

Down to business

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Thanks to prompt and significant government responses to the crisis, many economies are experiencing initial signs of recovery. However, there is still much uncertainty concerning what lies ahead and unemployment is still rising in many countries. The OECD unemployment rate reached a post-war high of 8.5% in July 2009, with an OECD estimated 15 million extra out of work since the start of the crisis. In contrast, unemployment across the OECD was at a 25-year low of 5.6% in 2007.

For the global recovery to take hold, governments need to undertake coordinated and coherent policy actions to restore confidence in financial markets and availability of capital. Governments must also ensure that labour market and social policy frameworks support business activity so that more jobs can be retained and new ones created.



In short, public policy must support enterprises. Governments must continue to adopt appropriate labour policies and structural change that will support enterprise creation, entrepreneurship and innovation—the only sustainable bases for the creation of wealth, jobs, new products and services. Importantly, government stimulus should be targeted, timely and temporary with a view towards long-term recovery.

Five key principles need to guide policies in support of job growth:

Actions must support job creation: Jobs may be created by short-term stimulus and emergency measures, including in the public sector, but policies must also continue to encourage entrepreneurial activity, innovation and enterprise creation, trade and investment. These activities are the

most important source of jobs, and the only path to sustainable job creation.

Protectionism is not the answer: Despite ongoing challenges, there must be a continued commitment to keeping markets open to international trade and investment. Protectionism is a proven path to job losses in the long run.

Make doing business easier: Governments must vigorously promote regulatory environments conducive to sustainable enterprises, reduce excessive administrative costs and red tape, stimulate entrepreneurship and competitiveness, and provide access to lending facilities. In short, make it easier to do business.

Make the needs of small and medium-sized businesses a policy priority: The advantages that smaller firms gain from

Decent work matters

Protect “employment” rather than “jobs”

dynamism and greater flexibility are often countered by weaker financial and management structures, making them particularly vulnerable in the current downturn. Providing SMEs with greater access to affordable credit, and reducing their compliance and cost burden are vital to recovery plans.

Protect “employment” rather than “jobs”: Governments should ensure that labour market legislation and institutions can effectively facilitate a transition from recession to recovery. Protecting employment requires labour market institutions to provide flexibility that enables employers and employees to implement fair and creative measures to maintain employment levels.

The OECD is uniquely placed to support policy considerations and actions by governments on employment and social protection systems. The OECD also has an important role in global co-ordination on employment issues, including at the G8, G20 and with the ILO, the World Bank and the IMF. This global co-ordination has been critical in keeping the jobs crisis squarely on the agenda of governments as an issue that must be addressed in a co-ordinated manner across ministries, and this should continue.

Business is firmly committed to working with the OECD and its member governments to reinvigorate global economic growth and re-establish confidence in our financial systems based on sound and effective regulatory frameworks. This outcome is essential to addressing our employment and social policy challenges. ■

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Active labour market programmes must produce more decent jobs. But will they?

In most OECD countries, unemployment protection systems don't provide adequate social security during a severe economic crisis and periods of high and persisting unemployment. Not only that, benefits can even run out within much less than a year and often before unemployed workers can find new jobs. Also, income support in many countries barely ever covers more than half a worker's previous salary, and sometimes much less.

What should governments do to fix this? The first step is for more governments to temporarily relax rules governing entitlement to unemployment benefits, increase replacement rates and extend

the duration of entitlement. To provide unemployment benefits over longer periods of time in the wake of a severe recession with high unemployment makes sense on social as well as economic grounds. If the labour market is weak and demand very low, unemployed workers will need more time to find a job. Moreover, if benefit entitlements are exhausted quickly, that will weaken consumer demand and stall a recovery.

Benefit coverage should also be expanded to include workers in precarious employment, such as those on temporary or part-time contracts. Most of those workers aren't eligible for unemployment benefits at all.

It is well known that a significantly under-regulated financial sector provoked this economic crisis. However, the roots of the