



**Room Document for G20 Employment Working Group Meeting  
Antalya, 26 February 2015**

1. **Think 20 welcomes the transformation of the G20 Employment Task Force into the G20 Employment Working Group.** Think 20 (T20) is a network of premier think tanks from the G20 economies and is as an outreach group of the G20. T20 produces ideas to help the G20 on delivering concrete and sustainable policy measures and serves as an "ideas bank" for G20 policy-makers. This document highlights some of the significant employment related issues that the global economy faces and recommendations by the T20 on advancing the G20 Employment Working group agenda<sup>i</sup>.
2. **Since the 2008 financial crisis, unemployment and rising vulnerabilities, has become central to global economic discourse including within the G20 framework.** At the Brisbane summit G20 Leaders set the additional 2.1% growth target by 2018 and each country submitted growth strategies towards achieving this target. There is a significant focus on employment as part of individual country growth strategies.
3. The Employment Working Group can endorse analyses of underlying causes of cyclical and structural unemployment, and other employment challenges such as advances in labor-saving technologies, skills-transformation issues, and labor market and social security regulations that fall short of meeting contemporary demands.
4. **Technological transformation has far reaching implications on the global workforce.** Technology can create unemployment by displacing certain occupation groups. Technology could also alter the nature of manufacturing and supply chains, leading to new patterns of specialization in global employment. For instance, 3D printing can shift manufacturing production processes in global value chains, transform supply chains fundamentally, and localize production by bringing it closer to consumers. The impact of technological change will differ from country to country, possibly affecting high, middle and low skilled jobs, resulting in inequalities as well as in new skills requirements. While premature deindustrialization reduces low-skilled jobs in emerging countries<sup>ii</sup>, data-driven innovation is likely to displace high-skilled professionals in services industries such as medicine in developed economies. According to one projection 47% of current jobs will be automated in the next two decades<sup>iii</sup>. As a direct consequence, the share of wage income in national income in many countries is in a declining trend. The Employment Working Group can:
  - a. Endorse international organizations (IOs) to identify and report factors that affect the global fall in the wage share in total factor income, which contributes to already existing inequalities. The Turkish Presidency suggested in its priorities document that a discussion on the declining share of wages in total factor income in many nations around the world be initiated, starting with a review of the evidence base by IOs. Leaders need to provide political

endorsement of such work that will be carried out by the Employment Working Group in 2015.

- b. Commission studies to better depict the implications of automation for future employment such as the impact of new technologies on different regions and sectors. Based on these analyses, the Employment Working Group can identify strategies to promote collaboration between educational institutions, private sector and governments to ensure that there is proper training for jobs of the future.
  - c. Initiate the establishment of a Global Skills Financing Facility for skill transformation. Skills financing related to new technological advancements have implications for both advanced and developing countries. The Facility can be supported with income from royalties of government-financed technologies<sup>iv</sup> and/or taxing factors benefiting from the technological breakthroughs<sup>v</sup>.
5. **Social security systems that impose a heavy burden on wage bills are unsustainable.** The labor saving technological transformation is likely to make the social security systems unsustainable in the longer run. Many countries are taxing wages heavily in order to finance their social security systems. Payroll taxes on workers are regressive - almost all have maximum taxable income limits. They also contribute to the poverty trap - reducing incentives to work. Yet they do not address the underlying cause of the sustainability problem in the system. The Employment Working Group can:
- a. Consider a review of the pro-employment tax reform. In Cairns meeting in September 2014, the Finance Ministers asked the IMF to work with the OECD and other IOs to analyze the implications of the tax policy mix and composition of government expenditure for growth outcomes. The Employment Working Group can be involved in monitoring the progress of that work, and ensure that the merits of pro-employment tax reform are explicitly addressed as part of it.
6. **The Employment Working Group can support vulnerable groups including youth and women.** The G20 has committed to reduce the gap between male and female participation in G20 countries by 25 per cent by 2025. However, there is no such G20 target for youth unemployment, which reached 13.1% globally in 2014 – this figure is three times more than unemployment amongst adults. Youth unemployment worsened in nearly every region of the world reaching as high as 50% in some countries including Greece, Spain and South Africa. Youth unemployment is a complex problem with differing structural causes in different countries<sup>vi</sup>. The Employment Working Group can:
- a. Support the target set for improving gender equality in the labor market by delivering a report to the Leaders, which outlines the baseline for measurement and the ‘bricks along the road’ towards 2025. The report should include milestones, timeframes and country goals as well as key challenges, and risks to the implementation timeframe.
  - b. Work toward setting an ambitious youth unemployment target. While the G20 policymakers have put forward strategies to tackle these problems, - as part of their growth strategies and employment plans -setting a target would help monitor the impact of policy interventions. As part of efforts to determine the

