Enhancing equal access to opportunities for all in G20 countries

OECD background note for the G20 Framework Working Group

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Enhancing equal access to opportunities for all in G20 countries

OECD background note for the G20 Framework Working Group
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Executive summary

Over recent years, globalisation, digitalisation, demographics and climate change have been transforming the way economies work. These trends have provided new opportunities for growth, but also deepened inequalities as the gains from growth have not been shared evenly amongst all. The COVID-19 pandemic – a global public health crisis without precedent in living memory – is resulting in a significant decline in economic activity and surge in unemployment in many countries. It may thereby speed up some of these pre-existing trends and further widen existing inequalities in access to opportunities.

The G20 provides a unique forum to examine and monitor key challenges to access to opportunities in G20 countries and to share experiences on the appropriate, feasible and effective policy measures to enhance equal access to opportunities. G-20 Finance Ministers and Central Bank Governors mandated the G-20 Framework Working Group (FWG) under the 2020 Saudi Presidency to develop a Menu of Policy Options that countries can draw from to enhance access to opportunities for all. This paper supports the Menu of Policy Options. It outlines four key challenges in enhancing equal access to opportunities over people’s lives and proposes policy options on how G20 countries, particularly how their Ministries of Finance, can address these challenges to enhance access to opportunities in G20 economies in the long-term, post-COVID-19 environment.¹

Challenge 1: Enhancing access to opportunities for youth. Childhood and adolescence are crucial times for young people to obtain the necessary skills to succeed throughout their lives. However, individuals’ socio-economic background plays a major role in determining health and educational outcomes over this period. OECD PISA results show that students from disadvantaged backgrounds perform less well than advantaged students in reading, mathematics and science. Many young people struggle to gain a solid foothold in the labour market upon leaving school, with around 19% of 15-29 year-olds being not in employment, education or training (NEET) on average across G20 economies. The COVID-19 pandemic has the potential to further reinforce these disparities. Policy options to help youth access opportunities include ensuring access to quality early childcare education and care by targeting resources to disadvantaged schools and students, investing in high-quality teachers and school leaders and ensuring qualified educational staff and high staff-child ratios. Effective support to access the labour market, such as job search assistance and counselling, including collaboration between schools and the public employment service, as well as work experience and second-chance educational programmes, can help young people to successfully transition from the educational system to the labour market.

Challenge 2: Enhancing access to opportunities for women through good-quality employment. Despite major improvements, across G20 economies women still do not have the same labour market opportunities as men: women are less likely to participate in the labour market and on average employed women work in jobs of poorer quality, with lower earnings and a greater incidence of part-time work and informality. Consequently, the COVID-19 pandemic risks having a greater impact on women. Policy makers can contribute to increasing women’s labour market participation by expanding access to quality formal childcare, reforming paid family-leave policies and strengthening long-term care systems. There is also potential for policy makers to continue reducing the gender gap in earnings and the incidence of low pay by tackling gender biases and stereotypes, attracting more women into careers in science, technology, engineering and mathematics and increasing the representation of women in leadership positions.

¹ The report was prepared by Nikki Kergozou (Economics Department) and Sebastian Königs (Directorate for Employment, Labour and Social Affairs) with inputs from Katerina Obvitseva (Directorate for Education and Skills), under the leadership and supervision of Aida Caldera Sánchez. The report benefited from comments from Laurence Boone, Luiz de Mello, David Haugh, Nicolas Pinaud, Angelica Salvi del Pero and from colleagues in other OECD directorates. The report also greatly benefited from G-20 country delegates feedback. Editorial support was provided by Penny Elghadhab and Wendy Stokle provided communication support.
Challenge 3: Enhancing access to opportunities for SMEs and entrepreneurs and tackling informality to ensure good-quality job opportunities. Tackling informality includes encouraging the participation of workers, entrepreneurs and firms, particularly SMEs, in the formal labour market. While regulatory barriers for SMEs and job formalisation have declined over recent years, the take-up of structural reforms has moderated and regulatory barriers remain. Access to finance is crucial for SMEs, and digital technologies are offering new opportunities to improve SME’s access to finance. The COVID-19 pandemic further emphasises the importance of access to finance, as many SMEs are facing dramatic revenue losses and potential liquidity shortages. Informality remains widespread across G20 emerging market economies: job quality remains substantially lower for workers with informal jobs, with often poor health and safety conditions at work and a lack of access to social safety nets. These factors can put informal workers particularly at risk during the COVID-19 pandemic. Options for levelling the playing field for SMEs and encouraging job formalisation include creating a business-friendly environment and ensuring effective labour market regulation that does not unnecessarily add to the cost of formal employment; keeping labour taxes moderate; strengthening compliance and increasing the perceived benefits of formal employment.

Challenge 4: Helping workers make best use of their skills in a changing world of work. New technologies have been replacing workers in many middle-skill routine occupations while creating new jobs at both the high and low ends of the skills spectrum. This trend is making some workers' skills redundant while requiring more of others. The COVID-19 pandemic may be intensifying this transformation, further shifting the demand for labour across sectors and speeding up digitalisation. In this context of rapidly transforming labour markets, effective adult learning policies can give workers the opportunity to upskill and reskill throughout their careers. This could include reducing financial and time barriers to taking up training, linking training to workers rather than jobs and ensuring that education and training programmes respond to skill demand. Support to jobseekers through labour market information, job search assistance, direct placement or active job brokering, training and rehabilitation services and subsidised employment, can help those who are unemployed (and other inactive groups) to find work.
Main findings

### Challenge 1. Enhance access to opportunities for youth

**Good-quality early childhood education and care** provides a wide range of benefits but the most disadvantaged students are less likely to participate.

**Schooling outcomes are closely linked to socio-economic background.** High levels of social and ability stratification between schools can have an impact on learning opportunities available to students and on students’ education outcomes.

Young people struggle to gain a solid foothold in the labour market upon leaving school. On average around 19% of young people aged 15 to 29 are not in employment, education or training (NEET) in G20 countries. Young people without an upper secondary qualification and from disadvantaged families are overrepresented among NEETs.

Growing inequality in parents’ resources due to the COVID-19 pandemic and spending more time in home environments, which can differ widely across youth, is increasing the number of environmental risk factors. Concurrently, the pandemic is reducing the number of protective factors, such as extra-curricular activities, the opportunity to interact with supportive adults and reducing access to family and care systems.

### Challenge 2. Enhance access to opportunities for women through good-quality employment

Most G20 economies have made significant progress towards reaching the Brisbane goal of reducing the gender gap in labour force participation by 25 per cent by the year 2025 compared to 2012. This progress reflects rising participation rates for prime-age women in all G20 economies for which recent data are available and stable participation rates for men.

Considerable gender gaps in job quality remain across G20 economies. On average employed women work in jobs of poorer quality, with lower earnings and a greater incidence of part-time work and informality. Traditionally, women have been the primary caregivers for young children and sick or elderly family members, and many societies and economies have made significant progress towards reducing the number of protective factors, such as extra-curricular activities, the opportunity to interact with supportive adults and reducing access to family and care systems.

Women are leading the health response to the COVID-19 pandemic while confinement measures are likely to lead to increased demand for unpaid work at home, a burden that typically falls more on women. Women are likely to be more vulnerable than men to any crisis-driven loss of income and face increased risks of violence, exploitation, abuse or harassment.

Key policy recommendations

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<td>Improve access to, and the quality of, early childhood education and care by ensuring high staff-child ratios, qualified educational staff, national curriculum guidelines and frameworks and standards for monitoring facilities.</td>
<td>Reduce child poverty by supporting low-income parents to improve their skills and access better quality jobs and by providing well-targeted family and housing benefits for poor families with children that ensure sufficient coverage. Maintain or expand conditional cash transfer programmes.</td>
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<td>Reduce women’s unpaid care burden and encourage a more equal sharing of unpaid care between women and men by expanding access to quality formal childcare, ensuring that mothers have access to (well)-paid employment-protected maternity leave and incentivising father’s caregiving and improving access, affordability and quality of long-term care services.</td>
<td>Promote good-quality and attractive vocational education and training with relevant work-based training by developing apprenticeship systems together with the social partners and permitting smaller firms to share the responsibility for a trainee’s practical training.</td>
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<td>Improve the quality of the educational system by investing in high-quality school leaders and teachers, targeting resources to disadvantaged schools and students and identifying low performers early. Provide professional help with social or health issues for students who require it.</td>
<td>Provide effective employment and social support for young people not in employment, education or training through collaboration between schools and the public employment service and targeted interventions including reintegration into schooling, second-chance educational programmes, work experience programmes, short training courses, job search assistance and counselling as well as subsidies for private businesses to hire low-skilled jobseekers and the long-term unemployed.</td>
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**Promote** good-quality and* attractive vocational education and training* with relevant work-based training by developing apprenticeship systems together with the social partners and permitting smaller firms to share the responsibility for a trainee’s practical training.

**Provide** effective employment and social support for young people not in employment, education or training through collaboration between schools and the public employment service and targeted interventions including reintegration into schooling, second-chance educational programmes, work experience programmes, short training courses, job search assistance and counselling as well as subsidies for private businesses to hire low-skilled jobseekers and the long-term unemployed.

**Tackle** gender disparities across occupations by fighting and eliminating gender biases and stereotypes, attracting more women into careers in science, technology, engineering and mathematics (STEM), increasing the representation of women in leadership positions, and informing employers about the benefits of a diverse workforce.

**Implement** gender budgeting to help ensure that budget decisions systematically take gender equality considerations into account. Key elements for an effective and enduring budgeting practice include a strong strategic framework, effective implementation tools and a strong and supportive enabling environment.

**Improve** the evidence base on gender gaps in the labour market by improving the availability of timely and comparable data, particularly for unremunerated work.
Challenge 3. Enhance access to opportunities for SMEs and entrepreneurs and tackle informality to ensure good-quality job opportunities

Important progress has been made to reduce regulatory barriers for SMEs and job formalisation although regulatory procedures remain an obstacle. The take-up of structural reforms has moderated in recent years. In some areas, progress is slow or uneven across countries, including for insolvency regimes, enforcement of competition laws and civil justice systems.

Women face particular barriers in entrepreneurship, including institutional barriers, such as family and tax policies, negative social attitudes and difficulty accessing finance. Youth often struggle with a lack of entrepreneurial skills and role models, few financial resources and limited business networks.

Informal jobs are of lower quality. While informal work can provide valuable income earning, informal jobs tend to be of lower quality and associated with a significantly higher incidence of extreme low pay. Informal workers earn significantly less on average. Low skilled, young people and women are overrepresented in informal work.

Informal workers have fewer opportunities to invest in their skills and build a career. Working in the informal sector can negatively affect future labour market prospects.

Access to finance is crucial for SMEs and informal workers. Informality is an important barrier to financial inclusion for individuals and micro, small and medium enterprises. However, the digital transformation is offering new opportunities to improve SME access to finance and access to formal financial services, although financial literacy is important to fully benefit from digitalisation.

Informal sector workers are facing a dilemma of protecting themselves from the COVID-19 virus, a concern compounded by limited access to social protection measures, and maintaining an income. SMEs are experiencing a dramatic loss in revenue due to the COVID-19 pandemic and/or severe liquidity shortages that will quickly become solvency problems.

Challenge 4. Help workers make best use of their skills in a changing world of work

New technologies have replaced workers in many middle-skill routine occupations and created new jobs at both the high and low ends of the skills spectrum.

Automation will likely continue to make some workers’ skills redundant while requiring new skills.

Across G20 economies, there is a mismatch in skills, with some workers under-qualified and others over-qualified for their occupation.

Skills matter for accessing opportunities in the labour market. Access to adult learning ensures that people can upskill and reskill. Building the right skills is also important.

The COVID-19 pandemic is resulting in many workers becoming unemployed and may speed up some of the transformations occurring in labour markets, shifting the demand for labour across sectors and may increase the demand for higher-level skills.

Create a business-friendly environment that provides an equal playing field for SMEs and encourages formal job creation by continuing to reduce regulatory barriers. Implement a user-centric approach to regulation and policy making, continue to enact reforms to strengthen public sector integrity and transparency and continue to strengthen e-government functions and leverage digital technologies. To encourage job formalisation, ensure a legal system that enforces property rights. reduce overly strict employment protection rules and high minimum wages, and promote the uptake of digital payment tools.

Support women and youth entrepreneurship through the use of role models and ambassadors help reduce the influence of negative social attitudes, provide training courses and mentoring to build entrepreneurial skills and provide grants or microcredit to help improve access to financing. To support youth, provide entrepreneurship training, financial support for business start-up, coaching and mentoring and support in network building.

Ensure effective labour market regulation through the careful use of regulation that avoids unnecessarily adding to the cost of formal employment. Keep labour taxes moderate. Strengthen compliance by increasing the perceived benefits of formalisation through improved quality of public services and stronger links between social protection contributions and benefits. Strengthen enforcement of labour, tax and social security regulations.

Improve access to financing for SMEs and entrepreneurs by implementing the G20/OECD High-Level Principles of SME Financing, which identifies obstacles to SME financing, calls for strengthening SME access to credit while supporting the diversification of financing sources.

Improve the evidence base on the extent of informal-sector activities through further improvements in the availability of comprehensive and comparable data to enable closer monitoring of evolutions and the effectiveness of policy intervention.
Introduction

Global growth prospects are highly uncertain. The COVID-19 pandemic is a global public health crisis without precedent in living memory, and continues to result in a widespread loss of life and severe human suffering. The global economy is experiencing the deepest recession since the Great Depression in the 1930s, with large GDP declines and a surge in unemployment in many countries. This decline in activity follows a year where the global economy slowed, amidst heightened policy uncertainty, persistent trade tensions, geopolitical tensions and declines in business and consumer confidence.

Over recent years, globalisation, digitalisation, demographics and climate change have been transforming the way economies work, providing new opportunities for growth, but also raising the risk of deeper inequalities, with doubts around whether the gains from growth have been evenly shared among people, businesses and regions. Slow productivity and income growth have been pressing challenges in many G20 countries. These trends have contributed to a worrying lack of access to opportunities and social mobility, and are affecting some groups, notably young people, the low skilled and women, more than others. The pandemic risks further widening existing inequalities in access to opportunities.

A society where people's education, occupation and earnings strongly relate to those of their parents does not offer equal opportunities to succeed in life and make use of one's talents. This lack of equal opportunities may also affect individuals' motivation and effort and, in turn, productivity and economic growth (OECD, 2018[1]). By promoting opportunities for disadvantaged groups, governments can encourage people to participate in the labour market, increasing productivity and boosting incomes. Evidence suggests that different types of public policies, such as education reforms, increasing public investment in health, and a shift in public spending towards family benefits and child care, can have notable impacts on reducing inequality and consequently improving access to opportunities (Fournier and Johansson, 2016[2]).

The G20 provides a unique forum to examine and monitor key challenges arising from the lack of access to opportunities, assess the impact of these challenges on the performance of the economy, promote structural reform efforts and share experiences on appropriate and feasible policy measures to mitigate these challenges. Today, it would take five to six generations on average in G20 countries for which data are available for a child born in a low-income family to reach the average income (OECD, 2018[1]). Youth from under-privileged backgrounds face the highest hurdles to find work and access quality jobs. Furthermore, despite progress in the inclusion of women in labour markets, gender gaps in employment and pay remain sizeable. Good-quality employment plays a central role in securing people's access to opportunities over their lives, but informal workers miss many of those benefits. A rising concern is that, with the digital transformation, disadvantaged groups risk falling further behind in the labour market.

Tackling these challenges will require multifaceted policy responses spanning areas, such as education, health care, skills, labour market reforms and care responsibilities to address barriers for women, youth and low-skilled workers. It will also require further progress to meet G20 targets and commitments. This includes the Brisbane commitment to reduce the gender gap in labour force participation rates between men and women by 25% by 2025, and the G20 target to reduce the share of young people who are most at risk of being permanently left behind in the labour market by 15% by 2025. Ministries of Finance have an important role to play in ensuring access to opportunities. It is less costly to undertake the right public investments ex-ante, reducing the scope and need for costly ex-post redistribution mechanisms. In the context of tight public budgets, the effectiveness and targeting of key policies can be greatly enhanced by undertaking comprehensive spending reviews and deepening the whole-of-government approach to public policy objectives and solutions – with one overarching objective in mind: promoting access to opportunities.

