



Enhancing policy coherence between the G20 Growth Strategies and Employment Plans

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Introduction

Achieving stronger, more balanced and job-rich growth has been a key objective of G20 Leaders and their Labour and Employment Ministers. The Growth Strategies (GS) and Employment Plans (EP) that were put forward by each G20 economy contain a large number of concrete measures for achieving this objective. Assessing the likely impacts of these measures on growth and jobs is important for determining whether further action is required. This includes: estimating their likely impact if fully implemented; monitoring the extent to which they are being effectively implemented; assessing the extent that the GS and ES are coherent and fully exploit the complementarities and synergies between the two sets of measures

The purpose of this note is twofold. It first attempts to provide a “ballpark” estimate of the impact of the GS on employment given their estimated impact on growth. These preliminary estimates were carried out by the OECD and are only meant to be illustrative of what the possible jobs dividend of the GS could be based on the historical relationship between growth and employment. The second purpose of the note is to put forward options for the consideration of the G20 Employment Working Group (EWG) for a mapping exercise to identify the coherence, complementarities and synergies between the measures put forward in the GS and those in the EP.

G-20 Growth Strategies: Estimates of the Jobs Impact

The comprehensive Growth Strategies (GS) adopted by G20 countries have significant potential to raise employment, lower unemployment and improve job quality. The IMF and the OECD have estimated that full implementation of the comprehensive GS will boost the G20’s GDP by 2.1 per cent by 2018 (see Box 1 for how these estimates were carried out). But will this extra growth boost employment by very much and thus significantly reduce the large jobs gap that has opened up as a result of the crisis?

In this section, some OECD estimates of the potential impact of the GS are estimated on jobs, based on the OECD/IMF estimates of the growth impacts of the strategies. It should be noted at the outset that these estimates are subject to considerable uncertainty. They are based on a number of simplifying assumptions and approximations. Moreover, some of the reforms in the GS may have an impact on jobs only in the long term, beyond 2018, or might improve job quality rather than create more jobs. These effects are not captured in the estimates below. It should be noted that the Framework Working Group, which requested the IMF-OECD quantification exercise, has now requested that the ILO, World Bank and UNCTAD also provide inputs to the group to help their evaluation of the growth strategies, particularly with regard to issues such as inequality. This will begin in the months ahead.

In order to provide a “ball-park” estimate of the potential employment gains from the GS, OECD used a simple “top-down” approach. Essentially, this estimates the aggregate employment impact for each G-20 economy by applying historical estimates of the elasticity between GDP growth and employment growth to the estimated increase in GDP implied by the GS.¹ This gives an estimate for the G20 as a whole of around 10 million extra jobs by 2018.

For some of the emerging countries with a large agricultural sector, this approach may result in an estimate of the employment impact that is too low. In these economies, many jobs are being lost in the agricultural sector while substantial numbers of jobs are being created in the non-agricultural sector. This means that the employment impact of growth is higher in the non-agricultural sector than for the whole economy. Moreover, most of the measures put forward in the GS will primarily have an impact on growth and employment in the non-agricultural sector. Therefore, for those G20 economies with relatively large farm

1. Where available, this was estimated on the basis of data covering the period 1990-2013.

sectors, a separate estimate of the boost to employment was estimated based on employment elasticities for the non-agricultural sector only.² These alternative estimates were carried out for Brazil, China, Indonesia, Mexico and Turkey. These estimates were then combined with the economy-wide estimates for the other G20 economies. This gives a total estimate of 15 million additional jobs by 2018 for the G20 as a whole.

Box 1. Quantifying the GDP Impact of G20 Members' Growth Strategies

The IMF-OECD approach to quantifying the impact of G20 Members' Growth Strategies (GS) covers only new measures since the St Petersburg commitments, as assessed by the IMF and OECD. Commitments are assessed as new if they were neither explicitly included in the St Petersburg commitments nor factored into the October 2013 WEO baseline projections nor well-advanced by September 2013.

