

B7 Employment Recommendations for G7 Kurashiki Labour and Employment Ministers' Meeting in Okayama

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The global economy has shown remarkable resilience throughout the current scenario of overlapping and interconnected crises. The social and economic backlashes in the post-pandemic recovery, the current geopolitical conflicts, inflation and international prices fluctuations, high public debts and instability, and pressures on labour institutions and social protection systems, demand urgent coordination of G7 nations. All social and economic stakeholders need to shift from defensive measures and short-term objectives to a strategic agenda based on growth, full and productive employment, and decent work.

There is a pressing need for a collective systemic review on existing policies and frameworks. 61% of the global working population is in the informal economy. It is of utmost importance for the well-functioning of the labour market to develop (inter)national regulatory frameworks that recognize and enable diverse forms of work, being open-ended, fixed-term, agency-work, part-time and self-employment. Those legal employment relations are the starting point for businesses to create jobs and contribute to productive employment.

Digital economy is here to stay and grow, and it should be considered in the context of economic and labor market flexibility. Inappropriate classification of workers can be detrimental to both workers and businesses.

Many national labour market frameworks need to be revised and aligned to contemporary needs to foster job creation and an ecosystem that nourishes entrepreneurship; with particular emphasis on MSMEs, which make up more than 90 percent of most G7 economies. In addition, the lack of skilled workers in many economic sectors and industries presents a great challenge to business stability and growth led by job creation, as well as the increasing aged population puts pressure on local pension systems.

The pandemic crisis caused an acceleration in the promotion and adoption of new technologies to boost productivity and access new ways of working, which needs to be done in parallel with efforts to increase employment in response to a lack or mismatch of skills and shortage of skilled workers in several business sectors.

There is a need for flexible and accessible labour policies that address workers, entrepreneurs, and SMSE, as well as women and their need to achieve better participation and reintegration to the labour force and encourage the workforce retention of older workers with essential skills. Furthermore, the demand for active and inclusive labour market policies are accentuated by the imperatives of the green and digital transitions.

For these reasons, the business sector calls the G7 leaders to:

1. Develop policy frameworks that facilitate job creation and business development

In order to achieve full and productive employment and decent work, efforts need to be made to address and update some of the current local policy frameworks in the G7 countries. There is an urgent need to enhance diversity in employment models, to better adapt to systemic changes and facilitate business resilience. Different forms of work such as part-time and fixed-term work, agency work, and self-employment are key to stimulating the creation of jobs as well as better conditions for entrepreneurship. Rigid labour market regulations will not only be an obstacle for employment creation but also an impediment to the ability of workers to move from shrinking sectors to the sectors that are growing and in need of skills and manpower. Moreover, providing for different forms of work guarantees the growth of the MSME ecosystem, which plays a crucial role in economies and societies as creator of jobs and as driver of growth and poverty alleviation. The need for both the removal of burdens and bureaucracy on private enterprises that affect the stability and expansion of businesses, as well as the promotion of public and private financing and investment are fundamental to achieving productivity growth and the creation of more and better jobs. In other words, policymakers must create an enabling environment for businesses to grow, thrive and innovate.

Furthermore, the lack of skilled labour combined with policies based on labour- market protectionism that make it increasingly difficult for employers to hire cross-border, can have devastating consequences for businesses. Labour mobility is a vehicle for fulfilling personal aspirations, balancing labour supply and demand, sparking innovation, and for transferring and spreading skills. Employers – as well as their employees – benefit from clear, transparent, and efficient immigration laws and policies that permit the movement of workers when and where they have the opportunity to go, and they are needed. Overly complex and sometimes frequently changing systems also make it difficult for businesses to recruit the necessary skills and for migrants to pursue their careers and support their families.

In addition to the role policymakers play in reskilling and activating the domestic unemployed, informal and inactive population, the role of employers should also be underlined. The business community calls for a holistic system shift that looks at ensuring that labour mobility policies (both long and short term cross-border mobility frameworks and work visa rules), are an integral part of the legal and regulatory framework necessary to support business environments, local skills demand, and which are conducive to economic growth and development. This means not only that governments should be sensitive to the role of migration, labor flow beyond borders and skills mobility in fostering innovation, productivity, and entrepreneurship, it also means that internal coherence, communication, and cooperation between government ministries and departments is essential if labour policies are to work as intended to serve the needs of business and society.

It is also important that policy makers ensure an effective social dialogue by engaging employer organizations, which represent the voice of business at the national levels, and other social and economic stakeholders.