scale, nature and timeframe for a target, G20 members should augment their employment plans with a country-specific plan to unleash the power of young entrepreneurs, start-ups, and small and medium enterprises<sup>vii</sup>

7. **The G20 should consider collaborating towards the adoption of policies that enable cross-border labor mobility that maximize job potential of the public and private sectors.** Recently G20 countries such as the UK, Italy and the USA adopted or are considering start-up visa programs and visa initiatives for STEM graduates and other skilled labor. The Employment Working Group can:
  - a. Coordinate recent domestic policy initiatives for labor mobility that enhances job creation to maximize their impact.
  - b. Discuss a multilateral G20 start-up visa for entrepreneurs and SMEs' employees, in both high- and low-tech industries.
  - c. Discuss non-visa measures to facilitate cross-country labor mobility, including free movement of retirement and social security benefits across countries.
  - d. Address the illegal migration of labor and related issues of human trafficking, and suggest policy measures that could be adopted by the G20 countries.
8. **There is also need for G20-wide coordination of policies concerning the migrant workers' remittances, which have become more important sources of development financing than FDI and ODA flows over the past couple of decades.** As such, the behavior of remittances over host country business cycles may act as a macroeconomic destabilizer in some remittance receiving countries. The G20 group includes leading recipients of remittances such as India, Mexico and Brazil, as well as the developed countries that host millions of migrant workers such as the US, Germany and France, and Saudi Arabia, making the role of remittances in transmission of economic crises a particularly interesting and relevant topic for G20-wide discussion. The Employment Working Group can:
  - a. Coordinate with the Development Working Group and the World Bank's Global Partnership for Financial Inclusion to facilitate the smooth flow of cross-border financial services.

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<sup>i</sup> T20 Turkey is chaired by the Economic Policy Research Foundation of Turkey (TEPAV). For more information, please see [www.t20turkey.org](http://www.t20turkey.org). This note is authored by Ussal Sahbaz, Feride Inan and Aysegul Aytac from TEPAV. Barry Carin (CIGI), Tristram Sainsbury (Lowy Institute), Richard Baldwin (CEPR) and Richard Manning (Oxford University) provided contributions. The usual disclaimer applies.

<sup>ii</sup> Rodrik, D. (2015). "Premature Deindustrialization". NBER Working Paper. No.20935. February, 2015

<sup>iii</sup> Frey, C., Osborne, M. (2013). "The Future of Employment: How Susceptible are Jobs to Computerisation?". Oxford University, September 2013.

<sup>iv</sup> Rodrik, D. (2015, January 14) "From Welfare State to Innovation State." Available at : <http://www.project-syndicate.org/commentary/labor-saving-technology-by-dani-rodrik-2015-01>. [16.02.2015]

<sup>v</sup> Benzell, S., Kotlikoff L., Sachs J. (2015). "Robots Are Us: Some Economics of Human Replacement." NBER Working Paper. No.20941. February 2015.

<sup>vi</sup> Dolado, J., eds. (2015). *No Country for Young People? Youth Labour Market Problems in Europe*. , VoxEU.org eBook, London: CEPR Press.

<sup>vii</sup> Sainsbury, T. ,(2015) "The G20 at the end of 2014" Lowy Institute for International Policy Report. Available at : <http://m.lowyinstitute.org/publications/g20-end-20> [16.02.2015]