Measures in each country's GS are divided into five key areas:

- Product market reforms, including trade related measures;
- Labour market reforms;
- Expenditures on research and development;
- Tax reforms; and
- Expenditures on public infrastructure.

The impact of the new measures in the first four policy areas on either productivity or long-run labour supply are estimated using an OECD assessment of the impact of structural reform commitments, derived by assessing, where possible, the changes that commitments imply for policy indicators. OECD estimates of the long-run supply-side impact of reforms are then used to derive initial impacts, allowing in some cases for reforms to be phased in.

The estimated increases in productivity and long-run labour supply for each G20 country are then introduced into the IMF's G20 Model (G20MOD) along with the increases in public expenditure on infrastructure. In the model, higher infrastructure spending raises the level of the public capital stock which in turn lifts the productivity of the private capital stock. Private investment in each individual country in the model then rises in response to the increases in productivity and labor supply. As a result, each country's long-run potential output rises owing to higher productivity, a larger employed labor force, and more private capital. In each individual G20 country, household incomes rise owing to higher real wages and more employment and this, along with increased investment demand, leads to an increase in demand for exports from other countries. Higher demand for their exports further raises the return to capital in those countries, prompting even more investment and thereby further strengthening demand and adding to the increase in long-run supply potential.

Overall, these estimates suggest that a “ball-park” range for the number of additional jobs that may be generated by the GS (if fully implemented) is between 10 to 15 million jobs by 2018. This would account for about 20-35 per cent of the overall estimated jobs gap for the G20 economies as a whole by 2018. At the level of individual countries, further action would need to be taken to close the jobs gap.

Of course, these estimates are subject to a wide margin of error and should only be considered as illustrative of what the impact of the GS on the number of jobs could be if the historical relationship between growth and employment were to be observed. On the one hand, these estimates may be somewhat on the low side if the GS reforms result in more job-rich growth than observed over the recent past. On the other hand, these estimates could be too high if the job content of growth has fallen over time and is now lower than its historical average. In addition, these estimates could also be on the high side as some of the GS measures may in the short term boost productivity (which ultimately could result in higher incomes)

2. These non-farm elasticities need to be applied to the estimate of the GS on growth in the non-agricultural sector which is obtained by assuming that the agriculture sector was not affected by the GS measures and adjusting up the economy-wide GS growth estimates by the inverse of the share of the non-agricultural sector in the total economy.

rather than employment. They also abstract from variations in the relationship between economic growth and employment growth over the economic cycle.

As mentioned already, these estimates also abstract from the pay-off that the GS will have in terms of improvements in job quality. Job quality – rather than simple increases in numbers – is critical to achieving stronger and more inclusive growth. Higher productivity – reflecting investment, education, training, trade and competition as well as employment measures – is the most sustainable basis for rising wages and creates scope for improved labour conditions, although these inclusive results are not guaranteed and would probably require additional policy measures to promote rising wages and improved labour conditions. Some, but not all, of the GS do contain policy commitments that would contribute directly to raising job quality and social outcomes, such as increasing minimum wages and policies to tackle informality or labour market dualism. Some important measures for labour outcomes, notably measures to improve education performance, are vital for quality jobs in the future, but would only have modest effects over the 5-year horizon to 2018.

As discussed further in the following section, the Employment Plans (EP) developed in the context of the G20 Employment Task Force (ETF) contain a broader set of measures than in the GS. While there is overlap with the GS in terms of new commitments impacting GDP by 2018, the EP present a broader picture of significant policy measures to improve the functioning of the labour market, some of which are already contributing to improving employment prospects. It has not been possible to quantify these effects over and above the measures put forward in the GS.

Additional jobs gains could also result from implementing measures to meet the target of closing the gender gap in labour force participation by 25% by 2025 (25X25) as adopted by G20 Leaders in Brisbane. In a scenario where this target is reached but with progress back-loaded to reflect the adjustment lags, the employment gains could be of the order of 20-30 million additional jobs by 2018, primarily in large emerging economies.