In this context, the Kingdom of Saudi Arabia has placed the issue of enhancing access to opportunities for all prominently on the G20 agenda. This year, the Saudi G20 Presidency is advancing the discussion among G20 countries through the G20’s Framework Working Group (FWG) and across different work streams on the various obstacles preventing people from having more equal access to economic
opportunities. This includes the Symposium on Enhancing Access to Opportunities for All held on 5 December 2019, as well as the Global Partnership on Financial Inclusion’s (GPFI) efforts to improve digital financial inclusion for women, young people and small and medium enterprises (SMEs). The policy options and responses identified by G20 members will be crucial in breaking down the barriers that prevent underserved groups from accessing economic opportunities and in fostering a strong, sustainable, balanced and inclusive recovery.

This paper firstly outlines the underlying long-term trends in G20 economies and discusses the unprecedented challenge of the COVID-19 pandemic to G20 economies and societies, including access to opportunities. This paper focuses on four key challenges in enhancing equal access to opportunities over people’s lives, both early in life (i.e. pre-market) and later in life (i.e., in-market): enhancing access to opportunities for youth to obtain the necessary skills to succeed throughout their lives, enhancing access to opportunities for women by promoting good-quality employment, enhancing access to opportunities for SMEs and entrepreneurs and tackling informality to ensure good job quality opportunities and helping workers make best use of their skills in a changing world of work. Within each of these challenges, there is an outline of how the COVID-19 pandemic may affect access to opportunities, although at present there is too much uncertainty to be categorical. The paper proposes policy options on how G20 countries, particularly how their Ministries of Finance, can address these challenges to enhance access to opportunities in G20 economies in the long-term, post-COVID-19 environment.

Underlying long-term trends in G20 economies have been impacting access to opportunities

Economies have been going through widespread structural changes

Over recent years, widespread structural changes have been occurring across G20 economies. In particular, economies were becoming increasingly globalised and transformed due to greater use of technology. Globalisation and technological change contributed to job creation, but also to a considerable restructuring of labour markets. Many countries experienced an increase in the share of employment in high-skilled (and to some extent in low-skilled) jobs and a decrease in the share of employment in middle-skilled jobs. Digital technologies facilitated non-standard forms of work in advanced economies and in emerging economies became another source of informal work. These trends provided opportunities for greater flexibility and potentially helped overcome barriers to labour market participation. On the other hand, there has been high variation in job quality among non-standard forms of work, in terms of job insecurity, pay, job strain and access to social protection and training. The COVID-19 outbreak has and will continue to affect these structural changes, particularly impacting globalisation and the use of technology.

Growth in GDP per capita and productivity was lower following the global financial crisis

GDP per capita in G20 countries has been on a lower growth path than before the global financial crisis. This reflects not only less favourable demographic trends but also the consequences of the past decade of sub-par investment and productivity growth. For several G20 economies, the productivity slowdown started before the crisis. However, following the crisis, the slowdown became more pronounced and affected nearly all G20 countries (Figure 1). Since 2008, labour productivity grew at only about half the pace of that experienced in the mid-2000s. This growth was stronger in G20 emerging-market economies (EEs)² than in advanced G20 countries, generally due to a catch-up effect. But the slowdown was also visible in EEs, including in China and India. Weak productivity growth in G20 countries has been due to both lower investment and lower multi-factor productivity growth. Long-term structural impediments include a decline in business dynamism, a slowdown in

² Throughout the report, G20 Emerging refers to Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa and Turkey; and G20 Advanced refers to Australia, Canada, France, Germany, Italy, Japan, Korea, the United Kingdom, the United States and the European Union. In all figures, all G20 members and guest countries with available data are included. Spain is a permanent guest invitee to the G20 meetings. In 2020, Jordan, Singapore and Switzerland are invited as guest countries.
investment in knowledge-based capital and insufficient diffusion of new technologies, production and management practices from best-performing firms to other firms. Lower productivity growth reduces sustainable wage growth. At the bottom of the income distribution, this will reduce the number of households that can support children in education closing off a key opportunity path.

The COVID-19 pandemic has resulted in a significant decline in economic activity. Current global growth and future prospects, which are heavily dependent on health outcomes and behavioural responses to deconfinement, are highly uncertain. The pandemic will likely negatively affect global demand for some time, and particularly sectors that are intensive in lower skilled labour, such as hotels and restaurants. Lower global growth results in fewer opportunities in the labour market, especially at the entry level. There is already evidence that a much higher percentage of those at the bottom of the income distribution are losing their jobs relative to higher income groups (Cajner et al., 2020[3]).

Figure 1. Productivity growth declined following the global financial crisis

Average annual growth over the periods, %

Note: GDP per employee in thousands USD, constant 2010 prices and PPPs.
Source: OECD, National Accounts and Productivity Databases.

Labour market conditions improved following the global financial crisis, but will worsen over coming quarters alongside the decline in activity

Labour market conditions had generally been improving since the global financial crisis. Many advanced and emerging-market G20 economies had experienced rising employment. In the majority of countries, the employment rate was higher than before the global financial crisis, for example in Germany, Indonesia, Saudi Arabia and Turkey. However, in others, such as China and the United States, the share of people in work remains lower than before the crisis. Meanwhile, unemployment had declined in most G20 countries and labour shortages were emerging in some countries, particularly for the highly skilled. However, job quality had not always kept up with employment growth as a significant share of new jobs created were involuntary part-time or non-regular, with weaker social security coverage. This was particularly the case in some European G20 countries. Informality remains high in some emerging-market G20 economies and in a few advanced G20 economies, as discussed below. This improvement in labour market conditions will reverse over coming quarters as the COVID-19 crisis unfolds, alongside the decline in economic activity. As real wages stagnated, lower- and middle-income households benefitted little from the recovery.
Despite the growth in employment following the global financial crisis, wages stagnated for large segments of the labour force over the past decade (OECD, 2019[4]; 2018[5]). In G20 countries for which data is available, annual growth in median nominal hourly wages dropped by 1 percentage point in the decade following the financial crisis. Indeed in several G20 economies, such as Germany, Japan, Korea and the United States, wage growth did not keep up with productivity growth over the 2010 to 2016 period (Pak and Schwellnus, 2019[6]; OECD, 2018[7]).

As a result, lower- and middle-income households in several G20 economies benefited little from economic growth (Figure 2). While for some countries experiencing an increase in inequality this largely reflects an increase in market income inequality, income redistribution through taxes and transfers weakened in some advanced G20 countries over the past two decades (Causa and Hermansen, 2017[8]). Meanwhile, in several G20 economies, the costs of key household budget items, such as housing, education and healthcare, have risen, putting pressure on household budgets (OECD, 2019[9]). More recently, tightening labour markets were translating into comparatively strong income gains for those at the bottom of the income distribution in some G20 countries.

By contrast, in many emerging-market economies, poverty and inequality fell over the past decade. For example in Brazil and Indonesia, sustained poverty reduction through social protection policies led to reductions in overall inequality. However, inequality in disposable incomes remains high in emerging-market economies.

**Figure 2. Lower-income households in several G20 economies have benefitted little from economic growth over recent years**

Differential between mean income growth of the bottom 40% and mean income of the overall population, circa 2012-18

Social backgrounds continue to determine the life chances of people in many G20 countries. There is persistence in the earnings distribution both at the top, suggesting “sticky ceilings”, and at the bottom, suggesting “sticky floors. For example, children whose father was in the top quartile of the earnings distribution have a greater chance of also being in the top quartile compared to children who had fathers with earnings in the bottom quartile (Figure 3). There is also evidence that individuals with higher educated parents tend to have better educational outcomes in terms of literacy and numeracy.
While there is no clear-cut theoretical association between income mobility across generations and income inequality at a point in time, overall, more unequal societies tend to be those in which privilege and disadvantage are more strongly transmitted from parents to their children, i.e. where intergenerational social mobility is low. Figure 4 shows that there is a negative relationship between overall levels of income inequality a generation ago and intergenerational earnings mobility. This relationship, suggesting that higher inequality of outcomes (here proxied by the Gini coefficient) is related to lower equality of opportunities (here proxied by earnings mobility between fathers and sons), is the so-called “Great Gatsby curve” (Corak, 2006[10]; OECD, 2008[11]). Scandinavian countries have high earnings mobility and low inequality. On the other hand, some emerging market economies, for example Brazil and South Africa, have high levels of inequality and low earnings mobility. There are no countries which combine high inequality with high earnings mobility. When earnings mobility is low people have fewer incentives to upskill and reskill, leading to lower investment in human capital, productivity and lower potential growth.

**Figure 3. Individuals with high-earning fathers are more likely to have high earnings than individuals with low-earning fathers**

Percent in the top earnings quartile by father’s earnings quartile

Source: A Broken Social Elevator (OECD, 2018[1]), OECD calculations.
Figure 4. Social mobility across generations is lower where income inequality is large

Intergenerational earnings mobility and income inequality

Note: Intergenerational earnings mobility is proxied by 1 minus the intergenerational earnings elasticity of fathers with sons. The intergenerational earnings elasticity explains how closely related a son’s economic status is to that of his father. An elasticity of zero means a son’s adult earnings is not related at all to their father’s earnings while an elasticity of 1 means that all of a son’s earnings are determined by the father’s earnings. Income inequality is measured by the Gini coefficient of the mid-1980s to early 1990s.

Source: A Broken Social Elevator (OECD, 2018[1]).

Low social mobility reflects a lack of access to opportunities. Access to opportunities varies not only across socio-economic backgrounds, but also for particular groups, notably women, informal sector workers and low-skilled workers often face greater barriers to access opportunities than others.

The COVID-19 pandemic poses an unprecedented challenge to G20 economies and societies, including to access to opportunities

The COVID-19 pandemic is a global public health crisis without precedent in living memory, and has resulted in widespread loss of life and severe human suffering. To contain the spread of the virus, risk overwhelming hospitals and save lives, most governments throughout the world have imposed stringent containment measures (OECD, 2020[12]). These necessary measures have succeeded in slowing the spread of infections and reducing the death toll, but have resulted in large short-term economic disruption and job losses. The global economy is now experiencing the deepest recession since the Great Depression in the 1930s, with GDP declining substantially in the first quarter of 2020 and unemployment surging across many G20 countries.

The COVID-19 pandemic needs quick and determined policy responses

G20 economies implemented stringent containment measures to mitigate the spread of the virus (OECD, 2020[13]; 2020[14]). All G20 countries have implemented containment measures since the outbreak of the pandemic, with 21% of G20 countries implementing a nation-wide lockdown at the end of April (OECD, 2020[15]) (Figure 5). Health emergency, confinement measures began to be scaled back in May in some countries, although this scaling back could be reversed in the case of another outbreak of the virus.
Testing, tracking and tracing strategies can be used to help suppress the resurgence of local outbreaks and gain intelligence on the evolution of the epidemic (OECD, 2020\(^{(16)}\)). In addition to containment measures, complementary health measures – operational, financial and R&D – are needed to provide effective patient care and reduce the pressure on health systems to manageable levels (OECD, 2020\(^{(17)}\)).

**Figure 5. Limitations on movements and activities varied across countries**

Percent of G20 countries with various confinement measures at each country’s maximum level of confinement

![Diagram showing the percent of G20 countries with various confinement measures](none)

Note: The European Union is not included due to differing confinement measures across countries.
Source: OECD COVID-19 Policy Tracker.

Governments and monetary authorities have reacted remarkably quickly to find solutions to deal with the economic and social impacts on workers, households and companies of both the disease itself and the effects of containment measures. Since the beginning of the pandemic, many G20 economies have introduced or announced bold measures, often focusing particularly on the most vulnerable who are bearing a disproportionate share of the burden (Figure 6, OECD (2020\(^{(18)}\))).

These measures include:

- **Ensuring access to income support for sick or quarantined workers is essential.** Financial compensation during sick leave, via employer-provided sick pay and public sickness benefits, can help secure workers’ livelihoods. But not all G20 economies entitle workers to sick-leave compensation; where it exists, it may cover only a small fraction of the previous wage and/or be shorter than the recommended period of self-isolation. The Brazilian government announced to pay the first 15 days of sick leave for workers affected by the COVID-19 virus. Also the United States recently introduced two weeks of paid sick leave for workers in firms with between 50 and 500 employees, which will initially be paid by employers but will be fully reimbursed by the federal government.

- **Working parents need help with unforeseen care needs** as schools are closing and as elderly relatives, who in many cases provide informal childcare, are particularly vulnerable. Some G20 economies, such as France or Germany, provide alternative childcare arrangements for working parents in essential services, such as health care, public utilities, logistics and emergency services. Others, such as Italy, provide financial support to workers who need to take leave. Argentina announced extraordinary payments of child and maternity allowances.

- **There is an urgent need to help companies minimise layoffs during the containment and be ready for the recovery.** Short-time work schemes, such as *Kurzarbeit* in Germany, *chômage partiel* in France or
Cassa Integrazione in Italy, can help protect jobs and provide relief to struggling companies, as evidenced during the last financial and economic crisis (OECD, 2010[19]; Hijzen and Martin, 2013[20]). Several G20 economies have introduced short-time work schemes or made existing schemes easier to access or more generous.

- **Workers who lose their jobs and incomes, including those in non-standard forms of employment and informal work, need income support.** Unemployment benefits and related income support help absorb earnings losses for some, and have an important role to play as automatic stabilisers. But not all job losers have access to such support. A lack of access is especially problematic if health insurance is tied to employment or benefit receipt. Many G20 economies are therefore providing extraordinary income support by simplifying access to unemployment benefits (such as Spain and the United States), extending conditional cash transfers (Argentina), introducing or temporarily extending cash benefits (Argentina, Brazil and Indonesia), providing in-kind support (India) or offering a deferral or reduction in tax or social security payments (China and South Africa).

- **Many firms will require financial support to be able to absorb the large drop in demand.** This applies in particular to small businesses and independent workers, and more generally to activities in the most affected sectors: transport, travel, entertainment and culture. Nearly all G20 economies have therefore already taken rapid steps to help firms to cut costs or to provide them with liquidity by permitting a deferral of tax and social contribution payments or by setting up dedicated financial facilities. Saudi Arabia, for instance, unveiled a SAR 50 billion (USD 13.3 billion) package for loans to small and medium businesses and cash-strapped retailers.

The G20 has also reacted quickly: the G20 Action plan in response to COVID-19 sets out the key principles guiding the response of the G20 to ensure that the design of the G20’s response and its implementation to achieve strong, sustainable, balanced and inclusive growth (G20 Finance Ministers and Central Bank Governors, 2020[21]; G20 Finance Ministers and Central Bank Governors, 2020[22]).

**Figure 6. G20 economies have announced rapid and bold measures to protect workers, households and firms during the COVID-19 crisis**

Share of G20 economies that have introduced (or announced) new measures or expanded existing ones in response to COVID-19

- **Financial support to firms**
- Reducing workers’ exposure to Covid-19
- Income support to sick workers
- Income support to people losing job/income
- Short-time work schemes and adj, to hours of work
- Helping people with rent, mortgages or utilities
- Income support to quarantined workers
- Help with unforeseen care needs
- Measures on economic dismissals

Note: Data as of 29 June 2020.
The COVID-19 pandemic risks further widening existing inequalities in access to opportunities

While governments have reacted quickly to deal with the immediate economic and social impacts of the pandemic, these impacts are particularly severe for the vulnerable and most disadvantaged and risk compounding existing socio-economic divides (OECD, 2020[23]). Indeed, five major epidemics this century, including SARS (2003), H1N1 (2009), MERS (2012), Ebola (2014) and Zika (2016), were found to raise income inequality, lower the share of incomes going to the bottom deciles and lowered the employment-to-population ratio for those with basic education but not for those with advanced degrees (Furceri et al., 2020[24]).

Individuals in precarious employment or financial conditions, those living in poor quality housing, the socially isolated and those already struggling with mental health conditions are at particular risk. In particular, measures taken to mitigate the health crisis, such as social distancing and closures in retail, transport, restaurants, hotels, and other service industries will hit low-paid and insecure workers hard. Alternative work arrangements such as teleworking can reduce some of the immediate impacts of social distancing measures. However, jobs that allow remote work tend to be more highly skilled and high paying (OECD, 2020[25]). For instance, in the United States, while 62% of workers in the top 25% of income earners are able to work from home, less than 10% in the bottom 25% are able to do so (Bergamini, 2020[26]). The housing conditions of the less well-off may also limit their ability to telework. The COVID-19 pandemic is also putting people in poor health and with limited access to healthcare at risk. The pandemic is highlighting some of the benefits of universal healthcare systems, such as that universal healthcare makes it easier to solve epidemics.

