

# G20



International  
Labour  
Office

## **G20 Task Force on Employment**

Addressing employment, labour market and social protection challenges in G20 countries: Key measures since 2010

2013

## Acknowledgements

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## Introduction

This report provides an overview of additional policies and measures applied by G20 countries since 2010 in seven areas highlighted in the conclusions adopted by the G20 Labour and Employment Ministers at their meetings in Washington, DC (April 2010), Paris (September 2011) and Guadalajara (May 2012).

The report has been prepared in the context of the Russian G20 Presidency in fulfilment of a request by G20 Leaders in Los Cabos (June 2012). It is submitted to the G20 Labour and Employment Ministers meeting in Moscow on 18 and 19 July 2013.<sup>1</sup>

In Pittsburgh, G20 countries agreed to develop their cooperation within the Framework for Strong, Sustainable and Balanced Growth adopted in September 2009: “We need a durable recovery that creates the good jobs our people need” (paragraph 13); “our Framework for Strong, Sustainable and Balanced Growth is a compact that commits us to work together to assess how our policies fit together, to evaluate whether they are collectively consistent with more sustainable and balanced growth, and to act as necessary to meet our common objectives” (paragraph 15).

In the Los Cabos Declaration (June 2012), G20 Leaders stated: “Quality employment is at the heart of our macroeconomic policies. Jobs with labour rights, social security coverage and decent income contribute to more stable growth, enhance social inclusion and reduce poverty” (Paragraph 20). “We ask our Labour Ministers to review progress made on this agenda...” (Paragraph 24).

This report addresses this request. The Annex reproduces for ease of reference a number of country commitments identified in the Los Cabos Growth and Jobs Action Plan.

## Scope of the report

The report is based on information compiled and submitted by the G20 countries themselves based on a standard questionnaire and aims to document what has been done by them. It covers a selection of policies and measures introduced, or

significantly modified,<sup>2</sup> in the period from 2010 up to early 2013. Measures are grouped under seven areas highlighted by G20 Labour and Employment Ministers. Moreover, countries were asked to report on main measures or policy reforms under each of the seven areas. These are:

- Job creation
- Labour market policies
- Social protection
- Skills development
- Quality employment
- Youth employment
- Women’s economic participation

The report is illustrative and does not claim to capture all the policies and measures taken by countries over the period considered. In addition, countries may have already had in place a comprehensive set of employment, labour market and social protection policies before the period covered by this report. No attempt is made to assess the implementation of measures or their impact. These caveats have to be borne in mind as they shape the scope of this report.

The report is organized as follows. First, an overview of additional action taken (or announced) by countries since 2010 is provided across the seven policy areas identified above. This includes an indication of the timetable of the actions taken and the relative scope of the additional actions based on the number of beneficiaries and/or the size of the fiscal outlay, where available. This is followed by illustrative examples of action taken, listed by broad category in each of the seven policy areas.

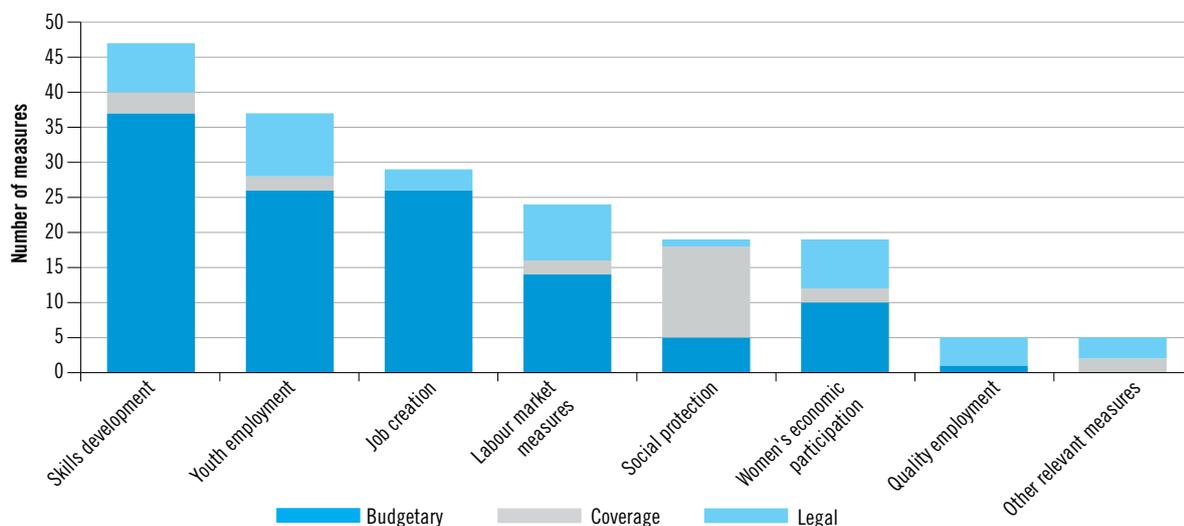
## 1. What has been done?

