers as they face an increasing number of labor market transitions. Portable learning records like digital badges, supported by certifying platforms built on trusted technology such as blockchain can help meet this need. There is also a need to give proper recognition to the validity of prior learning acquired other than through the official qualifications process.

- **A skills-first approach to hiring**

Beyond ensuring employees have access to relevant learning opportunities, employers need to broaden and diversify their talent pools by ensuring they are not mandating unnecessary or obsolete credentials from jobseekers. Today, the priority should be on having the right skills and competencies, and on learning agility to acquire new skills. Doing so will create new opportunities for under-represented populations.

- **Flexible immigration schemes that foster talent mobility**

A coherent and balanced workforce strategy is necessary to ensure a sustainable labor supply in the medium to long term. As for skilled labor, targeted immigration of qualified foreign skilled workers will enable business to enhance productivity, fill gaps for specialist skills, and promote greener economies. Governments need to recognize the unmet needs of employers for unskilled labor and develop more flexible and responsive immigration policies.

## Recommendations for OECD Action



**Deepen** work in measuring the outcome of education systems and recommending improvements to initial education including VET as well as adult learning. Also, promote the implementation of relevant recommendations in this area, including VET country reviews. Points to note in relation to successful VET systems are the involvement of the business community in developing their curricula, and the attractiveness and reputation of the VET system being an important indicator of its ability to attract enough students. Further guidance to OECD members on this topic, including the reform of VET to adapt to labor market changes, is critical to continuing good labor market prospects for VET graduates.



**Examine** further the work on Individual Learning Accounts and similar solutions to support countries in implementing innovative finance mechanisms.



**Conduct** further research by looking into services that career management firms may provide to follow up on the finding from the Getting Skills Right publication showing that holistic and personalized advice is important to support especially low-skilled workers in re- and upskilling.





**Identify** options for a common and trusted framework for skills and credentials recognition that accommodates rapid change and does not impose institutional overhead. Consult broadly with all relevant stakeholders including employers.



**Define** what constitutes “in-demand” skills and credentials through dialogue with employers, and provide advice to policymakers so that governments can facilitate a smooth transition of labor force into in-demand sectors.



**Engage in** multi-stakeholder dialogue to remove unnecessary barriers and to gain community acceptance to enable the labor mobility that is required to address labor shortages.



**Encourage** public-private collaboration to support adaptation and resilience options for communities whose jobs might become obsolete as societies address climate change.



## Pillar 3: Inclusion and Diversity in Labor Markets

### Context

Diversity can bring many advantages to an organization. Employees with diverse backgrounds bring their own perspectives, ideas, and experiences, helping to create organizations that are resilient and effective.

Business encourages the effective mobilization of the talents and resources of all people in society so that they can contribute to and benefit from economic growth. Additional efforts are needed to unleash the full potential of youth to reinvigorate the labor market and the global economy, and to address the economic setbacks experienced by younger generations in recent years. Our youth are an important source of small businesses and entrepreneurs. Their creativity leads to innovation that has a spillover effect to increase well-being. In addition, ensuring smooth transition of young people from education to work is crucial for social cohesion.

Businesses are increasingly embracing diversity and inclusion as a key enabler of growth and to improve access to opportunity across society. No longer just a reporting objective, diversity and inclusion have become strategic priorities. Even as the Covid-19 crisis makes jobs vulnerable, businesses are increasing their focus on advancing diversity and fostering inclusion.

### An enabling policy environment requires:

- **Legal frameworks conducive to balanced participation of all social groups**

In many OECD countries, not all social groups participate in a balanced way in labor markets, and many find it difficult to start and run a business.

- **Greater diversity in education**

Education, career guidance, and life-long learning schemes should provide opportunity and promote a balanced participation of all social groups, with focused, flexible and stackable learning opportunities.

- **Seamless and flexible transition from education to the labor market**

Providing students with reasonable assurance and predictability on their pathway to the labor market after graduation will greatly enhance their motivation for learning. This is not necessarily one-way: for broad upskilling and reskilling to take place, workers should have access to pathways for education and training without fear of losing their jobs.

- **Diverse and flexible forms of work**

Workers need diverse forms of work that are suited to their individual circumstances, in order to fully participate in employment and balance other life demands.

- **A holistic policy design to growth and employment policies**

Both structural and fiscal policies can better align growth and inclusiveness objectives if they help people, firms and regions to fulfill their potential and drive growth, both locally and globally. Targeted policy frameworks could open up markets and encourage investment in people, cities, infrastructure and skills. Reducing inequalities by making growth beneficial for all will be the best way to build strong foundations for future prosperity and to give everyone an opportunity to contribute and succeed.