The pandemic will also create further divides in access to opportunities for particular groups. The COVID-19 pandemic is posing significant challenges for older people, who in case of infection, face higher risks of developing serious complications and a significant deterioration in their health (OECD, 2020[23]). To limit exposure to the virus, older people must self-isolate and rely on support networks and local health and social care services for necessities. However, these measures can restrict the independence of older people and reinforce the problem of social isolation, as older people often live alone and are less likely than younger people to report not having a family member or friend to rely on (OECD, 2020[27]). COVID-19 poses particular risks for older people resident in long-term care facilities. The communal living environment of long-term care facilities and the vulnerability of residents are found to be conducive to the rapid spread of the influenza virus and other respiratory pathogens (Lansbury, Brown and Nguyen-Van-Tam, 2017[28]; OECD, 2019[29]). On the other hand, shutting off long-term care facilities from visitors has negative effects on psychological well-being.

For youth, the growing inequality in parents’ resources due to the economic crisis and spending more time in home environments, which can differ widely across youth, are increasing the number of environmental risk factors. At the same time, the pandemic is reducing the number of protective factors, such as extra-curricular activities, the opportunity to interact with supportive adults at school and in the community and potentially reducing access to vital family and care systems (see Challenge 1).

Men and women are likely to experience the pandemic differently. Women are making up almost 70% of the health care workforce, while confinement measures are likely to lead to increased demand for unpaid work at home, a burden that typically more falls on women. Gender employment gaps may also leave women more vulnerable than men to job losses (see Challenge 2). Women make up a large part of the informal economy, often earn less and are at greater risk of falling into poverty. Women comprise the majority of the world’s older people and more likely to live alone, increasing their risk of isolation.

Informal sector workers are also particularly vulnerable, facing a dilemma of protecting themselves from the virus through protective health measures and maintaining a source of income to pay for their food and other basic expenses (see Challenge 3). SMEs are experiencing significantly reduced access to opportunities, experiencing a dramatic loss in revenue affecting their ability to function, and/or severe liquidity shortages (see Challenge 3). The pandemic may also be generating gaps in access to opportunities for skilled and unskilled
workers, with the pandemic potentially speeding up some of the transformations occurring in labour markets, shifting the demand for labour across sectors (see Challenge 4).

The COVID-19 pandemic is particularly affecting some non-standard workers. Non-standard workers, who include part-time workers, self-employed and workers hired on fixed-term contracts, comprise a large share of employment in the sectors most affected by containment measures, with the share of non-standard workers generally highest in entertaining activities and hotels and restaurants (Figure 7). At the same time, in many countries non-standard workers have less access to social protection compared to full-time employees with open-ended contracts and may be more vulnerable to income losses (OECD, 2020[30]). Across some European countries, non-standard workers represent around 40% of total employment in sectors most affected by containment measures on average, rising to over 60% in Italy. While all non-standard workers face common risks due to the COVID-19 pandemic, some are more vulnerable than others, including small entrepreneurs, low-wage employees and involuntary part-time workers.

Figure 7. Composition of non-standard workers in activities most affected by containment measures

Per cent of non-standard employment in affected sectors, 2018

Note: Non-standard workers are identified as workers in temporary contracts, in part-time jobs, and the self-employed. The blue bars show the average share of non-standard workers to total employment across the affected sectors. The triangles (circles) show the maximum (minimum) share among the sectors considered. The inner colour follows the legend and it allows to detect which sectors have the highest/lowest share of non-standard workers. The sectoral data are classified according to ISIC rev. 4. The sectors included are construction (VF), wholesale and retail trade (VG), accommodation and food services (VI), real estate services (VL), professional service activities (VM), arts, entertainment and recreation (VR), and other service activities (VS). The latter two are grouped together as arts, entertainment and other services in the figure. Other services include service categories not included in other service sectors, such as the repair of computers and personal and household goods.

Source: OECD calculations based on EULFS data.

The COVID-19 pandemic may speed up the development of long-term trends

The COVID-19 pandemic will result in further structural changes in economies. Some of the recent trends may continue on a similar trajectory, and even potentially increase at an even faster pace. For example, the greater use of technology as part of containment measures may speed up the digitalisation and automation of societies discussed above. On the other hand, some trends may recede. Disruptions in global value chains, shortages in medical equipment and pharmaceuticals and concerns around food supply will at a minimum lead to re-evaluating the costs and benefits of making global value chains more resilient, or may lead to a diversification...
or even a shortening in global value chains. The economic and social consequences of the pandemic may also lead to a reduction in globalisation.

Efforts to restore public finances should not come too early as this risks undermining the return to GDP growth that is essential to debt sustainability. However, public finances will eventually need to be restored. The combined effect of the costs of fiscal packages, the increase in public spending to mitigate health and economic damages, and the loss in tax revenues resulting from the crisis will lead to a significant increase in government borrowing, translating into quickly deteriorating budget balances and public debt levels, which are at already high levels in many G20 countries (OECD, 2020[28]). It is clearly too early to develop advice on tax policies for the longer term, but the debate is starting (OECD, 2020[25]). Options include revamping old tools, introducing new ones, and bolstering ongoing efforts to address the international tax challenges posed by the digitalisation of the economy.

The pandemic may result in other societal changes. For example, societies may start to change how they value and compensate different types of essential workers. Given that women and the low skilled often comprise a large share of the workforce in some essential industries such as the care and food industries, these changes may improve access to opportunities for some traditionally more disadvantaged groups. While the outlook for economies and societies is highly uncertain, these trends will continue to impact access to opportunities and social mobility, and likely more so for particular disadvantaged groups.

**Challenge 1: Enhancing access to opportunities for youth**

Childhood and adolescence are crucial times for young people to obtain the necessary skills to succeed throughout their lives. However, an individual’s socio-economic and demographic background plays a major role in determining outcomes over this period.

Early interventions in childcare and education are the most effective policy tools to create level playing fields. Data from the OECD Programme for International Student Assessment (PISA) reveal that the most advantaged students are more likely to report having participated in early childhood education and care (ECEC) than their most disadvantaged peers (OECD, 2018[31]). Students from low socio-economic backgrounds perform below their peers from more socially-advantaged backgrounds (Figure 8), and have lower chances to access tertiary education. Young people from low socio-economic backgrounds also face particular challenges, for example struggling with the school-to-work transition. To reduce the influence of socio-economic background on children’s outcomes, education policies and school practices need to focus on providing equitable educational opportunities. Improving access to and the quality of early childhood education and care as well as raising the quality and equity of education systems are crucial to improve opportunities for children and young people. Social support can improve access to opportunities for children from disadvantaged families and help young adults who struggle at school or with the transition to work overcome personal or family problems or other social needs. Employment support may help young people who lose track on their transition from school to work, which may include additional targeted training to jump-start their careers.

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3 More advantaged students are defined as those in the top quarter of the distribution on the PISA index of economic, social and cultural status within their countries/economies while the most disadvantaged students are those in the bottom quarter.
Figure 8. Students from a lower socio-economic background have a lower mean reading performance

Mean performance in reading in 2018, by national quarter of socio-economic status

Note: B-S-J-Z (CHN) refers to the four PISA-participating provinces/municipalities: Beijing, Shanghai, Jiangsu and Zhejiang. Socio-economic status is measured by the PISA index of economic, social and cultural status. Source: PISA online education database (OECD, 2018[32]).

Large health inequalities contribute to unequal access to opportunities

Health inequalities are an important source of unequal access to opportunities. Children’s health shapes their future life outcomes, from educational attainment to labour market performance. Health outcomes are strongly related to socioeconomic status: people from lower socioeconomic backgrounds show a higher incidence of many key risk factors for poor health, notably smoking and overweight-obesity. For example, the prevalence of overweight-obesity in six G20 economies with available data (Canada, France, Germany, Italy, the United Kingdom and the United States) is 24% higher among the lowest-educated adults than among the highest-educated (OECD, 2019[29]). Many of the risk factors more prevalent among low-income people contribute substantially to non-communicable diseases, including cardiovascular disease, respiratory diseases and diabetes, with real effects on life expectancy. Across seven G20 economies with available data (Australia, Canada, France, Italy, Mexico, Turkey and the United Kingdom), life expectancy at age 30 for the highest-educated men is nearly five years higher than for the lowest-educated men (OECD, 2019[29]).

While all G20 economies provide some form of financial protection for health care, affordability remains a barrier to accessing essential health services in many countries, particularly for low-income households. On average across G20 countries (excluding Argentina and Saudi Arabia), voluntary and out-of-pocket expenditures represent 31% of overall health spending, with the share of out-of-pocket and voluntary spending particularly high among emerging G20 economies (OECD, 2019[29]). Where financial protection for health care is inadequate, individuals and households may be unable to cover the costs of health care and other basic needs (OECD, 2019[33]). Across 12 G20 economies4 with available data, about one out of twenty households experience “catastrophic” health spending, i.e. out-of-pocket payments that exceed 40% of household resources available to pay for health care.

4 Australia, France, Germany, India, Italy, Japan, Korea, Mexico, South Africa, Turkey, the United Kingdom and the United States.
**Early childhood education and care can offset early disadvantages, but disadvantaged children are less likely to participate**

Good-quality early childhood education and care (ECEC) has been shown to provide a wide range of benefits. These include supporting social and emotional well-being, lowering risks of school dropout and contributing to higher learning outcomes during early childhood, and throughout formal schooling as well as better employment outcomes later in life (OECD, 2017[34]; UNICEF, 2019[35]). Across G20 countries for which data are available, enrolment of children aged 3 to 5 years old in ECEC and primary education varies from 100 percent in France and the United Kingdom to 40 percent in Turkey and 22 percent in Saudi Arabia (Figure 9). The Chinese authorities report that the gross enrolment rate of children aged 3 to 5 years was 83.4% at the end of 2019. Data from the OECD Programme for International Student Assessment (PISA) suggest that two years of ECEC significantly increases the chance of reaching a good level of academic performance at age 15. However, the data also reveal that the most disadvantaged students, who would benefit the most from ECEC, are less likely to report having participated in ECEC than their most advantaged peers (OECD, 2018[31]). This disparity is more than 20 percentage points in Turkey and 10 percentage points in Australia, Brazil, Mexico, the United Kingdom and the United States.

**Figure 9. Enrolment rates of children aged 3 to 5 years vary across G20 countries**

Early childhood education (ISCED 0) and primary education, 2017

Disadvantaged students usually have to overcome specific obstacles to succeed in their education and later on in their careers. These obstacles include less parental support than students of more educated parents and, in some countries, greater likelihood of attending a school with greater shortages of educational materials and/or qualified educational staff. Results from the OECD PISA 2018 report show that students from disadvantaged backgrounds perform below advantaged students in reading, mathematics and science, although the strength of the relationship differs across countries (OECD, 2018[32]).
Equal educational opportunities and strong overall performance in education are not mutually exclusive. For instance, school systems in Australia, Canada, Japan, Korea, Macao (China) and the United Kingdom have attained both a high level of average performance in reading and high equity in education, as measured by a weak relationship between socio-economic status and education outcomes (Figure 10).

**Figure 10. Equal educational opportunities and strong overall performance in education are not mutually exclusive**

Strength of the socio-economic gradient and reading performance

![Diagram showing reading performance and equity in education](image)

Note: Socio-economic status is measured by the PISA index of economic, social and cultural status.
Source: PISA 2018 Results (Volume II): Where All Students Can Succeed (OECD, 2019[36]) using 2018 PISA online education database (OECD, 2018[32]).

High levels of social and ability stratification between schools can have an impact on learning opportunities available to students and on students’ education outcomes. Limited social diversity in schools implies that disadvantaged students are more likely to be enrolled in schools that have a disproportionately large concentration of low achievers, which may negatively affect students’ performance. In some G20 countries, between-school differences are especially strong. For example, a typical disadvantaged student in Argentina has a one-in-nine chance of attending the same school as high-achieving students (those who score in the top quarter of reading performance as measured by PISA). By contrast, in Canada, a disadvantaged student has at least a one-in-five chance of having high-achieving schoolmates. Unless disadvantaged schools are allocated sufficient resources and support to compensate for their shortfalls, social and academic segregation between schools may widen the gaps in outcomes related to socio-economic status (OECD, 2019[36]).

Parents’ educational attainment and learning gaps during school years affect the likelihood that students will attain a tertiary level of education (OECD, 2018[37]). The likelihood of obtaining at least a master’s degree for...
those with parents who have not attained upper secondary education is as low as 3% (OECD, 2017)\(^{38}\). This likelihood increases by almost fourfold if parents have an upper secondary education, and by seven times if parents have a tertiary education (OECD, 2012)\(^{39}\).

The quality of schooling can also shape the socio-economic context of schools. For example, if schools are in-demand, house prices in their catchment areas can rise, further segregating the population and creating differences in education outcomes. Although private schools tend to be more selective contributing to social segregation in the school system, in many G20 countries most of the social segregation across schools comes from within the public sector rather than from social segregation between public and private schools (OECD, 2019)\(^{36}\).

**Low-skilled young people particularly struggle with the school-to-work transition**

In many G20 economies, young people struggle to gain a solid foothold in the labour market upon leaving school. Across G20 economies, on average around 19% of young people aged 15 to 29 are not in employment, education or training (NEET), with shares ranging from below 10% in Germany and Japan to over 30% in India and South Africa (Figure 11).\(^5\) Prolonged periods of joblessness early on in a young person’s career can have “scarring effects”, negatively impacting earning and employment opportunities up to a decade or two later (Carcillo et al., 2015\(^{40}\); OECD, 2016\(^{41}\)). In emerging G20 economies, young people are also much more likely than prime-aged workers to engage in temporary or informal work.

As employers seek an ever more educated workforce, low-skilled young people face a particularly great risk of becoming NEET. Indeed, young people without an upper secondary qualification, i.e. a high school degree or an equivalent vocational qualification, are heavily overrepresented among NEETs. They account for over 40% of all NEETs, though their share varies strongly across countries (Figure 11). Low-educated young people also tend to remain out of education or work for longer periods. These young people may lack the qualifications needed to find work, but also the foundation skills to acquire skills through vocational training. Results from the OECD Survey of Adult Skills show, for instance, that across advanced G20 economies the share of recent graduates aged 16-29 with low numeracy skills varies between 5% in Japan and Korea to over 20% in Italy, the United Kingdom or the United States (OECD, 2015\(^{42}\)). Young people with low numeracy or literacy skills face on average a four times greater risk of being NEET than their peers with good numeracy or literacy skills (OECD, 2016\(^{41}\)).

Young people from disadvantaged families find it particularly challenging to make a successful school-to-work transition. Across advanced G20 economies, the risk of being NEET is about twice as high for young people whose parents are low educated or out of work (OECD, 2016\(^{41}\)). Young people with a lower socio-economic background typically have poorer learning outcomes, but they may also lack access to professional networks, informal knowledge and financial resources that can help to kick-start a career. The strong relationship between parental background and the risk of being NEET underlines again the need to intervene early in life, but also to specifically promote access to educational and labour market opportunities for young people from less privileged families. In countries where the share of low skilled among NEETs is lower, this may be an indication that employers do not create a sufficient number of jobs that would be available for young people or that young people do not acquire the relevant skills.

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\(^5\) The NEET rate is a more comprehensive measure of joblessness among young people than the unemployment rate, because it also considers young people who are not actively looking for work and hence not officially counted as unemployed. These inactive young people account for around two-thirds of all NEETs in G20 economies with available data.
Figure 11. Many young people not in employment, education or training (NEET) have not completed high school

Percentage of 15-29 year-olds who are not in employment, education or training, by educational attainment, 2018


Source: OECD Education at a Glance 2019 (OECD, 2019[43]) except for China (census data), India (household survey data), Japan (OECD, 2017[44]) and Korea (OECD, 2019[45]).

To improve the employment prospects of young people, G20 Governments adopted in 2015 the Antalya Youth Goal of reducing the share of young people who are most at risk of being permanently left behind in the labour market by 15% by 2025. Under the Saudi Presidency, G20 Governments have been working towards a G20 Youth Roadmap 2025 to be endorsed at the Labour and Employment Ministers meeting in Riyadh in September 2020. The likely headline indicator for monitoring progress towards the Antalya Youth Goal is the rate of 15-29 year-olds not in employment, education or training (NEET) with a breakdown by gender.\(^6\)

The COVID-19 pandemic is creating an even larger gap in the access to opportunities for youth from different socio-economic and demographic backgrounds

Global COVID-19 trends suggest that children are far less likely to be infected with the virus than adults (Gudbjartsson et al., 2020[46]). Nevertheless, the growing inequality in parents’ resources due to the economic crisis and spending more time in home environments, which can differ widely across youth, is increasing the number of environmental risk factors. At the same time, the pandemic is reducing the number of protective factors, such as extra-curricular activities, the opportunity to interact with supportive adults at school and in the community and reducing access to vital family and care systems (OECD, 2020[47]). As such, the pandemic is creating an even larger gap in opportunities for youth from different socio-economic and demographic backgrounds.