Skills development, youth employment and job creation more generally are the three areas in which countries have concentrated policy attention in the period 2010 to early 2013. A common objective has been to render skills more relevant to the labour market, including through apprenticeships and dual training systems. Job creation measures focused on investment in infrastructure, as well as

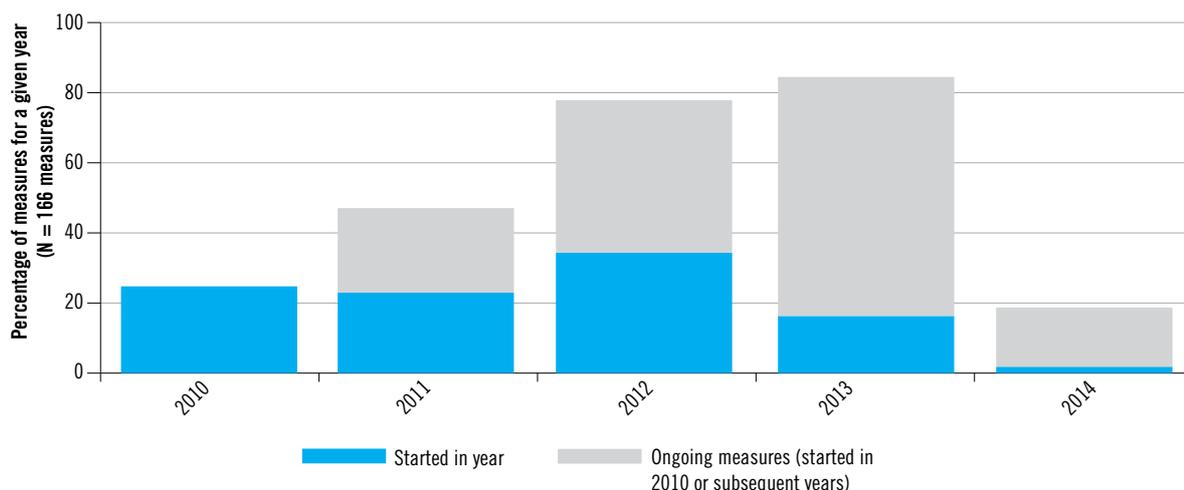
<sup>1</sup> See also *Short-term labour market outlook and key challenges in G20 countries*, ILO and OECD, July 2013; and *Activation strategies for stronger and more inclusive labour markets in G20 countries: Key policy challenges and good practices*, OECD, July 2013.

<sup>2</sup> G20 countries were asked to report not only new measures but also significant changes in their policies that are expected to have a sizeable impact on labour market outcomes.

**Figure 1. Distribution of sample measures by policy area and category**



**Figure 2. Overview of timing of measures by launch year**



support to SMEs, hiring credits and entrepreneurship development.

**Distribution of measures by policy area**

Based on the reports submitted by each country in April–May 2013, the following distribution of measures by policy area and category emerges. Although care should be taken in interpreting these results, since they do not necessarily capture all measures implemented by countries,<sup>3</sup> figure 1 illustrates the importance given by countries to skills development, youth employment and job creation.

<sup>3</sup> Depending on the level of detail available, some measures could be classified under one or the other heading (whilst avoiding double-counting).