Options for mapping the coherence of the G20 policy commitments to boost growth and employment

At their meeting in Brisbane in November 2014, the G20 Leaders agreed on the need for a comprehensive and coherent policy response that restores near-term demand, removes medium-term supply constraints and builds consumer and business confidence (The Brisbane Action Plan)³. They endorsed the comprehensive GS (around 1000 measures, with 800 new ones) that address these challenges.⁴ The Brisbane Action Plan also includes the country-specific EP to address individual employment challenges and Leaders committed to ensure that “the EP work alongside the comprehensive growth strategies to more effectively integrate macroeconomic and labour market policies” so as to “maximise the benefits of structural change”.

3. For more details on the G20 Brisbane Action Plan, see https://g20.org/wp-content/uploads/2014/12/brisbane_action_plan.pdf.

4. The growth target was endorsed by G20 Finance Ministers and Central Bank Governors at their meeting of February 2014, during which they also agreed that “To achieve this we will take concrete actions across the G20, including to increase investment, lift employment and participation, enhance trade and promote competition, in addition to macroeconomic policies. These actions will form the basis of our comprehensive growth strategies and the Brisbane Action Plan.” See the Communiqué of the Meeting of the G20 Finance Ministers and Central Bank Governors, Sydney, Australia, February 23, 2014, accessible at http://www.g20australia.org/australia_2014/finance_ministers_and_central_bank_governors_meeting

The development of GS and EP by G20 member states is a useful innovation. Building on an analysis of key challenges facing each country within a common template, it allows for collective follow up work while respecting country differences and priorities. The GS and EP provide complementary tools to boost economic growth, ensure that growth is job-rich and promote a more inclusive labour market. While the main objective of the GS is to boost growth above the baseline in the short run (2018), the EP include a number of reforms whose impact will materialise in the medium to longer term. Annex 1 and 2 provide the key headings of, respectively, the GS and the EP.

Table 1 (compiled by the ILO) presents key commitments from the GS. The table juxtaposes the macroeconomic policy framework with interventions pertaining to investment, infrastructure and employment. Some G20 members also made commitments in other areas (such as competition and trade policy), but for the sake of brevity only the most relevant policies areas are highlighted in Table 1. One way of interpreting Table 1 is to suggest that the macroeconomic policy framework sets the conditions in which growth and employment take place. Investment and expenditure on infrastructure directly boost aggregate demand and therefore growth, and also have the potential to increase job creation and enhance medium and long term productivity. Labour market initiatives work to improve job search, skills, matching and quality of jobs (e.g. wages, hours and working conditions). Thus the main elements that affect growth and job creation are presented in a unified framework.

Table 1: Policy Commitments to boost growth and employment in G20 countries in Growth Strategies and Employment Plans⁵

G20 Country	Fiscal Policy	Monetary policy and financial policies	Investment and infrastructure	Key employment initiatives
ARGENTINA	Countercyclical policy combined with fiscal policy	Emphasis on financial inclusion	Specific projects and financing initiatives emphasized but no estimates of jobs impact	Extending social protection, reducing informality, enhancing skills and employability
AUSTRALIA	Fiscal consolidation but with corporate tax cuts	Monetary policy accommodation with floating exchange rate	Specific projects and financing initiatives emphasized but no estimates of jobs impact	Improving labour force participation, reforming welfare system, skills and employability
BRAZIL	Fiscal consolidation, fiscal rebalancing to support investment	Inflation targeting with floating exchange rate	Specific projects and financing initiatives emphasized but no estimates of jobs impact	Extending social protection, minimum wage policy, reducing informality, skills and employability
CANADA	Fiscal consolidation	Inflation targeting with floating exchange rate	Specific projects and financing initiatives emphasized but no estimates of jobs impact	ALMPs to improve functioning of labour markets, skills, employability, entrepreneurship
CHINA	Pro-active fiscal policy and tax reform	Maintaining adequate liquidity to provide financial support to the private sector, interest rate liberalization	Specific projects and financing initiatives emphasized (especially urbanization projects) but no estimates of jobs impact	Support new business development, ALMPs, vocational training, promoting employability of college graduates
EU	Fiscal consolidation	Monetary policy accommodation	Regulatory aspects of financing investment	Youth guarantee scheme, labour mobility, skills development,