The pandemic can negatively affect children’s health and well-being. The closures of ECEC facilities, schools and after-school clubs have exposed many children in low-income families to food insecurity and poor nutrition. In several countries access to free or subsidised school meals is a key policy to combat child poverty, so when schools are closed, beneficiary children are often able to eat less and consume less nutritious food (Nord and Romig, 2006[48]; Morgan et al., 2019[49]). The pandemic can also act as a catalyst for a rise in child maltreatment by exacerbating some of the known contributing factors, such as household poverty, overcrowded housing,

\(^6\) With an estimated 202 million NEETs between 15 and 29 years across G20 countries in 2014, this would correspond to moving around 30 million NEETs into education or work.
social isolation, intimate partner violence and parental substance abuse (OECD, 2019[50]). Moreover, the pandemic is severely compromising the effectiveness of child protection systems. For example, the reduction in face-to-face contact makes it more difficult for child protection workers to work effectively and properly assess risks while less frequent contact means less monitoring and reporting of children’s well-being. Indeed, in some G20 countries child protection providers are recording large decreases in the reporting of concerns for children’s safety and welfare (European Social Network, 2020[51]). For many children the pandemic is also aggravating health concerns beyond COVID-19, with measles immunisation campaigns delayed in 24 countries and cancelled in 13 others. Consequently, more than 117 million children are at risk of missing out on measles vaccines (UN News, 2020[52]).

The pandemic is having a significant impact on children’s access to educational opportunities, with children from vulnerable households facing the biggest obstacles to home learning. For example, a smaller share of adolescents from a lower socio-economic background have access to a desk, a quiet place to study, a computer and an internet connection (OECD, 2020[57]). Home learning also requires parents’ time and social capital for supervision or even teaching if a child’s school is lacking the capacity to provide distance support. Parent’s confidence in their ability to support their child’s learning, as well as their potential lack of familiarity of the subject matter, may be a greater challenge for parents with low levels of education and particularly when helping older children. These differences may have long lasting effects on the educational outcomes of students.

The pandemic will further exacerbate youth’s vulnerability within the labour market (OECD, 2020[23]). COVID-19 exposes vulnerable youth to higher risks of disengagement and drop-out from education and training and may increase the number of youth being NEET. COVID-19 may act as a potent multiplier by resulting in a decline in performance or loss of motivation due to break in education or training, loss of connections with supportive adults and positive peer interactions and increases in household poverty and higher household stress.

Promoting equal opportunities for youth requires co-ordinated action in education, employment and social policy

A range of policy measures are required to ensure equal access to opportunities for all youth including ensuring that all children have access to early childcare education and care and quality education throughout their schooling, from early childhood to secondary. However, to make the most of these educational opportunities, measures are also needed to lift as many children as possible out of poverty so they have the necessary inputs for healthy development, such as housing and food. For youth to successfully transition from the educational system to the labour market, effective employment and social support is required.

Improving access to, and the quality of, early childhood education and care

Investing in early childhood education and care and increasing access to quality services is an effective and efficient way to reduce inequalities given that early childhood education offers the highest return on investment compared to other levels of education. A strong start reduces the costs to address poor results later on; later interventions are less efficient because they take place after children’s “development window”. Disadvantaged children receive the greatest benefit from attending high-quality ECEC, and interventions targeted at them will have the highest returns (OECD, 2017[34]). The G20 countries recognise the profound influence a child’s first years have on their future life chances (OECD, Forthcoming[53]) and have an ambition to agree upon a set of “High-level principles on Quality, Equity, and Transitions in Early Childhood Education”, which will be discussed at their meeting currently scheduled for September 2020. Improving access to ECEC includes reducing barriers that prevent children from disadvantaged backgrounds from accessing ECEC services. These barriers include the cost, proximity and availability of good ECEC facilities and a lack of information about ECEC services.

Participation in quality ECEC is closely related to children’s development and learning (Bertlinski, Galiani and Gertler, 2009[54]; Entwisle, Alexander and Olson, 1997[55]; Mistry et al., 2010[56]). Children from disadvantaged backgrounds are generally at higher risk of not being able to access quality ECEC services. Low quality ECEC without strong health, safety and other quality regulations can have negative consequences on children’s
physical and socio-emotional development, as well as on their learning outcomes. Multiple components influence the quality of ECEC services. OECD research has found that high staff-child ratios and small group sizes help to ensure safety and quality of ECEC services. Monitoring on standards for the design, layout, space and hygiene of ECEC facilities can also help promote quality. High staff-child ratios and environmental standards ensure that children are learning and being cared for in a safe and nurturing environment that supports their development and learning and interactions with their peers and teachers. Raising the level of staff qualifications, providing high quality pre- and in-service training and ensuring adequate salaries and working conditions are important for the quality of the ECEC workforce. Lastly, national ECEC curriculum guidelines and frameworks also play a crucial role in shaping the pedagogical quality of ECEC services by promoting children’s cognitive skills and social and emotional development. The curricula need to encourage activities and learning that take children’s developmental stages into consideration.

Support to family is necessary. Young children spend the majority of their time at home with either parents or caregivers. Home learning environments thus have a direct impact on outcomes in early childhood. Targeted parenting programmes for families (such as programmes of family support in Germany), home visits for troubled families and subsidies to boost family income can help families improve their children’s learning environment.

Reducing child poverty

Experiencing poverty early in life has a big impact on children’s immediate and later-life outcomes. Unfortunately, children in most G20 economies face greater risk of poverty than other population groups, with child poverty rates generally exceeding those for the general population (Figure 12). Child poverty rates are particularly high in South Africa and Brazil, where around one child in three lives in relative income poverty, but also in Turkey (around one in four children in poverty), Mexico and the United States (about one in five). Effectively combating child poverty must therefore be an essential component of promoting access to opportunities.

**Figure 12. Children face a greater risk of poverty than other population groups**

Relative income poverty rate, for children (0-17 year-olds) and the total population, 2017 or latest year

Note: Data are based on equivalised household disposable income, i.e. income after taxes and transfers adjusted for household size. The poverty threshold is set at 50% of median disposable income in each country. Data refer to 2013 for Brazil, 2014 for Argentina and Indonesia, 2015 for Japan, South Africa and Turkey, 2016 for Mexico and Russia and 2018 for Australia. Data for Argentina and Indonesia are estimates. Source: OECD Income Distribution Database (oe.cd/idd) and Balestra et al. (2018[57]) for Argentina and Indonesia.
Income poverty affects a child’s outcomes through two main channels (OECD, 2018[58]; Thévenon et al., 2018[59]). First, having a low income limits a household’s ability to purchase or produce important “inputs” for healthy child development, such as good quality housing, healthy food or good quality care and education services for children below school age. Low-income families also do not always have the means to provide a supportive home environment for children to learn well (for instance through books, educational toys and quiet space to study). Second, financial strain can be stressful for parents and negatively affect family relations and parenting behaviour.

Measures that support good-quality employment of parents should be an important component of an effective anti-poverty strategy for children. These measures may include:

- Addressing barriers to employment, including for the most disadvantaged people whose health status, social problems or low-skill levels keep them away from the labour market;
- Helping parents in low-income families improve their skills and access better quality jobs;
- Making work pay for both parents and ensuring that tax/benefit systems provide first and second earners in couple families with equally strong financial work incentives;
- Enhancing access to affordable all-day childcare to support full-time employment.

Social benefits can also play an important role in combating child poverty, including in cases where the earnings of a single adult are not enough to lift the family out of poverty or where both parents are hard to employ. Indeed, greater public social spending is generally associated with lower child poverty rates (OECD, 2018[58]). Even without a large increase in spending, significant reductions in child poverty can be achieved by better targeting family and housing benefits to poor families with children and by raising benefit take-up.

In emerging G20 economies, conditional cash transfer programmes, such as Mexico’s *Prospera* or Brazil’s *Bolsa Família* have proven very effective at delivering social transfers to poor families with children while simultaneously improving child development outcomes (OECD, 2017[60]; 2018[61]). Under *Prospera*, the Mexican Government provides income support to 6.8 million families using a multidimensional poverty threshold as its eligibility criterion. The cash benefits are directly paid to mothers conditional on their children’s school attendance and medical check-ups. Beneficiaries are also connected to other government support programmes, where they can receive information and counselling on training opportunities, financial literacy support, employment and access to savings or credit. Evaluations have shown that *Prospera* and its two predecessor programmes *Oportunidades* and *Progresa* have had a positive impact on school attendance, grade progression, nutrition and health outcomes. Also, Brazil’s *Bolsa Família* mostly targets families with children and young people, which is where poverty is concentrated in Brazil. Unlike for other social benefits, more than 70% of the programme spending effectively reaches the bottom 40% of the income distribution, and research indicates that without the programme the incidence of poverty would be 15% higher, and even 25% higher for extreme poverty (de Souza et al., 2019[62]). At a fiscal cost of around 0.5% of GDP, the programme is very cost-effective.

Other emerging G20 economies have made efforts to improve benefit coverage by consolidating their fragmented system of financial child support. Argentina, for instance, complements its insurance-based family allowances and tax deductions through a conditional cash transfer, the *Asignación Universal por Hijo*. The programme provides cash payments also to families of unemployed or informal workers, the self-employed and those earning less than the minimum wage under the condition that they fulfil health- or education-related requirements (such as vaccinations and school attendance) (ILO-UNICEF, 2019[63]). A UNICEF evaluation suggest that children in households receiving the *Asignación Universal por Hijo* had a 31% lower risk of living in extreme poverty than comparable non-recipient households (Paz et al., 2018[64]). Other efforts by emerging G20 countries include Saudi Arabia’s Citizen’s Account Program, a means-tested cash transfer programme introduced in 2017 to shield Saudi households from direct and indirect impacts of various recent reforms undertaken in the country, benefitting around 80% of Saudi households (Saudi Vision 2030, 2018[65]). China launched the *Nutrition Improvement Program for Rural Compulsory Education Students* in 2011, which provides a nutritional dietary subsidy to eligible students. Over the first five years, the programme covered 134,000 schools and more than 39 million students at a cost of 159 billion yuan. Russia provides state support to families

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who have a second or third child and who have not been a previous recipient under its Maternity (Family) Capital programme. Families can use the funds to improve living conditions and to help educate children at all education levels as well as to fund the mother’s pension and socially adapt or integrate children with disabilities (Pension Fund of the Russian Federation, 2020).

**Improve the quality of the educational system**

For educational investments made during early childhood to be productive, continued support throughout a child’s primary and secondary education is crucial. Given that many G20 governments are financially constrained, making education spending more effective may be part of the solution to improving educational quality. PISA data show that there is a positive relationship between investment in education and average performance, but only up to a certain threshold. Efficient use of limited resources matters more after this threshold is reached. Devoting greater funding to early childhood education as outlined above, in particular for children in low-income households, has been shown to improve the effectiveness of future education (Heckman, 2006; Kugler and Rojas, 2018). Other cost-effective measures include providing information about school quality and returns to schooling and promoting teacher quality (Ganimian and Murnane, 2016; World Bank, 2018). School budgets should prioritise investing in high-quality human resources such as school leaders and teachers, who play a critical role in reducing educational inequality in schools.

Limited resources need to be used efficiently to target disadvantaged students and schools. Providing disadvantaged schools with additional financial and human resources is essential (OECD, 2017). Disadvantaged schools are typically most in need of resources and support, yet in most countries, are more likely to suffer from financial constraints, a lack of staff and have a disproportionately high number of students considered to be low performers and at risk of dropping out. Monetary or professional-level incentives can attract effective school leaders and teachers to disadvantaged schools. Targeted support should be given to leaders and teachers in disadvantaged schools, and efforts should be made to connect them to other school leaders and teachers, to share knowledge and provide assistance to each other (OECD, 2019). In all schools, low performers need to be identified early so that teachers and parents can provide timely and regular support. In additional to education support, such students require in many cases also professional help with some type of social or health issues, for examples with mental health problems, unresolved family issues or an unsatisfactory housing situation (OECD, 2016). Sorting and segregation mechanisms such as academic tracking and ability grouping are costly, ineffective and can perpetuate educational inequality. In particular, disadvantaged students are far more likely to be sorted into non-academic tracks, such as Vocational Education and Training (VET) programmes. Academic selection should be delayed and grade repetition avoided for greater equity. Among G20 countries, Canada stands out as an inclusive education system that combines equity with good educational outcomes.

**Promoting good-quality and attractive vocational education and training**

Quality VET can be an important pillar of education systems that promote broad access to opportunities and support smooth school-to-work transitions (OECD, 2016). VET enables young people to develop a mix of general and job-specific skills, helping them to acquire the knowledge and tools sought after by employers. The combination of classroom learning and practical training can be an attractive learning option for less academically minded youth. Practical training should ideally be in the workplace to ensure its relevance. Apprenticeship programmes, which match students with private- or public-sector employers early on in the programme, have proven a best practice in this respect. Strong vocational education systems can be a catalyst for upward social mobility, particularly if they also offer attractive higher-level vocational pathways beyond upper secondary to post-secondary and tertiary level, as in Germany and Japan.

Ensuring training relevance and quality is one of the challenges for designing apprenticeship systems that are attractive to both students and employers (OECD, 2018). In many countries, students and their families still perceive vocational education as unattractive relative to a more academic general education. Meanwhile,
employers may welcome trainees as a source of cheap labour without being seriously interested in investing in their training. Involving employers and worker representatives in designing programme structures and contents, curricula and examinations is key to ensuring that programmes are attractive both to employers and students and that they provide the skills demanded in the labour market. Apprentice wages should reflect trainee productivity, which may mean that wages are initially quite low but then gradually approach the salary of a skilled worker over the programme duration. In sectors characterised mostly by small firms that lack the capacity to train apprentices, governments may help employers share the responsibility for a single trainee or ensure that hard-to-provide training modules are delivered through public training institutions.

Pre-apprenticeship programmes can prepare more disadvantaged young people for VET programmes by helping them to brush up on patchy literacy or numeracy skills, familiarising them with a work routine or providing work experience. For instance in Australia, pre-apprenticeship programmes introduce young people to a trade, help them develop their basic skills and provide some technical knowledge, raising their chances of securing an apprenticeship place. Also, standard vocational programmes may need to assess students’ basic skills at the start and include modules in core academic skills to build the numeracy and literacy skills students need in the workplace and for future learning.

Providing effective employment and social support for young people not in employment, education or training

Achieving the G20 target to reduce the share of young people who are most at risk of being permanently left behind in the labour market by 15% by 2025 would mean helping millions of young NEETs in all G20 economies to find work or stay on longer in education, with long-term benefits for themselves and the economy. Achieving this target, however, requires a set of actions to increase the skills of young people, provide them with better access to quality jobs and promote participation in activities that help address educational and non-educational barriers among those that have trouble finding work or a suitable educational option.

So-called “youth guarantees”, by which countries commit themselves to providing all young NEETs with a suitable programme, can be one solution. The European Union’s Youth Guarantee scheme, for instance, aims to ensure that all under-25 year-olds receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. Such initiatives can be a valuable tool to help improve young people’s employment prospects. However, their success relies on effective outreach to inactive and disconnected youth and the quality and targeting of the support offered. While the EU Youth Guarantee’s impact is difficult to evaluate given its breadth and diversity of national policies covered, empirical analysis suggests that it was associated with increased spending on active labour market policies particularly in countries with high NEET rates. In some member states, the EU Youth Guarantee also encouraged reforms of national youth policies and improvements in the monitoring of youth activation policies and partnership building (Caliendo et al., 2018[75]). Other G20 countries, such as Saudi Arabia, have launched programmes to promote youth employment by setting up partnerships with foundations, non-profit organisations and the private sector to hire young male and female jobseekers. China provides free employment counselling for all jobseekers and organises employment service activities to facilitate the connection between job seekers and employers. In 2019, nearly 100 million people benefited from the programme.

While jobless young people need to receive support as quickly as possible if they are not to slip into long-term inactivity, it can be difficult for support services to reach out to these young people, who may be deeply sceptical of public authorities and hesitant to accept help. Close collaboration between schools and the public and private employment service (PES) is often an important component of successful outreach strategies. The Japanese PES “Hello Work”, for instance, reaches out to students at high schools and universities through specialised youth services to offer counselling, job search assistance and placement. It also informs schools of vacancies, offers regular on-site counselling in schools and supports school career guidance counsellors. Virtually all students in Japan who seek to start working after completing high school already have a job offer upon graduation (OECD, 2017[4]). An alternative very effective, though costly, approach is to explicitly devolve outreach to a single authority that screens all young people to detect those at risk of disengagement.
Once young jobseekers register with the public employment service, comprehensive profiling can help caseworkers to determine their work readiness and assess their skills and training needs to ensure that the young people receive the type and intensity of support they need. It is also an opportunity to screen for any additional barriers to participating in an activity or taking up work, such as a lack of housing or restricted mobility, social issues and physical or mental health problems. In Australia, for instance, all jobseekers who claim income support are assessed for their level of disadvantage and anticipated difficulty in finding and keeping employment before being allocated to specific support “stream” (OECD, 2016[76]). Such careful profiling can also be considered part of cost control, helping to effectively target expensive interventions at young jobseekers who need them and are likely to benefit the most.