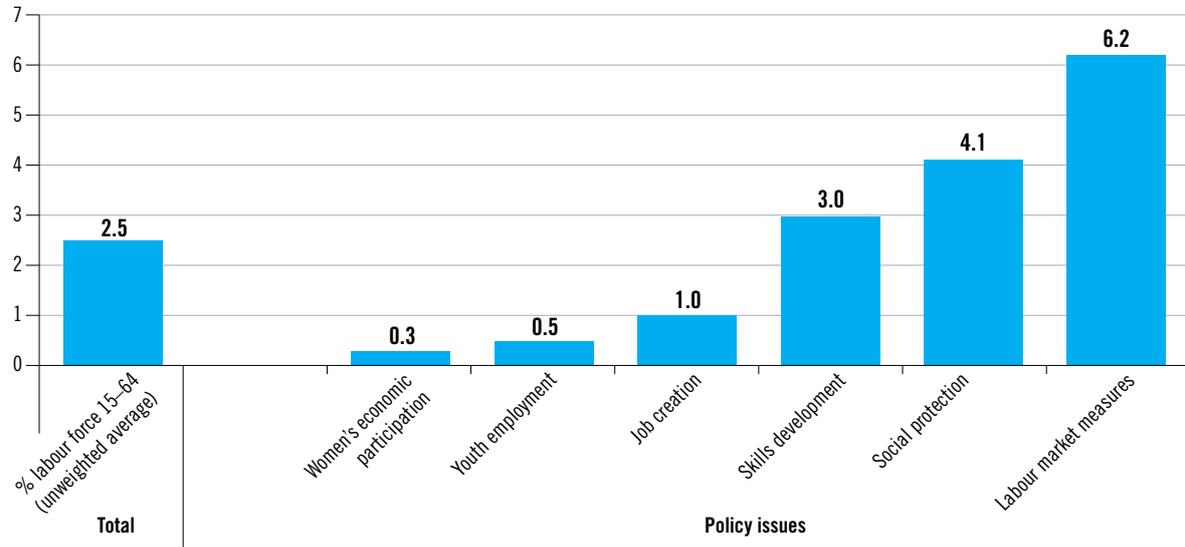
Such summary information is illustrative of the general emphasis placed by countries on different types of measures and target groups; it does not reflect the comprehensive and far-reaching labour market reforms implemented in some countries during the crisis. These are discussed in more detail in section 2 below.

**Distribution of measures by launch year**

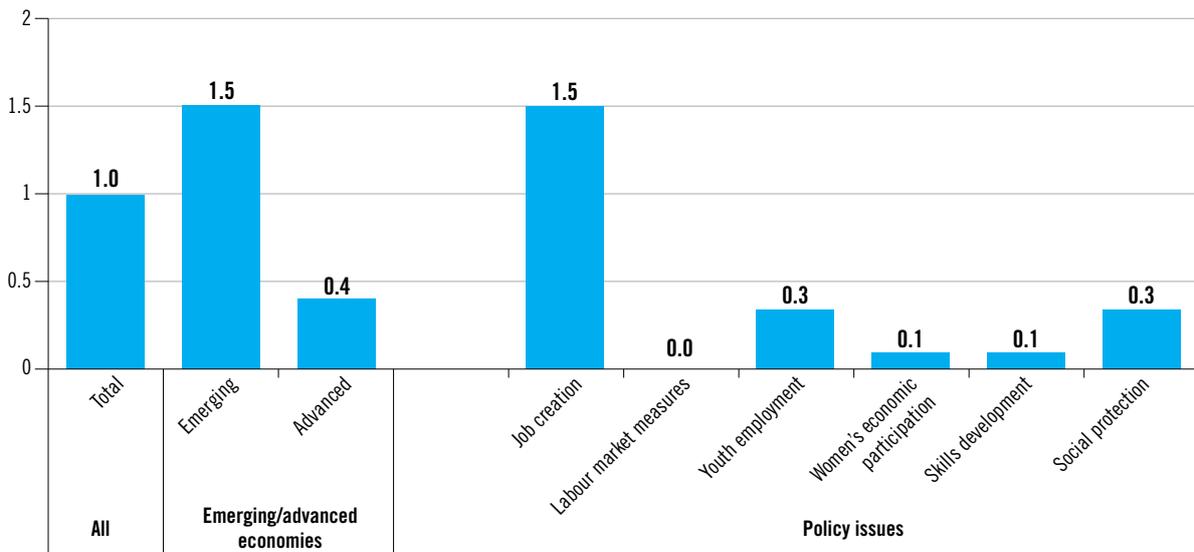
This report compiles information of action taken by G20 countries for the period 2010 to early 2013. The distribution of measures launched since 2010 by start year is presented in figure 2. Approximately a quarter of measures surveyed were started in 2010 and 2011 respectively, and one-third in 2012. Most measures span more than one year.