⁵ Table 1 was constructed on the basis of documents available at the official G20 website: <https://g20.org/>

		while maintaining price stability combined with floating exchange rate for Euro	emphasized, no specific programmes other than funding for R&D, no estimates of jobs impact ⁶	improving efficiency of social protection systems
FRANCE	Follows EU fiscal framework, but emphasis on reducing tax burden on households	Follows ECB-led monetary policy	Specific projects and financing initiatives emphasized but no estimates of jobs impact	Reducing indirect labour costs, increasing labour force participation rate, reducing gender inequality
GERMANY	Follows EU fiscal framework	Follows ECB-led monetary policy	Specific projects and financing initiatives emphasized but no estimates of jobs impact	Increasing female labour force participation, tackling long-term and youth unemployment
INDIA	Expenditure and tax reforms	New monetary policy framework focusing on price stability	Specific projects and financing initiatives (esp. PPPs) emphasized but no estimates of jobs impact	Increasing female labour force participation, reforming labour laws, reducing informality, industry policy geared towards promoting formal employment, skills and entrepreneurship development
INDONESIA	Fiscal sustainability and fuel subsidy reform, tax incentives for job creation	Enhancing financial literacy and financial inclusion	Specific projects and financing initiatives (esp. PPPs) emphasized but no estimates of jobs impact	Entrepreneurship development geared towards specific sectors, vocational training
ITALY	Follows EU fiscal framework, but emphasis on reducing tax burden on households	Follows ECB-led monetary policy	Specific projects and financing initiatives (esp. PPPs) emphasized but no estimates of jobs impact	Reforming labour market regulations. Including contracts for apprenticeships, increasing female labour force participation, youth guarantee scheme as part of business friendly education and research system
JAPAN	Fiscal stimulus combined with fiscal sustainability, increase in consumption tax, corporate tax reform	Accommodative monetary policy	Specific projects and financing initiatives (esp. PPPs) emphasized but no estimates of jobs impact	Increasing female labour force participation through such initiatives as women-friendly workplaces, increased child care provision, encouraging labour mobility
MEXICO	Fiscal sustainability using public sector borrowing requirement as anchor	Inflation targeting with floating exchange rate	Specific projects and financing initiatives (esp. PPPs) emphasized, with estimates that nearly 1 million jobs will be created annually	Labour market reforms, introduction of unemployment insurance, reduction of informality
RUSSIAN FEDERATION	Prudent fiscal policy, accompanies by improvements in the quality of social protection system	Floating exchange rate regime, inflation targeting (4.0 to 4.5%)	Improve public investment, especially through a better use of the Sovereign Wealth Fund and the PPP mechanism	Action plan for quality job creation, with emphasis on targeting vulnerable groups (e.g. youth and people with disability), reducing structural and geographical barriers to labour mobility
SAUDI ARABIA	Fiscal stimulus combined with fiscal sustainability, increase in non-oil revenues	Maintaining adequate liquidity to provide financial support to the private sector, while promoting price stability	Specific projects and financing initiatives for private investment emphasized, but no estimates of jobs impact	Increasing female labour force participation, reducing reliance on expatriate workers, skills development, extending social protection, compulsory unemployment insurance scheme and minimum wages policy
SOUTH AFRICA	Fiscal sustainability, but combined tax incentives for job	Inflation targeting with floating exchange rate	Improving regulatory architecture for infrastructure investment, Specific	Improve youth employment outcomes through the youth employment accord, enhance education and training, entrepreneurship

⁶ After the publication of the EU Growth Strategy, however, European Union leaders endorsed a new €315 billion investment programme intended to kick-start economic growth at a summit in Brussels yesterday (18 December).