The impact of the interventions to improve NEETs’ educational and employment outcomes depends heavily on how well they are designed and targeted. Empirical studies show that sustainable improvements in labour market and social outcomes are difficult to achieve, especially for the most disadvantaged young people, and that effective programmes tend to be very costly. Given limited financial resources and capacity constraints that weigh on public employment and welfare services, and the fact that successful programmes are often not easily expanded or replicated, it is vital that existing programmes target those who are most likely to benefit from them. The type of intervention best suited to a young jobseeker depends on the educational and non-educational barriers (OECD, 2016[76]):

- Many countries apply an “education first” approach to early school leavers who have little chance of finding quality employment, aiming to reintegrate them into mainstream schooling.
- Comprehensive second-chance educational programmes can be a suitable alternative for early school leavers who are unable or unwilling to return to a standard school. Such programmes can combine remedial courses in foundation skills with vocational classes, counselling and career guidance.
- Work experience programmes or short training courses with a strong practical component can be attractive to NEETs who cannot or will not return to education because they are frustrated by their previous schooling experience or, possibly, struggling with social and health issues. These programmes or courses can help disadvantaged young people to regain self-esteem, build a working routine and prepare them for later participation in education or training programmes. However, work experience measures should always remain targeted to the most disadvantaged youth.
- Subsidies for private businesses that hire jobseekers have proven an effective tool for brightening jobseekers’ employment prospects, and especially so for the young. Subsidies should, however, target only low-skilled jobseekers and the long-term unemployed to lessen the risk of employers pocketing the subsidy to recruit jobseekers whom they would have hired anyhow – the “deadweight effect” (Cahuc, Carcillo and Zylberberg, 2014[77]).
- Low-cost, low-intensity interventions like job search assistance, counselling and short training courses can be sufficient for clients with low barriers to labour market entry. They may also be useful for testing a young person’s readiness for participation in a more intensive activity.

Active programme participation should ideally begin as soon as a young person has registered as a jobseeker. One way of securing their continued commitment is to adopt a mutual obligation approach, which links regular income support to a jobseeker’s efforts to find suitable education or work or to their active programme participation.

**Challenge 2: Enhancing access to opportunities for women through good-quality employment**

Despite major improvements in girls’ education and widespread laws against gender discrimination, women still do not have the same labour market opportunities as men (OECD, 2017[78]; 2018[79]). Across G20 economies, women are less likely to participate in the labour market than men (Figure 13), and on average employed women work in jobs of poorer quality, with lower earnings and a greater incidence of part-time work and informality.
Gender differences in employment rates, hours worked and hourly earnings cumulate over people’s lives into a substantial gender gap in labour income. Across advanced G20 countries with available data, the gender gap in labour income ranges from around 30% in Canada to over 70% in Turkey. Lower employment rates and poorer job quality mean that women have fewer opportunities than men to make the most of their talents, utilise their skills and fully live up to their potential. They also translate into lower well-being and a greater risk of old-age poverty for women, hamper economic growth and contribute to economic inequalities.

**Figure 13. The gender gap in labour force participation remains large in some G20 economies**

<table>
<thead>
<tr>
<th>Country</th>
<th>Women Participation</th>
<th>Men Participation</th>
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</thead>
<tbody>
<tr>
<td>CAN</td>
<td>65%</td>
<td>85%</td>
</tr>
<tr>
<td>GBR</td>
<td>70%</td>
<td>87%</td>
</tr>
<tr>
<td>DEU</td>
<td>58%</td>
<td>80%</td>
</tr>
<tr>
<td>AUS</td>
<td>62%</td>
<td>75%</td>
</tr>
<tr>
<td>JPN</td>
<td>60%</td>
<td>82%</td>
</tr>
<tr>
<td>RUS</td>
<td>53%</td>
<td>70%</td>
</tr>
<tr>
<td>ESP</td>
<td>65%</td>
<td>78%</td>
</tr>
<tr>
<td>FRA</td>
<td>69%</td>
<td>76%</td>
</tr>
<tr>
<td>USA</td>
<td>58%</td>
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<td>EU</td>
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<tr>
<td>BRA</td>
<td>62%</td>
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<td>KOR</td>
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<td>ITA</td>
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<td>IND</td>
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<td>70%</td>
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<tr>
<td>SAU</td>
<td>65%</td>
<td>78%</td>
</tr>
</tbody>
</table>

Note: The data refer to: 2015 for India and 2017 for Russia; and the population aged 15 and over for India and 16-64 for the United States.

Source: OECD calculations based on national labour force surveys.

In light of the importance of greater participation by women in the labour market and improved job quality for strong and inclusive growth, G20 leaders committed at the 2014 Summit in Brisbane to reduce the gender gap in labour force participation by 25 per cent by the year 2025 compared to 2012 (the “25 by 25” goal). The G20 Youth Roadmap 2025, developed by G20 Governments under the Saudi Presidency, will include a specific set of measures to tackle barriers to quality employment for young women.

**Most G20 economies have made progress in reducing the gender gap in labour force participation, but not all countries are on track to meet the “25 by 25” G20 goal**

Most G20 economies have made significant progress towards reaching the G20 Brisbane “25 by 25” goal (Figure 14). Since 2012, the gender gap in participation has declined in almost all G20 economies for which recent data are available. Particularly large reductions have occurred in Japan, Argentina, Brazil and Korea. The decline in the gender gap was also noticeably greater than the decline expected to meet the 25 by 25 goal in Australia, the United Kingdom and Germany. It was less than expected but still sizeable in Indonesia and

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7 This section draws on the analysis carried out jointly by the ILO and the OECD as part of the annual monitoring process of the Brisbane targets (ILO-OECD, 2019[86]).
Turkey. However, in some countries where the gender gap is particularly large, achieving the target remains challenging, notably in Mexico and Saudi Arabia.\(^8\)

Figure 14. Many G20 economies are on track to reduce the gender gap in labour force participation

Actual versus expected decline in the gender gap in participation in percentage points, 2012-2018

The shrinking of the gender participation gap since 2012 reflects rising participation rates for prime-age women in all G20 economies for which recent data are available, while participation of prime-age men has changed little over the period in most countries. In several countries, the participation of older women rose strongly, and generally slightly more so than for older men. This reflected the rising educational attainment of older people as well as policy action to raise the official retirement age and encourage later retirement. The increase for older people was particularly large in Italy. Meanwhile, participation rates for both young women and men fell in a number of countries, reflecting partly rising retention rates in education.

**A more mixed picture emerges for closing gender gaps in job quality**

To improve women’s access to opportunities in the labour market, policies to tackle the gender participation gap need to be accompanied by measures to tackle gender gaps in job quality. Improving the quality of job opportunities for women would not only raise incentives for women to participate in the labour market. It would also give women better chances to utilise and further develop their skills and to engage in more productive work. However, there remains considerable gender gaps in job quality:

- **The gender pay gap has declined but remains substantial:** Women continue to earn substantially less than men in most G20 countries. In terms of median full-time earnings, women earn between 30-35% less than men in Korea and India, down to a gap of 10% or less in France, Turkey and Italy. The

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\(^8\) In Saudi Arabia, the share of the workforce that is non-Saudi accounts for a considerable proportion of the workforce. With respect to Saudi nationals only, greater progress has been made in reducing the gender gap in labour force participation, although the gap remains large.
comparatively narrow pay gap in Turkey reflects the small share of women in wage employment who are often more educated than their male peers. While the gender pay gap has slightly diminished over the past decade in nearly all G20 countries, in recent years the pace at which the gap is closing remains slow in most countries and has even stalled in others.

- **The incidence of “low pay” is higher for women:** The share of full-time workers earning less than two-thirds of gross median earnings is higher among women than among men in nearly all G20 economies, with the notable exception of Canada. Around a third to almost a half of full-time women who work have low-paid jobs in South Africa, Korea, Indonesia and India. This proportion is also high at over one quarter in the United Kingdom, Germany, Argentina and the United States.

- **Women are overrepresented in some non-standard forms of employment and informal work:** The share of part-time employment in total employment was higher for women than men in all G20 countries in 2018. The gender gap in the part-time share of employment is around 30 percentage points or more in Germany, Italy, the United Kingdom, Argentina, Australia and Japan. Trends in the importance of part-time work as a share of total employment have been mixed across G20 economies. However, there has been little change in the often-large gender gap in the incidence of part-time work, as these changes have been similar for women and men in most countries. Women are also often overrepresented in temporary jobs and informal employment (see following section).  

  Part-time and temporary work can be an important means for women to integrate into the labour force. However, especially when involuntary, these forms of work may be associated with lower hourly wages than full-time work, lower social security benefits and fewer training opportunities, which jeopardises women’s chances to obtain better-quality jobs. Some of the factors explaining the higher presence of women in non-standard forms of employment include their greater care-giving responsibilities, their higher presence in occupations that typically recruit on an on-call basis and women’s lower bargaining power because of their lower unionisation rate and lower coverage by collective agreements.

Much of the gender gap in wages and hours worked appears after childbirth. Working mothers with two children often earn less on average than working women without children and even less than working fathers. By contrast, working fathers earn on average more than their male peers without children. A commonly observed pattern is that men increase their working hours when children arrive, while women may reduce theirs, which may explain at least part of this gap.

*The COVID-19 pandemic is having different implications for men and women*

The COVID-19 pandemic has different implications for men and women. Women comprise almost 70% of the health care workforce, and are hence facing a greater risk of infection. Confinement measures are likely to lead to increased routine housework, including cooking and cleaning, and school and childcare facility closures will increase the amount of time that parents must spend on childcare and child supervision, as well as supervising or leading home schooling. Much of this increase in the demand for unpaid work at home is likely to fall on women, imposing additional burdens on women (OECD, 2020[80]). One consequence of widespread school/facility closure and the shift to mass teleworking is that many men will be exposed to the double burden of paid and unpaid work often faced by women. This exposure has the potential to help trigger a shift in gender

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9 Non-standard forms of employment include temporary employment, part-time and on-call work, temporary agency work and other multiparty employment relationships, as well as disguised employment and dependent self-employment.

10 There is a smaller gap in the incidence of self-employment (including own account workers), ranging from 18 percentage points in India to 5 percentage points or less in Germany, Saudi Arabia, Mexico, Russia and the United States. However, women entrepreneurs face a number of challenges. Female-owned businesses are often smaller and grow less rapidly than those owned by men, and are more likely to close in the initial years after start-up. Especially in developing countries, limited access to financial capital, management advice and business training remain significant constraints to female entrepreneurship.
norms around unpaid domestic and care work (Alon et al., 2020[81]). While the situations are not identical, evidence from studies on fathers taking parental leave suggests that sharp exposure to domestic and care work can have long-lasting effect on men’s engagement in unpaid work (OECD, 2019[82]).

Women are likely to be more vulnerable than men to any crisis-driven loss of income given that women often earn lower incomes and have less financial buffers than men, experience higher poverty rates and hold less wealth (Sierminska, Frick and Grabka, 2010[83]; Schneebaum et al., 2017[84]). In addition, due to their greater caring responsibilities, it is often more difficult for women to find alternative employment and income streams (such as piecemeal work) following lay-off.

Lastly, women also face increased risks of violence, exploitation, abuse or harassment during times of crisis and quarantine, with early reports from social service providers showing an increase in domestic violence against women during the pandemic (UN Women, 2020[85]).

Continued policy action is needed to boost women’s labour market participation and raise job quality

G20 economies have taken considerable policy action to boost women’s participation and reduce gender gaps in job quality as confirmed in the annual monitoring carried out jointly by the ILO and the OECD (ILO-OECD, 2019[86]). With a view to making further progress towards achieving the 25 by 25 Brisbane target, G20 members may wish to consider further action in the following areas.

Strengthening care policies and provision and changing stereotypes and norms around caregiving and housework

Women’s ability to engage in paid employment, and to work full-time, is heavily constrained by the long hours they spend working at home without pay for their families. Traditionally, women have been the primary caregivers for young children and sick or elderly family members, and many societies and labour markets continue to function largely on this assumption. The latest available time use survey data show that in all G20 countries, women spend substantially more hours than men performing domestic chores and caring responsibilities. For example, women’s time devoted to unpaid care work ranges from 5 hours and 30 minutes per day in Turkey to about 3 hours in Korea. In contrast, men’s time spent on unpaid care work ranges from less than 3 hours per day in Australia to only around 30 minutes in India. Women’s working days are longer than men’s everywhere when considering the number of hours spent in both paid and unpaid work, although there is significant variation across countries. This is the reason why women who work for pay are often said to work a “second shift” – one at work and another at home.

To reduce women’s unpaid care burden and encourage a more equal sharing of unpaid care between women and men, Governments should notably consider:

- **expanding access to quality formal childcare**, including by increasing the supply and affordability of quality early childhood education and care (ECEC), stepping up investments in out-of-school-hours care services for school-age children and possibly providing financial support for childcare services to make sure that work pays for single earners and single parents. For example, in 2020 Italy offered monetary support for children to attend kindergarten while, in Saudi Arabia, the Qurrah programme launched in 2018 increased the number and quality of child support centres to enable mothers working in the private sector to continue working and to support female jobseekers with children;

- **reforming paid family-leave policies**, ensuring that mothers have access to (well-)paid employment-protected maternity leave that yet does not discourage mothers return to work and incentivising fathers’ caregiving through well-paid paternity leave and father-specific parental leave. One example is the Directive on work-life balance for parents and carers in the European Union, which aims to address the work-life balance challenges faced by working parents and carers (European Commission, 2017[87]; European Commission, 2020[88]).
• **strengthening long-term care systems** by improving access, affordability and quality of long-term care services and by better supporting informal carers, for example through access to care leave, in-kind support or cash benefits.

Changing stereotypes and norms around caregiving and housework is crucial but challenging. Governments should apply a range of measures and tools to promote gender-equitable sharing of unpaid work. These measures could include awareness campaigns to reduce bias against male caregiving and highlight women's significant contribution to family income and national GDP.

**Tackling gender disparities across occupations**

The gender gap in earnings and in the incidence of low pay are partly explained by gender disparities across occupations, with women more likely to work in lower-paying occupations than men. Meanwhile, the proportion of women in higher-paying occupations such as managers remains lower than for men in all G20 economies. Currently, women account for around 40% of all managerial jobs in Russia and the United States, but only around 15% in Japan, Turkey and Korea. Since 2012, only modest progress has been made in most G20 countries in increasing the share of women in management roles. Social norms and gender stereotypes, coupled with women’s shorter working hours, continue to be obstacles to more equal representation of women in leadership positions.

Further efforts should be made in all G20 economies to permit and encourage women to take advantage of employment opportunities in traditionally male occupations and sectors and to attain leadership positions: Some policy measures that could contribute to this objective could include:

- **Fighting and eliminating gender biases and stereotypes** by reviewing and, where necessary, adapting school and early childhood education curricula and teachers’ education, offering career counselling at schools that addresses gender stereotypes and by campaigning and raising public awareness among parents, teachers and students;

- **Attracting more women into careers in science, technology, engineering and mathematics (STEM)** by offering internships in those fields targeted specifically at girls, setting explicit targets for female enrolment in STEM university programmes and providing scholarships to female STEM students and developing mentoring and coaching programmes for women who would like to pursue a career in STEM and other male-dominated fields;

- **Increasing the representation of women in leadership positions** by encouraging measures that enhance gender diversity on boards and in senior management of listed companies, such as voluntary targets and disclosure requirements, introducing mechanisms to improve the gender balance in leadership positions in the public sector, such as disclosure requirements, target setting or quotas for women in senior management positions and encouraging greater participation and representation of women at all levels of politics. For example, in 2011 Italy set a minimum objective of one-third of corporate board sets to be allocated to women, or one-fifth for the first three years for Italian-listen companies. Since 2016, the number of women on boards has increased to 36.4%;

- **Informing employers** about the economic benefits of a diverse workforce and developing diversity certifications for companies.

**Implementing gender budgeting to support gender equality goals**

Gender inequalities are still inherent in many public policy areas, and often reinforced through the allocation and usage of public resources (OECD, 2019[89]). Gender budgeting can help ensure that budget decisions systematically take gender equality considerations into account by using the tools, techniques and procedures of the budget cycle in a systematic way to promote equality (Downes and Nicol, 2019[90]). Gender budgeting is practised across G20 countries, including in Canada, Germany, Italy, Japan, Korea Mexico and Spain. Brazil, India and South Africa have some targets and gender equality considerations or have reported using some of
the tools and methods characteristic of gender budgeting and France and Turkey are considering the introduction of gender budgeting (Downes, von Trapp and Nicol, 2017[91]; Downes and Nicol, 2019[90]).