**Figure 3. Additional annual number of beneficiaries**

(as percentage of labour force aged 15–64 years, save for social protection expressed as percentage of population)



**Figure 4. Additional annual fiscal expenditure** (percentage of GDP, unweighted average)



**Scale of measures**

Only indicative information could be compiled based on the information available pertaining to the beneficiary population and to the size of the fiscal expenditure (see figures 3 and 4). Unweighted averages are used to give a sense of the scale of the measures introduced across all G20 countries.

In terms of coverage, an estimated 2.5 per cent (unweighted annual average) of the labour force (total population in the case of social protection) across G20 countries is benefiting from the measures implemented since 2010. The average cost associated

to these measures is estimated at just below 1 per cent of GDP (using 2011 as the reference year): 1.5 per cent in emerging countries, and 0.4 per cent in advanced economies.

Active labour market policies account for almost half of the measures that involve fiscal expenditure but cost less than 0.1 per cent of GDP. Measures for job creation, including infrastructure spending, amount to 1.5 per cent of GDP and reach 1 per cent of the labour force.

Measures for social protection, primarily in emerging economies implementing major programmes to

extend protection, reach 4 per cent of total population and cost the equivalent of 0.3 per cent of GDP. Measures for youth reach 0.5 per cent of the labour force (in the countries implementing such measures) with expenditure equivalent to 0.3 per cent of GDP (annual average).

More persons benefited from supply-side measures even though more resources were directed to measures supporting labour demand.

## 2. Illustrative examples of action taken

This section provides an illustration of the type of policies and programmes that G20 countries have introduced since 2010. Its purpose is illustrative.

### Job creation

- Investments in **infrastructure** (including housing), whether new, maintenance or refurbishing, have been a commonly used instrument to generate employment across G20 countries, operating through a variety of financial and implementation arrangements (public outlays, bank loans, public private partnerships). Australia, Brazil, Canada, Indonesia, Japan and South Africa are among countries that have dedicated significant resources to infrastructure investments, which tend to have a high employment content, directly and indirectly through backward and forward linkages.
- **Hiring subsidies** were introduced in Argentina, Australia, Brazil, Canada, France and the United States. In many countries, such subsidies were targeted at SMEs and/or at specific groups, such as women, youth or the long-term unemployed (see discussion below for further detail).
- **Boosting entrepreneurship and supporting SMEs are commonly used job creation strategies.** Examples include Argentina's Bicentennial Programme subsidizing credit to firms; the *Industrial Research Assistance Program* in Canada; the *Banque Publique d'Investissement* and tax incentives and simplification in France; promotion of self-employment in Mexico; *Entrepreneurship Programmes* in Turkey; and *Expansion of Self-Employment Assistance* in the United States. The European Investment Bank is set to increase funding to SMEs.
- **Job preservation** has been at least as important as job creation; work-sharing arrangements

have been pursued in Canada and the Russian Federation; short-time working arrangements were promoted in France and the United States; tax breaks and dedicated credit outlays were used in Argentina and Italy.

### Labour market policies

- **Public Employment Services.** China has strengthened its employment services, particularly for college graduates. France merged the public employment service and the unemployment benefits unit into one. Saudi Arabia has taken a range of measures through electronic platforms, job fairs and placement centres to expand information and guidance on vacancies. The United Kingdom's *Work Programme* has outsourced personalized support for jobseekers to voluntary and private sector employment providers.
- **Strengthening mutual obligations.** Australia, Canada, Spain, the United Kingdom and the United States have introduced new job search and/or training requirements as well as support for recipients of unemployment insurance, while Canada has clarified its definition of "suitable employment" and what constitutes "reasonable job search". Such measures seek to enforce compliance with defined job search criteria for recipients of unemployment insurance.
- **Work incentives.** In Australia, the earnings threshold before the clawback of benefits has been raised, and in Canada a pilot project, *Working While on Claim*, encourages claimants to accept available work while receiving employment insurance benefits. The United Kingdom has introduced the Universal Credit, a simplified single payment for people who are looking for work or are on a low income.