## Recommendations for OECD Action



**Foster** policies to ensure balanced labor market participation and opportunity for all social groups.



**Identify** best practices to remove unnecessary and unjustified legal barriers to entry and participation in the workforce.



**Analyze** how supportive mechanisms can be responsive to caring responsibilities and a work and life balance.



**Showcase** ways to increase labor market participation through new ways of working, including through diverse legal forms of work.



**Point** to ways that education policies can bring about the more balanced participation of all social groups in tertiary education and other learning pathways. Identify policies for (re)skilling the active workforce that reaches workers in the most vulnerable positions.



**Provide** guidance on how to establish flexible education systems, which enable students to combine education and professional work experiences, and that can more rapidly adapt to shifts in demand for skills.



**Ensure** the upcoming OECD Recommendation on Youth encourages and enables entrepreneurs of all sizes to hire young people through effective labor market policies.

## Implementation and Instruments

### Regulatory Framework – how can the OECD help?

The role, competence and responsibility of government to enforce the rules it puts in place. New rules should be tested against their enforceability, clarity, and potential for unintended consequences as well as the resources needed for enforcement. If this test fails, regulation does more harm than good. Risk-based enforcement/inspection strategies will help governments to deploy their scarce resources as effectively as possible. Do not focus on those that are easy to inspect, but rather inspect the mala fide operators where the real risk sits.

Self-regulation can support enforcement efforts, in particular for government enforcement bodies to focus their enforcement capacities most effectively on those market players not explicitly committed to meeting standards. But it should never replace the public role: private parties do not hold or want the competence that enforcement requires.

### Conditions for effective Active Labor Market Policies - what role do employers see for the OECD?

Active Labor Market Policies are a key government tool for promoting employment. Yet, ever too often they are insufficiently geared and tailored to the reality and needs of employers. To ensure ALMPs hold added value for employers more cooperation with employers is needed:

**Scrutinize** their ability to deliver more inclusive labor markets, focusing in particular on the labor market participation rates of long-term unemployed.

**Examine** their ability to deliver labor market emancipation in terms of employability, income and relevant skills.

**Study** their ability to deliver subsidies and other financial incentives that are available to all contractual employment and are easily implemented by all employers.

**Investigate** their ability to connect with employers' business cases, operations and labor market needs.

**Design** more flexible subsidized employment programs while avoiding one-size-fits-all approach, especially in view of the volatile economic environment.

**Employment services** have the objective of contributing to the efficient functioning of the labor market and to facilitating people into work. Private employment services can be a useful complement to the system of public labor market administrations. The OECD should analyze how public labor market administrations can be improved and what the conditions for an optimal interplay between public and private employment services are.

**Promote** the development of comprehensive and relevant labor market information for employers to leverage to their benefit.

**Ensure** jobseeker data in public databases is transparent and relevant for employers.

**Measure** all programs for outcomes against defined objectives, not by inputs such as budget.

## Social dialogue and industrial relations – business recommendations to the OECD

Good workplace relations are a key tool for the successful implementation of these business priorities. However, like all labor market practices and institutions they need to adapt to accommodate the changing world of work. In this context, the [current OECD approach to favor a one-size-fits-all model of social dialogue based only on extending the coverage of collective bargaining is not the right way forward](#). On the contrary, the OECD membership can leverage to its benefit the rich diversity of existing and evolving models of industrial relations and social dialogue.

The following conditions are crucial for successful industrial relations and social dialogue:

- The fundamental right of employers and workers to associate and represent their interests to their stakeholders
- Embracing, exploring, and allowing new practices and models of workplace relations, including those emerging from new technologies
- Ensuring that the interests of all forms of employment are represented in industrial relations and social dialogue
- Representativeness, flexibility, and responsiveness as crucial preconditions of any regulatory competences for (organized) employees and employers to set mandatory working conditions.

To this end, the OECD should focus its work on the following elements, involving both *Business at OECD* and TUAC appropriately, and always secure bipartite social partner buy-in for any industrial relations related activity.

- Engage with the OECD social partner community to actively explore, identify, and assess new models of workplace relations across its membership.
- Assess industrial relations on their ability to deliver value added to businesses and employees. Accept the diversity of socio-economic traditions and refrain from promoting one specific industrial relations model.
- Recognize and integrate the national institutional, social, and cultural traditions in policy recommendations on workplace relations.
- Refrain from promoting industrial relation activities that do not have the bipartite support of *Business at OECD* and TUAC.





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