There are three key elements which are important for an effective and enduring gender budgeting practice. First is a strong strategic framework. The centrepiece to a strong framework is a national gender equality strategy that outlines overarching gender goals, in addition to a legal framework, which can help embed gender budgeting in existing budgeting processes and ensures practices withstand changes in political priorities (Downes and Nicol, 2019[90]). For example, in 2018 Canada introduced a government-wide Gender Results Framework to track performance against key gender equality indicators and to help identify where the greatest gaps remain (Government of Canada, 2019[92]). A strong framework also requires a strong political commitment to gender budgeting reforms.

Secondly, gender budgeting requires effective implementation tools, including ex ante and ex post gender impact or gender equality needs assessments, gender budget statements and audits. G20 countries that have introduced gender budgeting and undertake ex ante gender impact assessments for all major and selected policies include Canada, Japan, Mexico and Spain while Germany and Korea undertake assessments for selected policies (Downes and Nicol, 2019[90]).

Thirdly, successful implementation of gender budgeting relies on a strong and supportive enabling environment, including political commitment, legal frameworks, and strong and accountable institutions. For example, the Spanish Act from 1978 states that there should be no discrimination between men and women and the Royal Decree 1083/2009 of 3 July established that the annual Draft Budget Law must be accompanied by a Gender Impact Report. In Korea, the 2006 National Finance Act made the submission of gender budget statements and balance sheets mandatory from the 2010 fiscal year onwards. The statement must analyse the impact of budgeting on women and men and whether each gender will equally benefit. Successful gender budgeting also requires a wide range of supporting factors, such as gender disaggregated data and setting up an expert/consultative group to advise on gender budgeting.

**Improving the evidence base on gender gaps in the labour market**

In all countries, further improvements in the availability of timely and comparable data are required to monitor closely how gender gaps in the labour market are evolving and the effectiveness of policy interventions. In particular, Governments should reduce data gaps in unremunerated work, including by carrying out more frequent time use surveys, better collecting data on fathers’ leave-taking and conducting public opinion surveys before and after public awareness campaigns and publicly disseminating the results.

**Challenge 3: Enhancing access to opportunities for SMEs and entrepreneurs and tackling informality to ensure good-quality job opportunities**

Reducing barriers for small and medium-sized enterprises (SMEs) and supporting formal job creation can enhance access to entrepreneurial and labour market opportunities. SMEs typically create job opportunities across geographic areas and sectors, employ broad segments of the labour force, including low-skilled workers, and provide opportunities for skills development. As such, SMEs that generate value added and quality jobs represent an important channel for inclusion and social mobility (OECD, 2018[93]). Formal job creation also helps to ensure good-quality job opportunities, particularly for the low skilled, young people and women, who are overrepresented in informal work.

Many governments in G20 countries have put a significant emphasis on promoting a competitive, innovative and dynamic business sector with good-quality employment. Yet, there remains scope for progress. SMEs continue to face many barriers and informality remains widespread in G20 emerging economies (Figure 15). The share of informal workers – i.e. people working partially or fully outside the remit of regulation and not contributing to social insurance – varies between 35% in South Africa to 90% in India according to the latest available data, and it has generally decreased only slowly.
Figure 15. Informality rates have decreased only slowly in G20 emerging economies in the past decade

Informally employed persons as a % of the working-age employment

Note: Informality is defined to include: i) employees who do not pay social security contributions; and ii) self-employed who do not pay social security contributions or whose business is not registered.

Source: OECD (2015[94]) based on the Encuesta Permanente de Hogares (EPH) for Argentina, Pesquisa Nacional por Amostra de Domicílios (PNAD) for Brazil, the National Sample Survey (NSS) for India, the Sakemias for Indonesia, Encuesta Nacional de Ocupación y Empleo (ENOE) for Mexico, the QLFS for South Africa and the HLFS for Turkey.

Regulatory barriers for SMEs and job formalisation have declined over recent years, but remain an obstacle

Effective product and labour market regulations, taxation, competition, insolvency regimes, contract enforcement, civil justice systems and public governance are key to ensure that SMEs can compete on a level playing field, as well as to lower informality (OECD, 2019[95]). For SMEs, regulatory inefficiencies, complexities and high compliance costs are more detrimental than for larger firms, with SMEs usually diverting a greater proportion of resources to administrative functions and facing greater constraints than large firms in seeking legal redress (OECD, 2017[96]).

Over the past two decades important progress has been made to reduce regulatory barriers for SME development, particularly around legal barriers to entry, administrative burdens on start-ups, regulation complexity and regulatory compliance costs in different areas, such as the environment, labour legislation, product standards and certification (OECD, 2019[95]). Restrictions to competition have been lifted across many jurisdictions although significant variability in the enforcement of competition laws across countries remains (OECD, 2019[95]). In addition, globalisation and digitalisation are posing new challenges for competition authorities. E-government services, such as government portals, are being strengthened to improve public governance and deliver better services and represent a lever to promote greater ICT usage among businesses. To improve the investment climate and spur growth, some countries have reduced corporate income taxes (OECD, 2018[97]). For example in 2017 countries such as Italy, Japan, and the United Kingdom introduced standard CIT rate cuts, while in 2018 countries, including Argentina, France, Japan and the United States overhauled their tax system by cutting their statutory corporate income tax rates.

However, the take-up of structural reforms has moderated, in both advanced and emerging-market economies (OECD, 2019[98]) and the complexity of regulatory procedures is still an obstacle for SMEs and entrepreneurs.
(OECD, 2019[95]). In particular, reforms to improve the efficiency of insolvency regimes have been slow in many countries (Adalet McGowan and Andrews, 2018[96]), limiting the restructuring of viable firms and the second chance offered to entrepreneurs. Strategies to enhance civil justice systems have been widely adopted, reducing the length of civil justice proceedings through simplification of procedures, increased digitalisation of courts and the promotion of alternative dispute mechanisms. However, progress remains uneven and lengthy trials remain a challenge to business activity in some countries.

Youth and women face particular barriers in entrepreneurship

The potential of SMEs to drive job creation will not be realised until everyone has an equal opportunity to start a business and be successful in entrepreneurship. However, youth and women face particular barriers in entrepreneurship, with many of the businesses operated by women and youth remaining small and with lower levels of turnover and survival rates than those started by other groups (OECD/European Union, 2017[100]). The reasons for the gender gap in entrepreneurship are not so clear-cut. Institutional barriers may have a role, including family and tax policies that discourage labour market participation and entrepreneurship, as well as negative social attitudes towards women’s entrepreneurship. Women entrepreneurs typically have greater difficulty accessing finance than men (Lassébie et al., 2019[101]), meaning that women entrepreneurs typically start their businesses with less money and are more reliant on self-financing (OECD, 2017[102]). Women also tend to perceive that they lack entrepreneurial skills and have smaller and less effective entrepreneurial networks (OECD, 2017[102]). For youth, entrepreneurship skills is often a particular challenge since youth have had little time to acquire skills in the labour market, in addition to a lack of entrepreneurship role models, few financial resources, limited business networks and market barriers, such as low credibility with potential customers (OECD, 2012[103]).

Informal jobs are of lower quality and offer fewer opportunities for career development

Job quality is substantially lower for workers with informal jobs than for those in formal employment along all three dimensions of the OECD Job Quality Framework (Figure 16):

- **Lower earnings quality**: Informal workers earn significantly less on average than formal workers, even while earnings inequality is similar among the two groups. These lower average earnings are consistent with the widely held perception that informal jobs are less productive (Sillah, 2019[104]). Informal workers also do not benefit from minimum-wage legislation and collective bargaining. While earnings quality is lower among informal workers in all the countries analysed, the quality gap is widest in Argentina and South Africa and smallest in Mexico (not shown).

- **Greater labour market insecurity**: Informal jobs tend to be associated with a significantly higher incidence of extreme low pay in all the countries considered (approximately seven times higher on average across the countries analysed). Moreover, downward earnings mobility is generally higher in informal jobs, whereas upward earnings mobility is significantly lower. This illustrates that workers holding informal jobs not only face the most significant downward risks, they also have fewer opportunities for wage progression.

- **A higher incidence of very long hours**: The share of workers working very long hours averages 10% for workers in informal jobs, as compared to 6.7% for workers in formal occupations. In Turkey, one of the countries with the highest incidence of working very long hours, 29% of workers in informal jobs work more than 60 hours a week against 16% of those with formal jobs.
Informal workers have fewer opportunities to invest in their own skills and build a career, because they have less access to training and are more likely to face credit constraints and poor management practices. They are also more prone to suffer from income volatility, since informal jobs often lack social protection and health coverage and provide little capacity to build up entitlements for old-age pensions.

Policies that effectively support formal job creation and facilitate the transformation of informal activities into formal work particularly benefit the low skilled, young people and women, who are overrepresented in informal work. However, informality can be hard to escape leaving “scars” on workers’ careers and negatively affecting future labour market prospects (OECD, 2015[94]; 2018[79]).

**Access to finance is crucial for SMEs and informal workers**

Financing for SMEs and entrepreneurs is important at all stages of the business life cycle, in order to enable these firms to start up, develop and grow (OECD, 2018[105]). SMEs combine different forms of funding, both internal and external, to support their activities and growth. Bank lending is the most common source of external finance for many SMEs and entrepreneurs, which are often heavily reliant on straight debt to fulfil their start-up, cash flow and investment needs. However, SMEs are turning towards alternative sources of funding, including asset-based and equity funding (OECD, 2019[95]).

Asymmetric information and agency problems, including high transaction costs, limit access to credit for small businesses and start-ups in particular, which are often under-collateralised, have limited credit history and may lack the expertise and skills needed to produce sophisticated financial statements. Access to debt finance is also more difficult for firms with a higher risk-return profile, such as small, innovative and growth-oriented
enterprises, whose business models may rely on intangibles and whose profit patterns are often difficult to forecast. In emerging economies, funding gaps are often even more pronounced among SMEs and entrepreneurs and are among the main barriers to small business formalisation.

While many factors contribute to financial exclusion, informality is an important barrier to financial inclusion, both for individuals and micro, small and medium enterprises (MSMEs) in the informal economy who find it difficult to access and use formal financial services (International Labour Office, 2014[108]; International Finance Corporation, 2017[107]). Financial exclusion of both individuals and MSMEs is more widespread in countries where the size of the informal economy is greater (G20 Global Partnership for Financial Inclusion, 2018[108]).

The digital transformation is offering new opportunities to improve SME access to finance and access to formal financial services

Digital technologies, such as online and mobile banking and payment solutions, have had an important impact on traditional SME financing. They allow financiers to lower transaction costs when reaching out to underserved and underserved segments of the SME population and introduce accounting technology to help manage SME financial statements, as well as alternative credit scoring mechanisms using non-traditional sources of information, such as payment history, usage and payment of utilities, online activities and mobile history. This way lenders can address information asymmetries in a cost-effective manner and enable higher approval rates. Making use of transactional and alternative data can also help address demand- and supply-side obstacles (Global Partnership for Financial Inclusion, 2017[109]). Digitisation also offers a solution to financial exclusion driven by informality, by helping address eligibility and affordability barriers (G20 Global Partnership for Financial Inclusion, 2018[108]). In particular, FinTech is offering new opportunities for SMEs seeking finance by making it profitable for financial institutions to serve very small or informal businesses (OECD, 2019[105]).

The digital transformation offers new opportunities to improve SME access to finance and access to formal financial services can contribute to reducing informality in the long run (G20 Global Partnership for Financial Inclusion, 2018[108]). Digitalisation can help individuals and firms operating in the informal economy access financial services, which can increase the credibility of constrained individuals and firms, helping them overcome the entry cost into the formal sector (Capasso and Jappelli, 2013[110]). Access to formal financial services can also boost productivity, reducing informality and the number of individuals and MSMEs that choose to produce and trade in the informal sector (Beck and Hoseini, 2014[111]). For example, Argentina electronic invoicing, which can be resold, and electronic cheques can be used a source of short-term financing while a credit registry held by the central bank helps provide credit information.

To fully benefit from digitalisation, financial literacy is important. However, on average across G20 countries only 48 percent of adults able to answer 70 percent of financial knowledge questions correctly (OECD, 2018[112]).

The COVID-19 pandemic is significantly affecting SMEs due to a dramatic loss in revenue and severe liquidity shortages

The pandemic is significantly affecting SMEs, largely due to a dramatic loss in revenue affecting their ability to function, and/or severe liquidity shortages (OECD, 2020[113]). As such, there is a risk that SMEs, which in normal times are viable and sound businesses, face insolvency problems and unnecessary bankruptcy, resulting in permanent losses of businesses and jobs. While the pandemic is affecting all firms, SMEs are likely to be more vulnerable and less resilient due to their size, and generally are more vulnerable to social distancing than other companies (OECD, 2020[114]). The costs for preventing the spread of the virus as well as requested changes in work processes, such as the shift to teleworking, may be relatively higher for SMEs given their smaller size, but also, in many instances, their low level of digitalisation and difficulties in accessing and adopting technologies. If production is reduced as a result of the pandemic, the costs of underutilised labour and capital may be greater for SMEs than larger firms. Furthermore, SMEs may find it harder to obtain information not only on measures to halt the spread of the virus, but also on possible business strategies to cushion the shock, and government initiatives available to provide support.
G20 countries have introduced numerous policy measures to provide support in the face of the pandemic, with many these specific to SMEs (OECD, 2020[113]), including:

- temporary lay-off and sick leave and wage and income support for employees temporarily laid off so that companies can safeguard employment;
- the deferral of tax, social security, debt and rent and utility payments to ease liquidity constraints and in some cases, tax relief or a moratorium on debt repayments;
- loan guarantees to enable commercial banks to expand lending to SMEs and direct lending to SMEs through public institutions;
- grants and subsidies to bridge the drop in revenues; and
- the introduction of modified insolvency and bankruptcy (OECD, 2020[113]).

Informal workers are particularly vulnerable to the consequences of the COVID-19 pandemic, due to poor working health and safety conditions and lack of social safety nets

Informal workers are particularly vulnerable in the face of a crisis. Many informal workers are facing a dilemma of protecting themselves from the virus through protective health measures and maintaining a source of income to pay for their food and other basic expenses (OECD, 2020[114]; OECD, 2020[115]; OECD, 2020[116]; OECD, 2020[117]). Often poor occupational, health and safety conditions mean that informal workers are unable to undertake sufficient precautions to protect themselves from the virus (OECD, 2020[118]). For example, in some G20 economies, informal workers are concentrated in low-productivity jobs requiring physical presence, with no possibility to work remotely (OECD, 2020[117]). However, survival for many informal workers may not only be threatened by COVID-19, but by some containment measures that have the side effect of forcing informal workers to give up their livelihoods, alter their ways of working and reducing incomes or making it impossible for informal workers to earn their livelihoods (OECD, 2020[119]). Compounding these concerns is that informal workers often do not benefit from social protection measures. The absence of safety nets to confront the consequences of this shock will thus worsen its consequences for informal workers.

Enhancing access to opportunities for SMEs and entrepreneurs and tackling informality requires a comprehensive strategy

Enhancing access to opportunities for SMEs as well as informality are complex problems that reflect a combination of different factors. As such, policy action requires a comprehensive strategy through a mix of policies in various fields. Enhancing access to opportunities for SMEs requires both broad policies that support SMEs, as well as specific, targeted policies. Reducing informality needs to rest on three pillars: increasing the perceived benefits of formal employment, reducing the costs of formalisation and strengthening enforcement methods (OECD, 2015[120]). Improving the evidence base on the informal sector is useful to more closely monitor evolutions and the effectiveness of policy intervention.

Creating a business-friendly environment that creates an equal playing field for SMEs and encourages formal job creation

A business-friendly environment is an essential pre-condition for productivity growth, and business-friendly policies can help create conditions in which both SMEs and formal, good-quality jobs can flourish. G20 countries should continue to reduce regulatory barriers for SMEs. Firstly, countries should continue to implement a user-centric approach to regulation and policy making, by promoting the integration of SME-related considerations upstream in regulatory policy making and along the whole policy cycle (OECD, 2019[95]). Secondly, countries should continue to enact reforms to strengthen public sector integrity and transparency through the establishment of codes of conduct and fraud risk mapping exercises, compliance with conflict of interest policies and asset declaration policies, improved transparency for lobbying activities, and anti-corruption guides for businesses, which are often developed in cooperation with business and industry associations (OECD, 2019[95]).
Thirdly, countries should continue to strengthen e-government functions and leverage digital technologies and Big Data. This would help SMEs to simplify administrative procedures, improve public service quality and outreach, reduce administrative burdens, such as business and worker registration, and reduce compliance costs (OECD, 2019[95]).