### Broad labour market reforms

France, Italy, Mexico and Spain (as well as a number of other EU countries) have adopted **broad reforms** to labour laws covering a range of measures relating to adjustments in working hours, the use of temporary and open-ended contracts, requirements to terminate contracts, and lowering of taxes on wages below a defined threshold. These reforms have generally attempted to address several pre-existing policy challenges, which, while long-lasting, have

been made even more pressing by the advent of the global financial and economic crisis. This includes measures to introduce a greater degree of workforce adaptability for firms, while reducing labour market segmentation and providing improved protection for workers in atypical contracts.

In France an agreement was reached on reforms to collective dismissal procedures and portability of rights (personal training accounts, rechargeable rights to unemployment insurance, complementary health insurance).

Italy's labour market reform combines reforms to dismissal restrictions, simplification of judicial dispute resolution; labour market insertion of youth including via apprenticeships; atypical labour contracts; and unemployment benefits.

In Mexico, the 2012 decree enacting the Labour Market Reform reduced dismissal costs and simplified procedures, introduced new fixed-term contracts for seasonal workers as well as initial training and probationary periods, new regulations for subcontracting and outsourcing practices as well as extension of social security and other benefits.

Spain introduced reforms in 2012 to severance pay and to decentralized collective bargaining.

### Youth employment

- **Subsidies** to encourage the hiring of young people in general or in specific categories, such as youth unemployed for six months or longer or low-skilled youth in high unemployment areas, have been widely used in France, Italy, Saudi Arabia, Spain and the United Kingdom. "Generational contracts" have been implemented in France and Italy, encouraging enterprises to take on young workers while preserving the jobs of older workers.
- Investments in **apprenticeships** and dual training systems have taken centre stage in a number of countries, either by introducing regulation of training and apprenticeship contracts (Spain), redefining the terms of apprenticeships and how enterprises use them (Italy); providing financial incentives to individuals (Canada) or firms (Canada, France, Italy and the United Kingdom); better preparing young people for the transition into apprenticeships (the *Ausbildungspakt* in Germany and traineeships in the United Kingdom); mentoring support to assist apprentices to complete

their training and guidance to potential apprentices to choose the right pathway (Australia); or strengthening coordination between firms and education providers (Mexico and the Republic of Korea). Germany supports professional mobility of skilled unemployed workers in the EU. Brazil's *Professional Apprenticeships Plan* calls on all large and medium-sized enterprises to hire apprentices to a minimum of 5 per cent of the workforce. The Republic of Korea, the Russian Federation and Turkey have also taken measures to promote apprenticeships. The EU is set to launch a European Alliance for Apprenticeships to increase the quality and supply of apprenticeships.

- **Employment services and counselling** of young graduates have been the focus in Japan, China and Saudi Arabia. The United Kingdom has developed a programme centred on those at risk of, or currently in, long-term unemployment to find and stay in employment, reaching close to 8 per cent of the working-age population.
- **Self-employment and entrepreneurship support** form a large part of youth employment policies in Indonesia, Mexico, the Russian Federation and Turkey, based on training, counselling and consultancy services.
- In an attempt to avoid or attenuate the scarring effects of early-career unemployment spells, some countries have endeavoured to provide youth with work experience through **internships**. The Republic of Korea has created internship opportunities in SMEs for youth, as well as implemented measures to support youth employment while at school to reduce times between jobs (Youth Employment Academy). The United Kingdom has also put a number of measures in place, including Sector-Based Work Academies and Work Experience placements. In Mexico, the *Programa de Apoyo al Empleo* provides financial support for jobseekers while they are temporarily employed in social or community activities.
- **Direct job creation** in the public and not-for-profit sector has also been used in France (*Contrats d'Avenir*), aimed in particular at vulnerable young people in economically depressed areas.

The EU has promoted **Youth Guarantees** as part of its comprehensive Employment Package – based on the principle that all young people up to 25 years

of age receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. Funding from the Youth Employment Initiative is earmarked as of 2014.

### Skills development

Interventions aimed at youth are strongly intertwined with investments in **skills development**. Several countries have invested in initial education (e.g. Australia, Canada, India and Italy). The Right to Education Act in India aims to complete the coverage of quality primary education nationwide. Turkey has extended compulsory schooling from eight to 12 years.

