

Policy Note

Lifting employment and workforce participation

“Strengthening our economies and our communities means making fuller use of people’s potential. We have to act now to prepare ourselves by making more use of the people we have.”

Address to the B20 Summit by Prime Minister Tony Abbott, July 2014

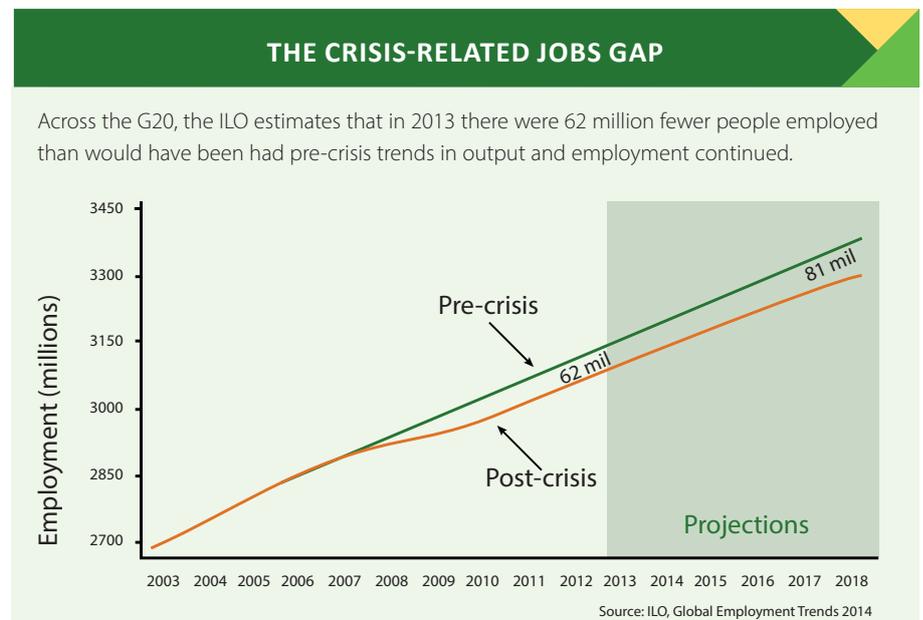
REDUCING UNEMPLOYMENT REMAINS A CHALLENGE AS THE GLOBAL ECONOMY RECOVERS

The International Labour Organisation (ILO) estimates over 200 million people are still unemployed globally, with sustained high unemployment affecting developed and developing countries.

Increased long-term and structural unemployment, and lower participation in labour markets, have constrained growth in advanced economies.

Despite some recent improvements, many G20 economies still face a substantial jobs gap, which will persist until at least 2018 unless growth gains momentum. With more than 100 million people still unemployed in the G20 economies and 447 million ‘working poor’ living on less than \$2 a day in emerging G20 economies, the weak labour market performance is also threatening economic recovery because it is constraining both consumption and investment.

Since the global economic crisis, youth unemployment has escalated worldwide and is a key area of concern for the G20. According to the ILO,



there are over 74 million young people out of work worldwide, many at risk of being part of a “lost generation”. Prolonged unemployment early in a person’s career may delay the acquisition of valuable on-the-job skills, permanently reduce future earnings and diminish job prospects.

Many G20 countries are also grappling with a shrinking workforce due to ageing populations and low fertility rates. A lack of good quality jobs, informal work, and limited social protections are challenges commonly faced in emerging economies. Improving job quality, providing the right training and skills to match labour market

demand, and increasing participation in formal work are also priorities for many developing countries.

Harnessing the working potential of women can enlarge the workforce. Narrowing the gap in workforce participation between men and women (currently around 25 per cent in G20 countries) and ensuring women are not confined to part-time employment and the lowest paid, lowest productivity and most vulnerable jobs, will allow women to increase their contribution to and benefit from economic growth.

CREATING MORE AND BETTER JOBS IS AT THE HEART OF THE G20 AGENDA IN 2014

Strong, sustainable and balanced growth is key to a steady increase in jobs because sustained improvements in economic activity increases the demand for goods and services, which in turn increases the demand for labour, causing unemployment to fall.

The private sector creates the most jobs globally and provides nine out of ten jobs in developing countries. G20 members recognise the need to address the constraints preventing the private sector from expanding and creating more jobs.

G20 members are pursuing policies to grow the collective GDP of G20 countries by at least 2 per cent above the current trajectory over the next five years, as agreed by Finance Ministers and Central Bank Governors in February 2014. Achieving this growth ambition will generate more than US\$2 trillion in global economic activity and millions of jobs.

To support stronger growth needed to generate more jobs and help close the

STRENGTHENING LABOUR MARKETS

Analysis by international organisations suggests that the reforms that have the greatest capacity to influence growth are those that target labour productivity and participation in the labour force. These could include:

- ▶ measures that improve the ability of women, older workers, youth and low skilled workers to participate meaningfully in the workforce;
- ▶ reducing non-wage costs and reforming labour market regulations;
- ▶ increasing investment in skills and education; and
- ▶ addressing informality (the untaxed, unstructured and unregulated segment of the labour force).

Sources: ILO, OECD, World Bank

THE NEED FOR MORE AND BETTER JOBS

The number of unemployed worldwide is now

30.6 MILLION HIGHER

than before the onset of the global financial crisis.



Sources: International Labour Organisation, OECD

In G20 member countries as a whole, female labour force participation is 56 per cent



while for men, it is 82 per cent.



The global youth unemployment rate is steadily rising



This translates into

OVER 74 MILLION

young people unemployed globally.

jobs gap, G20 members are addressing structural issues that affect both the demand and supply of labour. G20 members have also prioritised creating better quality jobs.

THE G20 IS DEVELOPING COUNTRY-SPECIFIC EMPLOYMENT PLANS FOR BRISBANE

To ensure its actions to promote growth are complemented by higher employment and participation, the G20's members are developing country-specific employment plans. These plans will feed into the comprehensive growth strategies being prepared by each G20 member.

G20 employment plans will include labour market reforms tailored to each country's national circumstances. G20 members will outline short to medium-term strategies to improve the number and quality of jobs. Labour market and social policies, as well as education and lifelong learning policies, will likely play an important role in this package.

G20 Labour and Employment Ministers met in September 2014 and committed to strengthening their employment plans, with a focus on creating better jobs and boosting participation. They recommend that G20 leaders adopt the goal of reducing the current gap in participation between men and women in G20 economies by 25 per cent by 2025 as a reference for action, potentially bringing more than 100 million women into the labour force.

HOW IT HAPPENS

The Taskforce on Employment (TFE), co-chaired by Australia and Turkey, is coordinating the development of employment plans and actions to support job creation and lift participation.

To ensure coherence between the employment, development and growth agendas, the TFE co-chairs have participated in Framework Working Group meetings and vice versa. The Development Working Group has committed to strengthening links with the TFE. The TFE is also working with engagement groups, including the Labour 20 and the Youth 20, to reduce youth unemployment.

The TFE presented G20 members' employment plans to the meeting of G20 Labour and Employment Ministers in September 2014.

- prepared by the Australian Presidency

Further information

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