Conditions to encourage job formalisation include a legal system that enforces property rights and contracts in a fair and timely manner (Quatraro and Vivarelli, 2014[121]). Having the legal power to demand that contracts be upheld is a major advantage for firms of being in the formal sector and should be guaranteed by the government. An effective judiciary is also key for productivity and job growth, as it allows formal firms to access credit, reduces uncertainty for foreign investors and supports participation in global value chains (Perry et al., 2007[122]). Digitalisation can help to reduce informality. As cash payments are at the core of informality, promoting the uptake of digital payment tools would reduce the scope for cash transactions and help to unveil informal activities. One example of such tools includes e-wallets and other innovative payment methods, which could reduce the use of cash even for small transactions and at a negligible cost for the users (OECD, 2019[123]).

Relaxing stringent product market rules could spur competition, raise productivity growth and boost the creation of formal jobs (Koske et al., 2015[124]). Barriers to entrepreneurship, trade and investment tend to be considerably higher in EEs than in more advanced OECD countries. They often protect incumbents against competition from outsiders by imposing high administrative hurdles to potential entrants. State control, as reflected by high shares of public ownership in the market sector, also tends to be more important. The adverse consequences of these barriers for productivity and formality often compound with overly strict employment protection legislation and high minimum wages.

**Supporting women and youth entrepreneurship**

To promote entrepreneurial opportunities for women, policies should remove institutional influences that affect motivations and intentions and correct market failures that constrain women's entrepreneurship. Role models and ambassadors may help reduce the negative influence of social attitudes and cultural views and raise awareness about and increase motivation for the potential of entrepreneurship for women. Training courses and mentoring could develop women's entrepreneurial skills (although there remains debate on whether training content and methods need to be differentiated for women entrepreneurs) and bringing entrepreneurs and business services professionals together could help build women entrepreneurial networks and ensure linkages to mainstream infrastructures (OECD, 2017[102]). Grants or microcredit could help improve access to finance, with a growing trend in public policy to offer more substantial tailored financial support for women entrepreneurs with growth-oriented businesses, including venture capital investment (OECD, 2017[102]). For example, in 2009 China launched a subsidised micro credit scheme for women, which has issued USD 54.9 billion of loans and served 6.56 million women. The high-level policy guidelines on digital financial inclusion for youth, women and SMEs being developed by the Global partnership on Financial Inclusion over the Saudi G20 Presidency in 2020 will help boost financial inclusion.

To help reduce the barriers to youth entrepreneurs, policy responses could include entrepreneurship training, grants and loans for business start-up, coaching and mentoring and support in network building. Entrepreneurial skills programmes can help build specific technical skills within the education system, for example business planning and accessing start-up financing skills as well as learning about the value of networks. It is also important to re-examine the role of entrepreneurship training within vocational training. Youth should also develop entrepreneurial skills outside of the education system, with governments collaborating with community and business organisations to bring students out of schools and into businesses, providing students a first-hand look at the day-to-day operation of small firms.
Ensuring effective labour market regulation, keeping labour taxes moderate and strengthening compliance to encourage job formalisation

Labour market regulation has traditionally been a popular instrument for governments in EEs to ensure adequate working conditions in the formal sector. However, governments should use regulation carefully to avoid unnecessarily adding to the cost of formal employment. While the design of occupational and safety regulations should be driven primarily by considerations for the well-being of workers rather than the costs to firms, this is less clear in the area of employment protection regulations, provided that effective social-assistance and unemployment-insurance systems are in place. Such an approach is likely to increase the attractiveness of formality to firms by reducing payroll and dismissal costs, while at the same time providing more effective protection to workers and their families. Brazil provides a good example of the benefits of this approach. Over the past two decades, Brazil adopted a number of policy measures to reduce the costs of formality, such as the “Simples Law” that introduced a more progressive tax structure and simplified the collection of taxes and social security contributions. It is estimated that these measures contributed to the formalisation of 500 000 microenterprises accounting for 2 million jobs from 2000 to 2005 (Delgado et al., 2007[125]).

Labour taxes should be kept moderate as they can represent a substantial cost for the creation of formal jobs, particularly low-skilled ones (Cano-Urbina, 2015[126]; Bosch and Esteban-Pretel, 2012[127]; Frölich et al., 2014[128]). While labour tax rates tend to be similar or lower on average in EEs than in advanced OECD countries, they tend to be much higher for low-wage workers (OECD, 2015[94]). This reflects a much greater reliance on social security contributions, which tend to be proportional to income, as opposed to personal income taxes, which tend to be more progressive. This has potentially important implications not only for labour market inclusiveness, but also the attractiveness of the formal sector.

Labour, tax and social security regulations should be effectively enforced to combat informal employment. In most EEs, effective enforcement requires additional resources for labour inspectorates since labour inspectors tend to be few and their training insufficient. Sanctions in cases of non-compliance should be complemented with technical assistance to help workers and firms navigate administrative processes. Increasing the perceived benefits of formal employment is also important. Firms and workers need to clearly recognise the benefits of formalisation. Governments should improve the quality of the public services they deliver and strengthen the link between contributions and benefits in social protection schemes. Better public services will increase people’s trust in their governments and strengthen their motivation to join the formal sector. Argentina enhanced incentives for declaring previously informal work or for creating new formal jobs through the 2017 Empalme programme that allows beneficiaries of social programmes to keep their benefits for 24 months when they find formal employment. The employer can deduct the amount of the benefit from the wage bill. Effectively, this implies a conversion of social benefits into a temporary employment subsidy (OECD, 2019[129]). South Africa included domestic workers in the Unemployment Insurance Fund in 2003, increasingly bringing them into the formal sector.

Formal work also needs a skilled workforce that is productive and well paid enough to compensate for the formality costs of social security contributions, personal income taxes and regulatory requirements. Policies that help workers acquire and maintain relevant labour market skills, as discussed in the next section, can therefore be an important component of efforts to tackle informality.

The platform economy makes transactions digitally traceable and may facilitate the shifting of activities from the informal to the formal economy (OECD, 2018[130]). It hence brings the potential to increase social protection coverage and tax compliance. Unlocking platform payment data to collecting social security contributions and taxes can also lower the administrative burden on individuals, which can be substantial, especially when individuals derive only occasional or low incomes from self-employment. For example, Indonesia has introduced a compulsory accident insurance scheme for motor-taxis hailed through an online application where a portion of the fare is automatically deducted to insure both the driver and passenger for the duration of the trip (ILO and OECD, 2018[131]).
Improve access to financing by implementing the G20/OECD High-Level Principles on SME Financing

Recognising that financing needs and constraints vary widely across the SME population and along the life-cycle of firms, the G20/OECD High-level Principles on SME Financing advocate a holistic approach to address existing demand- and supply-side obstacles to SME financing, calling for strengthening SME access to credit, while also supporting the diversification of their financing sources (Box 1). In addition, under the Saudi G20 Presidency in 2020, the Global Partnership on Financial Inclusion (GPFI) is focusing its work on harnessing digital and innovative technologies to boost the financial inclusion of SMEs, in addition to youth and women. Over 2020 the GPFI will formulate high-level policy guidelines on digital financial inclusion for youth, women and SMEs.

Box 1. The G20/OECD High-Level Principles on SME Financing

1. Identify SME financing needs and gaps and improve the evidence base.
2. Strengthen SME access to traditional bank financing.
3. Enable SMEs to access diverse non-traditional financing instruments and channels.
4. Promote financial inclusion for SMEs and ease access to formal financial services, including for informal firms.
5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection.
6. Improve transparency in SME finance markets.
7. Enhance SME financial skills and strategic vision.
8. Adopt principles of risk sharing for publicly supported SME finance instruments.
9. Encourage timely payments in commercial transactions and public procurement.
10. Design public programmes for SME finance which ensure additionally, cost effectiveness and user-friendliness.

Source: Financing SMEs and Entrepreneurs (OECD, 2019[132]).

Improving the evidence base on informality

Closer monitoring of how employment in the informal sector is evolving and the effectiveness of policy intervention requires further improvements in the availability of comprehensive and comparable data. While there are many challenges to measure the informal sector due to its inherent characteristics, the mandate from the 20th International Conference of Labour Statisticians (ICLS) to the ILO to revise the standards for statistics on informality will aid by creating one coherent framework. Other recent evolutions in data for the informal sector include the new OECD Key Indicators of Informality based on Individuals and their Household (KIdIH), available for 27 countries, including Argentina, Brazil, Indonesia and South Africa.

Challenge 4: Helping workers make best use of their skills in a changing world of work

Proper skills matter for accessing opportunities in the labour market. Adults with greater literacy and numeracy skills and with a greater number of years in education have better labour market outcomes (OECD, 2017[38]). In addition, labour markets are currently experiencing profound transformations in their occupational and industrial structures. Adult learning is essential so that people can upskill and reskill throughout their working lives. Adult learning widens the career opportunities available for everyone as well as for those who risk losing their jobs to automation. Adult learning is particularly important for low-skilled workers, who are less likely to participate in training. What people learn is also key: people must develop the right skills to successfully navigate the transition to the digital world of work.
Technology is making some workers’ skills redundant while requiring new ones

New technologies have been replacing workers in many middle-skill routine occupations while creating new jobs at both the high and low ends of the skills spectrum (OECD, 2017[133]; Autor, 2015[134]). This trend can imply fewer opportunities to join the middle class for lower-skilled workers and a greater risk of falling to a lower-skill job for middle-skill workers. Although difficult to fully measure because occupations do not always fit neatly into skill levels, since the mid-nineties, there appears to have been a net shift of employment to high-skill occupations in all advanced G20 countries except Japan, as well as in India, Russia and Brazil (Figure 17). By contrast, there has been a net shift of employment to low-skilled occupations in Japan, Mexico, South Africa and Turkey. Work by the OECD suggests that the middle class is becoming squeezed, with fewer people in the middle-income class than three decades ago (OECD, 2019[9]). Digitalisation is also resulting in services becoming increasingly traded, opening up certain labour-market opportunities. However, the potential for digitalisation to enhance labour-market opportunities could be further enhanced, with markets fragmented due to geographical, institutional, cultural and regulatory differences, and due to exclusive rights for certain professionals to provide a service in a specific jurisdiction (OECD, 2017[135]). On the other hand, digitally-enabled trade in services also means that jobs that were once shielded from globalisation due to geographical barriers are no longer protected.

Figure 17. Middle-skill occupations have declined over the past two decades

Percentage point change in the share of total employment (advanced G20 countries) and percentage point change in the share of working adults in each skill group (emerging G20 countries), mid-1990s to mid-2010s

Note: High-skilled occupations include jobs classified under the ISCO-88 major groups 1, 2 and 3, that is, legislators, senior officials, and managers (group 1), professionals (group 2), and technicians and associate professionals (group 3). Middle-skilled occupations include jobs classified under the ISCO-88 major groups 4, 6, 7 and 8, that is, clerks (group 4), skill agricultural and fisheries workers (group 6), craft and related trades workers (group 7) and plant and machine operators and assemblers (group 8). Low-skilled occupations include jobs classified under the ISCO-88 major groups 5 and 9, that is, service workers and shop and market sales workers (group 5), and elementary occupations (group 9). 1995-2015 for advanced G20 countries, 2004-2017 for Argentina, 1995-2015 for Brazil, 2000-10 for China, 1994-2012 for India, 2007-15 for Indonesia, 1995-2017 for Mexico, 1997-2017 for the Russian Federation, 1996-2007 for South Africa, 2001-10 for Turkey. EU17 represents an unweighted average of mostly western, northern, and southern European countries for which data are available. Source: (OECD, 2019[e]). LHS uses calculations from How technology and globalisation are transforming the labour market, in (OECD, 2017[130]). RHS calculated using data from ILO KILM, www.ilo.org/kilm, except China (Chinese Census, www.stats.gov.cn/english/statisticaldata/censusdata).
Automation will likely continue to make some workers’ skills redundant while requiring new skills. Recent OECD work estimates that one-in-seven jobs will be automated over the next 15-20 years\(^\text{11}\) (Nedelkoska and Quintini, 2018\(^\text{[136]}\)) (Figure 18). An even greater share of workers will see the task content of their jobs change significantly.

**Figure 18. One-in-seven jobs estimated to become automated over the next 15-20 years**

While technology is changing the demand for skills, it is also opening up opportunities for the inclusion of groups who may have been previously excluded from the labour market. For example, for people with disabilities, the rapid progress in information and communications technology (ICT) and assistive technology has offered ever-increasing opportunities to participate in the labour market (OECD and ILO, 2018\(^\text{[137]}\)). Technology may also help older workers stay longer in the labour market if they are equipped with the capacities to do these jobs (OECD, 2019\(^\text{[138]}\)).

**Adult learning is essential for workers, and particularly low-skilled workers, to be able to upskill and reskill**

Access to adult learning ensures that people can upskill and reskill throughout their working lives. Only a few countries perform well on indicators that measure equity of opportunities in learning over the life course, including Japan and Korea (OECD, 2017\(^\text{[38]}\)). Access to education and training is particularly important for low-skilled workers who are less likely to participate in training (Grotlüschen et al., 2016\(^\text{[139]}\); OECD, 2019\(^\text{[4]}\)). For example, the OECD’s Survey of Adult Skills found that only 22 percent of low-skilled workers participated in formal or non-formal job-related training over the previous 12 months compared to 62 percent of high-skilled workers (Figure 19). Training is also important for older workers to ensure that they are equipped with the

\(^{11}\) Estimated for the 32 countries that participated in the OECD Survey of Adult Skills (PIAAC).
capacities to participate in the labour market. Across many G20 countries, including Canada, France and Germany, older workers are also less likely to receive training than other groups (OECD, 2019[140]).

**Figure 19. Adults with low literacy participate less in adult education and training**

Percentage of adults aged 25-65 at Level 1 and below and Level 4/5 in literacy, involved in formal or non-formal adult education training

![Adults with low literacy participate less in adult education and training](image)

Note: The PIAAC sample for the Russian Federation does not include the population of the Moscow municipal area. The data published, therefore, do not represent the entire resident population aged 16-65 in Russia but rather the population of the Russian Federation excluding the population residing in the Moscow municipal area. ENG denotes England. EU16 is an unweighted average of 16 countries or regions in the European Union for which data are available.

Source: (Grotlüschen et al., 2016[139]) using calculations based on PIAAC.

It is equally important for people to build the right skills. Skills to successfully navigate the transition to the digital world of work include strong general cognitive skills, such as literacy and numeracy, ICT skills and analytical skills (OECD, 2019[141]). Other complementary skills include problem solving, creative and critical thinking, communication skills and a strong ability to continue learning. Working in growing occupations linked to new technologies requires advanced ICT skills such as coding. In addition to having minimum digital fluency and literacy societies, others suggest that societies must further build on the skills that artificial intelligence and tele-migrants cannot do (Baldwin and Forslid, 2020[142]).

Skill mismatch is significant across G20 economies, particularly in emerging G20 economies

Further skill development is important to reduce skill mismatch across G20 countries, which occurs because some workers are under-qualified while others are over-qualified for their occupation (Figure 20). In the G20 advanced economies with the exception of Australia, under-qualification is more important (OECD, 2018[79]), suggesting a need to upgrade skills and provide better information on labour market skill needs. By contrast, among the G20 emerging economies for which suitable data are available with the exception of South Africa, over-qualification tends to be relatively more important. This suggests that in emerging economies there are greater problems in setting up and running businesses that fully take advantage of skilled labour. Skill mismatch prevents firms and workers from reaching their full potential, resulting in lower productivity, wages and job satisfaction (Adalet McGowan and Andrews, 2015[143]; Adalet McGowan and Andrews, 2015[144]; OECD, 2017[145]). Skills mismatch also lowers the returns to education, therefore lowering the incentives for workers to invest (Levy and LLpez-Calva, 2016[146]).
Figure 20. Skills mismatches are significant across G20 economies

Percentage of workers who are over- or under-qualified for their occupation

Note: Mismatch is calculated as the share of individuals with a higher (over-qualification) or lower (under-qualification) level of qualification than the modal level in his/her occupation.

Source: OECD Skills for Jobs database (OECD, 2018[147]).