**Vocational education** has received particular attention through different actions: China significantly expanded training opportunities for workers in enterprises facing adjustments as well as migrant workers and the unemployed. Brazil, Indonesia and Saudi Arabia are expanding vocational training opportunities; in Spain, private training agencies are now eligible for public funding; in France, enterprises are represented on the governance boards of technical and vocational training in an attempt to make the latter more relevant to emerging skills needs; in Italy, technical education is strengthened through the Higher Technical Institutes; Australia is piloting new training models that are led by industry, providing more flexibility than traditional three- to four-year training periods; in Turkey, a wide range of programmes offer vocational training to young people. India's *National Rural Livelihood Mission* combines access to skills development, information and micro-finance to the rural poor.

Many countries have introduced measures to address skills issues among older groups as well. In Canada, France and the United States (*Trade Adjustment Assistance* programme), **re-skilling** of and support for displaced workers is a big priority. Linked to this, **life-long learning** is being encouraged in a number of countries through the introduction of **individual training accounts** (e.g. France and Spain) and in Italy, **tax relief** is being offered to companies who invest in training for their workforce. In Australia, jobseekers receive training in **basic skills** (*Language, Literacy and Numeracy Program*), and **certification of skills** is being used in Italy and Mexico. The EU's Skills

Panorama compiles quantitative and qualitative information on short and medium-term skills needs, and many countries have initiatives in place to improve the efficiency and quality of matching, particularly through the provision of better information (Australia, France, Mexico, Saudi Arabia and Turkey)(see section on labour market policies).

### Extension of social protection security coverage

Emerging economies have taken measures to **expand the coverage of basic social protection**, whereas advanced economies have sought to **complete existing coverage schemes** ensuring that no person is left without protection.

Argentina has expanded the coverage of child benefits and maternity health benefits. The *Brasil Sem Miséria* plan combines cash transfers, employment opportunities and access to public services directed at poverty groups, especially in rural areas. China expanded a new rural pension scheme piloted in 2009 and the pilot social pension insurance for urban residents launched in 2011. An estimated 250 million beneficiaries have been added since 2009. India has expanded and reorganized the national rural employment guarantee programme now reaching over 40 million households in rural areas. A new electronic identification system is being introduced to ensure payments reach beneficiaries directly. India also introduced additional maternity services and expanded nutrition and health care to 8.7 million girls. In Mexico, the 2012 decree enacting the Labour Law Reform introduces significant improvements in social security coverage for seasonal, domestic and farm workers. The working conditions of domestic workers will also be regulated. A number of measures were taken in the Russian Federation to extend support to senior citizens. Saudi Arabia strengthened support to the unemployed. South Africa is piloting a new National Health Insurance which will give all citizens access to essential health care, regardless of their employment status and ability to pay. In parallel, South Africa is extending old-age, disability and child benefits.

In the United States, there has been a temporary extension of emergency unemployment compensation during the financial crisis, and Italy's universal unemployment insurance benefit has already been mentioned. The EU's Social Investment Package also advocates further extensions to social protection schemes.

### Women's economic participation

Initiatives to promote the participation of women in the labour force have taken the form of **work incentives, career advice and assistance for study and training** to help labour market (entry and re-entry) (Australia), **hiring credits/subsidies** (Italy and the Republic of Korea), investments in **childcare** (Australia, Italy, Japan and the Republic of Korea) and rights to **flexible working** (United Kingdom). Argentina proposed new measures to enhance social protection and labour rights of domestic workers. Important changes to **legislation** have been introduced in both Mexico and Turkey. In Mexico, the recent decree enacting the Labour Law Reform reduces discriminatory hiring and firing practices; outlaws workplace harassment; allows more flexible use of maternity leave; reduces working time after childbirth for breastfeeding purposes; and introduces the right to request family-friendly arrangements such as part-time work and other forms of work more compatible with family responsibilities, such as teleworking. Moreover, the introduction of paid paternity leave is a step towards a more gender-equal distribution of work and care. **Parental leave pay** has also been a key policy introduced in Australia, including the two-week payment for working fathers or partners, called Dad and Partner Pay. The Russian Federation introduced additional vocational training measures and other support measures for women on leave for childcare purposes. Turkey extended social security benefits to women engaged in handicrafts.

### Measures for specific groups

Argentina and Mexico have adopted measures addressed at **rural workers** to enhance the protection of labour rights and combat child labour.

Saudi Arabia has increased the minimum wage for public sector employees.

