

G20 Menu of Policy Options for the Future of Work

G20 Framework Working Group

Executive Summary

Transformative technologies will bring immense economic opportunities, such as new ways of doing business, new industries, new and better jobs, higher GDP growth, and better living standards. At the same time, they will create transitional and longer-term challenges for individuals, businesses, and governments¹. Policy action is needed to harness the opportunities and ensure the benefits are shared by all.

The purpose of this paper is to provide a menu of policy options (the Menu) for G20 Finance Ministers and Central Bank Governors to consider in the areas of tax, public expenditure and transfers, competitive conditions, and measurement and data. Where useful, opportunities for international common efforts, coordination, and knowledge sharing are also identified. These policy options should be underpinned by sound macroeconomic policies to achieve a successful and inclusive digital transformation. The Menu is organised around four overarching objectives with corresponding specific objectives:

I. Harness the benefits of technology for growth and productivity

Technology is the key to productivity growth and rising living standards. However, innovation as well as technology diffusion and adoption are uneven.

- **Bridge the productivity gap between frontier and lagging firms.** To ensure that more firms benefit from technological change, countries could foster a more competitive environment where new entrants can enter, innovate, grow and gain market share, limiting the “winner-takes-all” effect where appropriate. Countries could also consider tax and public expenditure as well as non-financial measures to help improve the productivity of lagging firms, particularly of small and medium-sized enterprises, through measures aimed at facilitating technology diffusion. Access to private funding is also key.

- **Close the technological divide between advanced and emerging market economies.** To realise the benefits of innovation, emerging economies could develop comprehensive strategies to increase R&D investment while supporting the enhancement of other elements needed for the innovation process such as infrastructure, firms’ capabilities, human capital, and physical capital. International trade and investment also have an important role in technology adoption and knowledge diffusion.

- **Expand the technological frontier.** To raise growth, productivity, and living standards, countries could consider public investment in priority areas where the private sector is unlikely to invest and consider ways to crowd-in private investment. Countries could also consider policies that simplify their regulatory frameworks and reduce regulatory barriers so that businesses can test innovative products, services and business models.

¹ In March 2018 G20 Finance Ministers and Central Bank Governors discussed the nature of the changes and their implications, which are set out in the note **The Future of Work: Trends, Impacts and the Case for G20 Action**.

II. Support people during transitions and address distributional challenges

Although the overall long-term impact of technological change is expected to be positive, the transition period could be disruptive for some workers and there may be negative longer-term distributional effects. It is essential that we address this challenge in an inclusive way and in particular:

- **Facilitate labour mobility while ensuring adequate protection for all.** Countries may explore policies to enable people to develop new skills and increase their adaptability, and to provide economic security for all. For example, they could scale up and improve the design of active labour market policies, encourage life-long learning opportunities and/or strengthen social safety nets.

- **Ensure the sustainability and adequacy of social protection for a changing workplace.** Countries can use different policies to secure people's social protection while remaining fiscally sustainable. For example, they may combine different instruments and resources to fund social protection. They could also consider policies to increase contributory revenues, better tailor social protection systems to workers' needs, and close existing coverage gaps.

- **Address distributional challenges and ensure equal opportunities beyond the transition.** To help those who may fall behind, countries could consider, for example, ensuring access to universal and high quality education. In addition, to mitigate negative distributional effects, they may consider measures to improve the overall efficiency and progressivity of the tax system. They could also overhaul policies to support disadvantaged groups and regions left behind.

III. Secure sustainable tax systems

Alongside opportunities to modernise their tax administration, countries are facing an increasingly mobile tax base and pressure on domestic and international tax systems and their effectiveness.

- **Adapt the tax mix to support inclusive growth and ensure sufficient tax resources.** To secure their revenue raising capacity, while maintaining or improving overall fiscal progressivity and making their tax systems less vulnerable to globalisation, countries could choose a greater reliance on less distortive taxes and on taxes that have less mobile tax bases, taking into account country specificities. In addition, they could consider base broadening and reducing differences in effective tax rates across different forms of investment, for the effective taxation of capital income; and ensuring tax neutrality between different forms of work. Countries should also ensure an appropriate taxation of the digital economy.

- **Leverage new technologies to modernise and strengthen the tax system.** New technologies could be used to better identify and assess tax risks and simplify tax payers' compliance, while promoting formalisation.

IV. Ensure the best possible evidence to inform decision-making

New technologies pose significant challenges to economic statistics and some of the standard analytical tools used by policymakers. They also offer promising new methods and approaches.

- **Refine GDP and other macroeconomic measurements to better capture the value of technological advancements.** To ensure economic statistics continue to provide a reliable picture of economic activity in light of digitalisation, countries could review current measurement techniques, explore new frameworks, and make use of new data sources. Countries could also collaborate to formulate recommendations on how international statistical frameworks might be updated.

- **Track the implication of new technologies on welfare, labour markets and human capital.** Countries may develop new methodologies and headline indicators aimed at a broader measurement of economic welfare. In addition, new analytical tools may be used to accurately track the range of variables affected by new technologies. Countries could also develop international frameworks for innovative measures of human capital, welfare and employment.

- **Harness the power of data to achieve a more granular and timely understanding of the economy.** Countries could develop a data science profession in statistical agencies, central banks, finance ministries and in the wider public sector, and set up national data science centres of expertise. Moreover, countries could develop partnerships between the private sector, public sector, and academia. Cooperation between national government agencies in the use of new methodologies could also be promoted.

- **Support regulatory authorities' enhanced understanding of new business models and future trends.** Countries could consider how regulators and organisations (including firms) can access new sources of information while ensuring adequate levels of privacy and protection of sensitive data. Under their own legislation, countries could encourage the exchange of data across organisations. Countries could also establish a public-private dialogue to enhance the understanding of, and trust and confidence in, digital technologies.

Options for International Cooperation

Given the borderless nature of technological advancement, **international cooperation** will remain key to achieving our collective objective of strong, sustainable, balanced, and inclusive growth.

The Menu presents opportunities for members to learn from each other through **knowledge sharing**. For example, countries could share policy experiences and best practices, including on social protection programmes, national tax systems, competition policies and frameworks, innovation policies, and data policies. In this regard, the Menu includes policy examples provided by G20 members and guest countries.

The Menu also identifies opportunities to improve **coordination** among members and strengthen the effectiveness of individual members' policy efforts. For example, countries could work together to develop new and internationally comparable measures of human capital, welfare and employment, and review macroeconomic statistics to highlight best practices and frontier research. Moreover, countries could encourage closer cooperation among competition authorities to tackle the challenges arising from digitalisation.

Finally, the Menu identifies opportunities for **common efforts** on this topic. For example, some countries could work on joint initiatives for investment in R&D and frontier innovation. Countries may also take measures to enhance the role of trade and investment in knowledge diffusion. In addition, G20 members will continue to work together in international tax coordination and cooperation to fight base erosion and profit shifting and to improve tax transparency and exchange of information.