COVID-19 will make it more difficult for workers to make the best use of their skills in a changing world of work

Many workers are becoming unemployed and may be struggling to access opportunities in the labour market due to the economic downturn and consequences of the pandemic. In addition to a large increase in the number of jobseekers, the pandemic may be speeding up some of the transformations occurring in labour markets outlined above that are making some workers’ skills redundant while requiring more of others by further shifting the demand for labour across sectors and speeding up digitalisation. Moreover, the demand for higher-level skills may have increased and this trend may have occurred even in sectors that have traditionally relied on low-skilled labour, such as food services, retail, and administrative work (OECD, 2020[148]). At the same time, digital exclusion is reinforcing income and social inequality, as some people may not have the skills to register for public employment services (PES) online and to make digital benefit applications (OECD, 2020[148]).

The acceleration of these transformations even further intensifies the need to provide workers with high-quality information on the labour market and provide fast and smooth support for workers to upskill. However, to provide this support, PES and vocational education and training (VET) and other adult learning systems will need to adapt their way of working. VET and adult learning systems are being uniquely impacted, not only in relation to how they provide their services in the context of current social distancing and travel restrictions, but also in terms of how they are being forced to anticipate and adapt to what could be a significantly changed labour market in the coming months and years (OECD, 2020[149]). Containment measures in many countries have interrupted learning in both workplaces and the classroom and have been particularly disruptive to work-based learning, including apprenticeships, and systems used to assess skills and ultimately award qualifications. While in the short-term this presents serious challenges for teachers, trainers and learners, the lockdown may ultimately result in stronger and more resilient VET and adult learning systems if the right choices are made today (OECD, 2020[149]). In particular, if containment measures continue over a long period of time, wholesale closures of education and training institutions may force learning providers to adopt system and technology innovations that will expand the use of distance learning and distance or alternative assessments, which may improve access to upskilling opportunities.
Support workers to upskill and reskill through adult learning

In a context of rapidly transforming labour markets, effective adult learning policies can be a powerful tool to promote access to opportunities by giving workers the opportunity to upskill and reskill throughout their careers. To be effective, adult learning programmes need to convey the relevant skills, be of good quality and be accessible for those who need them the most. This may require reducing the financial and time barriers to adult learning, linking training to individuals rather than to jobs, ensuring that education and training programmes respond to skill demand and improving transparency through certification. Re-employment services and active support for jobseekers, including job search assistance and well-targeted quality training, can be an important component of adult learning strategies by ensuring that those side-lined by rapid labour market transformations manage to regain a foothold in the labour market.

Reducing financial barriers to adult learning

The direct and indirect costs of adult learning can be an important barrier, especially among firms and individuals with limited financial resources (OECD, 2017[150]). Most countries heavily subsidise education and training; however, subsidies vary substantially across countries (OECD, 2016[151]) and adult learning receives considerably less of these subsidies than other levels of education (OECD, 2017[150]). Employers also invest in education and training, but potentially less than what is socially optimal due to market failures, such as a lack of knowledge of the benefits of training and the risk of employees leaving (OECD, 2017[150]).

Financial incentives can reduce barriers to adult learning, and typically include a mixture of subsidies, savings mechanisms, tax incentives, loans and study/training leave, targeted at individuals and/or firms (OECD, 2019[152]). Targeting employers is more likely to meet specific labour market needs and work-related skills while targeting individuals can promote the acquisition of portable and in-demand skills, particularly among vulnerable or disadvantaged groups (OECD, 2019[152]). When incentives contain an element of individual co-financing their effectiveness tends to be enhanced, as co-financing reduces the risk that the subsidised training has little social value (OECD, 2006[153]). Financial incentives that rely on larger contributions from individuals and employers are less financially constraining for governments but may require a system based on mandatory contributions to ensure that sufficient resources are mobilised. Examples of these systems include individual learning accounts or time accounts (discussed further below) or training levies. It is also important that high taxes do not act as a large disincentive to skills investment (OECD, 2017[154]).

Reducing time and flexibility barriers to adult learning

A lack of time or set schedules can also be a barrier against adult learning. For nearly half of the respondents of the OECD Survey of Adult Skills, the burden of work or family left no time for learning activities. Flexible learning provisions to reduce time and flexibility barriers include learning part time, in the evenings, weekends, by distance or in a modular and/or credit-based format. Modular approaches can also help adult learners to focus on developing the skills they currently lack by completing self-contained learning modules on these skills and eventually combining these modules to gain a full (formal) qualification. Such provisions can broaden access to formal qualifications, in particular for disadvantaged groups (Kis and Windisch, 2018[155]). Increased flexibility at work may also allow for simultaneous learning and working. Two-thirds of the estimated training cost comes from the indirect cost of foregone wages, so important savings could be made by enabling learning and working at the same time (OECD, 2019[141]).

Massive open online courses (MOOCs) offer a new digital platform to acquire and diffuse knowledge without scheduling or geographical constraints. However, the potential of open education and MOOCs has yet to be

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12 The 2010 G20 Training Strategy and the 2015 G20 Skills Strategy highlighted the challenges and policy directions for G20 countries to improve access to training and skills development and adapt skills policies to the requirements of current and future labour markets.
fully realised, partly because their content does not fully match employers’ needs and their quality is uneven. Evidence suggests that they are mostly used by those who combine work and formal education and used to a lesser extent by those who are employed and not in formal education (OECD, 2019[141]). Currently, highly educated and highly skilled adults are more likely to use MOOCs, meaning that there is scope to extend their potential for skills development among less-skilled individuals. However, for low-skilled individuals to take full advantage they would require training in basic numeracy and digital skills.

Making adult training worker-centred by linking it to individuals rather than jobs

The changing nature of work may call for a re-think of the rights and duties of workers, firms and government in the management and provision of adult learning. In particular, a stronger case is building for attaching training rights to individuals rather than jobs. Not only is there increasing uncertainty around the skills required by employers in the future, but the world of work is becoming less organised around long-term employer-employee relationships and more often through non-standard work relationships, including platform and independent contract work. An increasing share of the workforce no longer has an employer who is responsible for the provision of training and may lack the information or resources required to pursue training on their own.

One way to attach training rights to individuals rather than jobs and therefore making training rights portable between jobs and available to all irrespective of employment status, is through individual learning schemes (ILS) such as individual learning accounts (ILAs) or time accounts (OECD, 2017[150]; OECD, 2019[156]). ILAs are (tax-sheltered) savings accounts that can be opened by individuals for the purpose of funding future learning activities. Time accounts allow individuals to save up time (rather than money) which they can subsequently use for paid time off to participate in training. One downside of attaching training rights to individuals rather than jobs is that training chosen by individuals may not respond to the demand for skills. In response, some countries require training programmes to be chosen from a list of eligible programmes, for example in France until December 2018, which can improve the labour-market relevance of training (OECD, 2019[157]). Evaluations of the impact of ILS are relatively rare. ILS are often found to increase enrolment in training but deadweight costs can be important (OECD, 2019[156]). The results on whether ILS manage to reach the most disadvantaged groups are mixed.

Box 2. Country practices to support workers to upskill and reskill and find quality job matches

Financial incentives for individual learners

France introduced a time savings account called “Compte Personnel de Formation” (CPF) in 2015, where employees, and since 2018 all working-age adults, accumulate time credits for training in their individual accounts (OECD, 2018[79]) (OECD, 2017[156]). Low-qualified individuals accumulate more credits per year and youth leaving the education system without qualification, for example, receive additional credits. Training credits can only be used at the initiative of the individual, are preserved upon job loss and are transferrable between employers, ensuring potentially strong incentives for individuals to train throughout their lives. These training hours can be used to acquire recognised qualifications or basic skills, or to take up a list of training courses selected by the Regional Councils, the social partners and the professional associations, which often reflect foreseeable economic needs (OECD, 2017[150]). Alongside the CPF has been a quality certification process of training providers, accompanied by an online information platform, also available via an app, to help learners navigate the offer and pay learning providers directly from their CPF (OECD, 2019[152]). Participation in the CPF increased slowly, largely due to the complexity of the scheme. A modified CPF scheme was implemented in January 2020 aiming to simplify the process (OECD, 2019[156]).
Activating displaced workers

In Australia, the Skills and Training Initiative is part of the Growth Fund, an AUD 155 million fund to support businesses and regions affected by the closure of Australia’s car manufacturing industry (OECD, 2019[152]). It is co-financed by government and industry. Taking advantage of long lead times in advance of factory closures, onsite transition centres provided employees in addition to workers in the supply chain with informed career guidance, recognition of prior learning and retraining based on occupations and sectors in demand. Furthermore, the factory invited possible new employers to visit the factory to see the type of work that employees were doing in order to facilitate their re-employment. Survey evidence found that 84% of former factory employees had found new employment or entered retirement at the time of plant closure.

Ensuring that education and training programmes respond to the demand for skills

To ensure that education and training programmes correspond to current and future in-demand skills, some G20 countries have developed skills assessment and anticipation (SAA) systems which, to varying degrees, aim to identify the types of occupations, qualifications and fields of study in demand in the labour market, or that may become so in the future. These systems vary greatly across countries, according to the definition of skills, the methods used, as well as the geographical coverage, timespan and frequency of the assessments. Some G20 countries, such as Germany, forecast both occupation and qualification needs using qualitative and quantitative data (OECD, 2017[159]). Others regularly engage stakeholders. For example Australia, Canada, France, Germany and the United Kingdom have dedicated councils and committees involving both employers and trade unions to assess future skills requirements (OECD, 2019[152]). In Korea, the government, in cooperation with Industry Skills Councils, use labour market information to develop national occupational standards, which are applied to vocational education and training qualifications to ensure that they meet the needs of the workplace (OECD, 2019[157]). There is currently an opportunity for the output from these skills assessment and anticipation (SAA) exercises to be more exploited or shared across several relevant policy areas, including education and training, employment and migration (OECD, 2019[157]). This information on future in-demand skills needs to be compared to the current available education and training options. In Saudi Arabia, the Tamheer programme trains graduates on the job to gain the required skills (Human Resources Development Fund, 2020[160]).

Improving certification of prior and current learning

Recognising and certifying prior learning would help to increase an individual’s employability and skills use, particularly for informal workers trying to transition into the formal sector, and reduce skill mismatches, in part by reducing the incidence of under-qualification (OECD, 2019[152]). For example, in France, social partners developed the CléA certificate in 2016 in order to assess and validate an individual’s skills. In South Africa, the Recognition of Prior Learning programme has strengthened the signalling power of skills for individuals who had been previously denied access to quality formal education under the apartheid system (OECD, 2017[159]).

Better recognising current adult learning by defining standards and good practices will help certifications more clearly signal the quality of the training and the skills acquired (OECD, 2018[79]). Clear and well-defined quality assurance systems for adult learning are rare (Broek and Zoetermeer, 2013[161]), largely due to the diversity and number of adult learning providers. Regular and systematic quality assessments are needed to monitor learning and labour market outcomes and determine impact evaluations. These assessments should be disseminated widely and effectively by establishing minimum standards through licencing, certification and labelling systems. Some countries already monitor and evaluate programmes. In Turkey, for example, the “e-mezun” web portal collects information on VET graduates’ learning and labour market outcomes, which allows the strengths and weaknesses of the VET system to be assessed. In the United States, any programme...
authorised under the Workforce Innovation and Opportunity Act monitors the employment outcomes of participants and makes this information available to both participants and policy makers.

Providing effective re-employment support to jobseekers

Quality re-employment services and active labour market policies can improve access to opportunities by providing help to the unemployed (and other inactive groups) with finding work and contributing to improve the quality of job matches. Typical services include the provision of labour market information, job search assistance (e.g. guidance for finding jobs, help drafting a resume), direct placement or active job brokering (e.g. collecting job vacancies, making job referrals), training and rehabilitation, subsidised employment opportunities, and in certain cases, direct job creation measures.

An effective activation strategy requires measures to ensure that jobseekers have the motivation to search actively and accept suitable jobs and measures to expand job opportunities. Measures to expand job opportunities include addressing demand-side barriers through actively engaging and assisting employers in hiring and retaining workers and reducing high non-wage labour costs, as well as reaching out to employers to use adequate recruitment tools. These measures can be combined with interventions to increase the employability of those who are less employable – for example, by offering intensive case management and placement services, participation in training and subsidised employment programmes, as well as lifting supply-side barriers to participation related to for example transportation, childcare, or social and health problems.

Quality re-employment support and active policies require well-resourced public and private employment services with the capacity to provide jobseekers with assistance through well-trained professionals, to offer relevant, good-quality programme options and to maintain close ties to employers. This can be very costly, and some advanced G20 economies spend substantial resources on re-employment services and active policies. Public expenditures on active labour market support in 2017 varied across G20 economies, ranging from 0.9% of GDP in France to 0.1% in the United States (Figure 21, OECD (2020[162])).

Figure 21. Public expenditures on active labour market policies in G20 economies varies widely

Public expenditure as a percentage of GDP, 2017

% of GDP

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<thead>
<tr>
<th>Country</th>
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<th>Measures</th>
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<tr>
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<tr>
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Note: Services include category “10: PES and administration”. Measures include categories “20: Training”, “40: Employment incentives”, “50: Sheltered and supported employment and rehabilitation”, “60: Direct job creation” and “70: Start-up incentives”.

Source: OECD Labour Market Programmes database.

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Conclusion

This paper focuses on four specific challenges for G20 economies to enhance equal access to opportunities from early childhood and through an individual’s working life and proposes policy options on how G20 countries can address them and discusses some of the economic and social impacts of the COVID-19 pandemic and impacts for the most disadvantaged groups.

Firstly, G20 countries should enhance access to opportunities for youth. Access to opportunities at a young age is crucial so that young people can obtain the necessary skills to succeed throughout their lives. However, an individual’s socio-economic and demographic background affects their access to education. Efforts are needed to remove barriers preventing children from disadvantaged backgrounds from accessing early childhood education and ensure that low-performing students have sufficient resources. Social support can improve access to opportunities for children from disadvantaged families and help young adults who struggle at school or with the transition to work with personal or family problems or other social needs. Young people who lose track on their transition from school to work may need employment support, including additional targeted training, to jump-start their careers.

Secondly, G20 countries can enhance access to opportunities for women by promoting good-quality employment. On average, women have lower employment rates and poorer job quality than men, meaning that they have fewer opportunities to make the most of their talents, utilise their skills and fully live up to their potential. To improve women’s access to opportunities, policies to tackle the gender participation gap need to be accompanied by measures to tackle gender gaps in job quality. Governments should strengthen care policies and provision and change stereotypes and norms around caregiving and housework, tackle gender disparities across occupations and improve the evidence base on gender gaps in the labour market.

Thirdly, G20 countries should enhance access to opportunities for SMEs and entrepreneurs and tackle informality to enhance good-quality job opportunities. Financing for SMEs and entrepreneurs is important to enable these firms to start up, develop and grow, and contribute to employment, growth and social inclusion. Job quality is substantially lower in the informal sector, which is a major drag on workers’ well-being. Informality is a complex problem and likely requires a comprehensive strategy that tackles the different issues jointly through a mix of policies in various fields, which should include creating a business-friendly environment that encourages formal job creation, ensuring effective labour market regulation, limiting labour taxation and strengthening compliance and attaining a skilled workforce.

Lastly, G20 countries should help workers make best use of their skills in a changing world of work. Policies are required to promote and help people to keep developing their skills, paying particular attention on changing skill demand. This may include policies that promote lifelong learning, in particular ensuring that education and training programmes respond to skill demand and reducing barriers to lifelong learning for individuals. To make the best use of peoples’ skills, policies are required to improve skills matching. Given that labour market transformations are affecting regions differently, policies are also required to facilitate skill movements across geographic regions.

G20 countries are also grappling with the economic and social consequences of the COVID-19 pandemic, which risks further widening existing inequalities in access to opportunities. For youth, the growing inequality in parents’ resources due to the economic crisis and spending more time in home environments, which can differ widely across youth, is increasing the number of environmental risk factors. At the same time, the pandemic is reducing the number of protective factors, such as extra-curricular activities, the opportunity to interact with supportive adults at school and in the community and reducing access to vital family and care systems. Women are leading the health response, and are hence facing a greater risk of infection while confinement measures are likely to lead to increased demand for unpaid work at home, a burden that typically more falls on women. Women are likely to be more vulnerable than men to any crisis-driven loss of income given that women often earn lower incomes and have less financial buffers than men, experience higher poverty rates, are more likely to work in the informal sector and hold less wealth. Informal sector workers are facing a dilemma of protecting...
themselves from the virus through protective health measures and maintaining a source of income to pay for their food and other basic expenses while SMEs are experiencing a dramatic loss in revenue affecting their ability to function, and/or severe liquidity shortages. The COVID-19 pandemic may also be speeding up the development of long-term trends, including for digitalisation and automation, which will have flow-on effects on access to opportunities.
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