Several countries have implemented policies aimed specifically at improving the employment opportunities of **persons with disabilities**. Canada (Labour Market Agreements for Persons with Disabilities; Opportunities Fund for Persons with Disabilities), the Republic of Korea, the United Kingdom (Work Choice) and the United States (Disability Employment Initiative; Employment First State Leadership Mentor) have programmes in place to help prepare individuals with disabilities for work. The Republic of Korea has introduced quotas for

the recruitment of persons with disabilities, while in Canada (Enabling Accessibility Fund) and the United Kingdom (Access to Work) funds are available to cover the cost of workplace adjustments, and in the United States tax credits are given to employers who hire veterans with disabilities.

### Cooperation across G20 countries: illustrative examples

In their conclusions adopted in Guadalajara (May 2012), G20 Employment and Labour Ministers identified the need to "... promote, and when necessary, strengthen quality apprenticeship systems ... foster sharing of experience in the design and implementation of apprenticeships programmes ... explore voluntary technical cooperation programmes based on best practices that can be conducted by G20 countries in conjunction with countries seeking to address youth employment".

A number of initiatives have been taken in follow-up to this proposal. For example, Germany has recently signed agreements with Italy and Spain on the strengthening of cooperation and exchange of experience in vocational education and training and labour market policies. Brazil has actively shared its experience in expanding social protection and combating hunger and poverty. Countries regularly meet at the ILO, the OECD and the United Nations to exchange experience on the effectiveness of employment, labour market and social protection policies.

In parallel, on 18 June 2013 the B20 and the L20 adopted a joint understanding on key elements of quality apprenticeships which responds to the call made by the G20 Labour and Employment Ministers to step up action in support of apprenticeships.

### Conclusions

The information compiled for this report covers the action taken (or announced) by G20 countries since 2010. Albeit incomplete and indicative, it suggests that countries have focused on measures in the areas highlighted by G20 Labour and Employment Ministers in accordance with the prevailing employment challenges. This information should be assessed alongside policies and measures taken by countries before 2010, which is beyond the scope of this report.

It is encouraging that most countries are concerned about the relevance of vocational training, including

apprenticeships, and have taken steps to strengthen the linkages with the world of work. Likewise, emerging countries have taken measures to extend basic social protection, including access to health care, old-age and child benefits. This will support the establishment of basic social protection systems, and can be expected to contribute to the strengthening of domestic consumption, and thereby to the rebalancing of the global economy, a key G20 objective.

The scale at which measures are being pursued varies from country to country and broadly

reflects the available fiscal space. Logically some reforms will bear fruit only over time. Beyond scale, it is critical to enhance comparative information on the design of policies in order to better assess their effectiveness.

The employment and labour market challenges facing G20 countries run deep. Only through well-informed exchanges on policy-making, addressing prevailing demand and supply constraints, can the G20 countries, collectively, overcome them.

## Annex

### Specific Country Commitments in the Los Cabos Growth and Jobs Action Plan (Paragraph 3)

- Promote investments in infrastructure to increase productivity and living standards in the medium term by addressing bottlenecks (Argentina, Australia, Brazil, India, Indonesia, Mexico, Saudi Arabia, South Africa, United Kingdom);
- Promote green and sustainable growth (Australia, Republic of Korea, Germany, Mexico).
- Encouraging formal sector employment through better education or skill development (Brazil, Indonesia, Mexico, South Africa).
- Improving employment opportunities for targeted groups such as youth and persons with disabilities (Canada, Republic of Korea, United Kingdom);
- Encouraging the participation of younger workers through apprenticeships (United Kingdom).
- Retraining of long-term unemployed (United States);
- Increasing wage flexibility, such as decentralized wage setting (Italy);
- Reducing labour tax wedges (Brazil, Italy);
- Reforms to unemployment insurance to make it more effective and efficient in supporting job creation (Canada).
- Tax and benefit reforms to enhance productivity and improve incentives to work (Australia, Germany, Italy, United Kingdom).
- Skills development (Spain);
- Enhancing education, training and skills development (Australia, Canada, France, Germany, Italy, South Africa, Turkey).
- Providing targeted support for the poor or strengthening social safety nets (China, India, Indonesia, Mexico, Saudi Arabia, South Africa).
- Encouraging the participation of females in the labour force by, for example reforming benefit systems and providing affordable child care services (Australia, Germany, Japan, Republic of Korea).