2. Promote an efficient and accessible skilling, upskilling and lifelong learning environment

The Future of Work is upon us, and major modifications are needed in the education and training system to meet the skills required by the labour market. To cope with the increasing pace and change of modern life, especially in the context of the future of work, the global workforce needs to be up to date with the right skills through formal and informal lifelong learning, addressed as a joint responsibility of individuals (as it increases employability), governments (through public education systems) and employers (such as through work-based training). The G7 countries should focus on making lifelong learning systems more accessible, more effective, and more efficient to ensure that workers are empowered by skilling and upskilling opportunities and not marginalized by lack of access and affordability of learning opportunities. There should also be recognition of prior learning, including of skills gained informally and therefore not otherwise officially recognized.

It is fundamental to address human and social skills on the national agenda and place skills recognition and training as priorities of State policy. A key priority is to achieve a more effective updating of curricula and qualifications to changing jobs requirements deriving from the twin digital and green transition. This will promote productivity, competitiveness and sustainability, especially for micro, small and medium enterprises (MSMEs), which are fundamental engines of job creation, especially for marginalized and informal workers. Moreover, as STEM skills – Science, Technology, Engineering, and Mathematics – are increasingly required by employers across a broad range of sectors, G7 governments should provide an enabling environment for workers to upskill and reskill in these areas, as well as for businesses to promote training and lifelong learning for their workforce, such as through incentives, grants, social dialogue, skills councils, career counselling/guidance and access to finance. To recognize the greater need for short term retraining for reskilling and upskilling, and to improve labor mobility, governments should promote the use and recognition of digital microcredentials, and their stackability for higher credentials. TVET systems should be reformed in collaboration with employers so that skills supply meets industry needs and skills training results in work-ready employees.

3. Ensure economic growth and inclusive social development

Social innovation, including new safety nets and a new form of welfare, is needed to tackle today's labour market challenges, such as persistent high levels of youth unemployment, ageing working population, polarization of the workforce, development of multi-jobs handling, and increasing transitions between different work statuses. Focus should be laid on facilitating access to the labour market via diverse forms of work, enhancing business competitiveness, empowering citizens to navigate a changing world of work, ensuring the sustainability of national social models and strengthening collaboration between labour market intermediaries.

In order to ensure that we are not leaving anyone behind, it is fundamental that we can identify the underrepresented groups at each national level and improve labour market frameworks so that employment policies enable businesses to create jobs and workers to get into employment. In a context whereby ageing populations in G7 countries will see numerous older workers exiting the labour markets in the coming years and decades, particular policy efforts are needed to reduce inactivity. Creating more dynamic, open, and inclusive labour markets, including improved access to diverse forms of work, and modernizing education and training systems is essential to opening up opportunities for both companies and employees.

G7 policy makers need to focus on increasing the employment levels of all groups underrepresented in labour markets, in particular older people, women, and people with disabilities, through comprehensive strategies that promote equality and focus on activation and improving labour market prospects, by, for example, strengthening access to effective and efficient lifelong learning. Sustainable gender policies that promote women's progression, address workplace inequalities, and increase women's labor force participation must be priorities for the G7 members. It is also imperative to provide better access to support, information, training programs, finance, networking opportunities and to support women entrepreneurs.

When addressing informality, education level is a key factor to consider in tackling this issue. Globally, the higher the education level, the lower the rate of informality. The business community calls for action to address informality and facilitate transition to the formal economy through appropriate legislative and regulatory frameworks that increase labour market flexibility and encourage hiring and the development of an environment conducive to business and investment.

Successful and inclusive green and digital transitions to a low-carbon economy rely on dynamic labour markets which enable people to move easily between jobs, sectors, and regions. Upskilling, reskilling and skills development in the green economy must be part of the development of effective climate change mitigation/adaptation and environmental policies. It is essential that policy makers also take account of regional flexibility, supporting people to move into regions where employment is created.

Conclusion

This is a crucial time to define our social and economic pathway, leading our next steps into a more sustainable and inclusive future.

By developing policy frameworks that facilitate job creation and business development, G7 policy makers can promote and stimulate the entrepreneurial and MSME ecosystem. Even more, labour mobility policies that are an integral part of the legal and regulatory frameworks supporting business environments, local skills demand, and workers career evolution will lead into productivity growth and the creation of more and better jobs.

The need for active and inclusive policies that promote labour market access is crucial when deploying an effective green agenda as a response to the climate crisis and supporting the digital transition.

If joint efforts are needed to achieve skills and lifelong-learning agenda, promote investment and financing of entrepreneurs and MSMEs, and support the employability of underrepresented groups, it is imperative that all G7 stakeholders align and collaborate in order to solve main structural issues such as informality and the need for a green transition underpinned by a sufficient number of adequately trained workers to make it a success.

With businesses and governments working together, we can boost innovation and productivity, provide a sustainable source of decent work and achieve inclusive and sustainable growth for all.