	creation and jobs fund		projects and financing initiatives (esp.PPPs) emphasized but no estimates of jobs impact	development and support for SMEs
SOUTH KOREA	Fiscal stimulus combined with emphasis on fiscal sustainability, using tax incentives to boost HH consumption	Monetary policy accommodation, improving access to finance for SMEs	Improving regulatory architecture for infrastructure investment, Specific projects and financing initiatives (esp.PPPs) emphasized but no estimates of jobs impact	Maternity protection and child care support to boost female employment, strengthening youth employment programmes and active labour market policies, increasing minimum wages and expanding EITC, removing the labour market dualism (e.g. better protection for non-regular workers), flexible working time
SPAIN	Fiscal consolidation combined with tax reduction for workers and companies	Financial inclusion, especially for SMEs	Improving investment climate, especially through streamlining regulation	National youth guarantee system, reform of training system, flat-rate national insurance contribution with special reduction for companies with net job creation
UNITED KINGDOM	Fiscal consolidation	Monetary policy accommodation	Improving regulatory architecture for infrastructure investment, Specific projects and financing initiatives (esp.PPPs) emphasized, indicative estimates of jobs expected to be created in specific sectors	Increase in minimum wages, tax-free child-care schemes, incentives for flexible working hours, abolition of national insurance contributions for young (under 21 years) workers, expanded access to education and training
UNITED STATES	Fiscal consolidation over medium term, combined with tax incentives to boost job creation	Accommodative Monetary policy accommodation	Improving regulatory architecture for infrastructure investment, Specific projects and financing initiatives emphasized, indicative but no estimates of jobs impact	Increase in minimum wages, dedicated funding to support skills development, education and training
TURKEY	Fiscal consolidation	Inflation targeting with floating exchange rate	Improving regulatory architecture for infrastructure investment, Specific projects and financing initiatives emphasized (especially PPPs), indicative but no estimates of jobs	Enhancing female labour force participation, incentives to increase formal sector employment, improving efficiency of social protection system

The Turkish Presidency has requested a more detailed mapping of the main commitments in the broad areas of labour market and social policies of the two exercises (GS and EP), to highlight areas of policy complementarities and interactions. However mapping of commitments in the EP and the GS is not a straightforward exercise because of the different time horizon and level of detail of the two exercises. While recognising that maintaining the current policy focus on boosting job creation is an immediate priority, the EP also emphasise the importance of addressing a broad range of medium and long-term challenges over and above their potential impact of economic growth, for example, the need to strengthen the quality of jobs; promote greater participation, especially for women; promote better employment outcomes for youth; and tackle skills gaps and skills mismatches. Furthermore, the EP provide a valuable source of information on some of the policy strategies that countries have put in place to address poverty and inequality and to raise well-being and strengthen social inclusiveness, which are important in themselves and can also have long-term effects on growth.

In this context, two specific proposals are formulated for consideration by the G20 Employment Working Group (EWG). The first consists of a “simple mapping” approach, which would involve assessing how the

main commitments of the EP are reflected into the GS so as to boost the growth target, and, vice versa, how the main commitments of the GS are expected to boost job creation and the quality of jobs. This exercise can be completed on time for the EWG meeting in May 2015. We also provide an overview of the pros and cons of the “simple mapping” and assess the extent to which it could be improved. On this basis, we submit a second “upgraded mapping” proposal for consideration by the EWG. This option suggests that a viable way for improving the “simple mapping” could be by making it more focussed and quantifiable, using a set of more detailed information about policy measures. Collecting the latter “granular” information would require the support of a new template, which could be modelled on the example of the template used for the GS. On this account, the “upgraded mapping” exercise would take longer to be implemented and its results would probably be available only by the time of the G20 Labour and Employment Ministerial meeting in September.

Option 1: “Simple mapping”

To assess the overlap and complementarity of the EP and GS, it is proposed to use the Template shown in Table 2 which uses the broad employment and social measures presented in the EP: “Broad economic settings”, “Labour markets and social protection”, or “Skills Development”. At the same time, these broad areas are progressively “unbundled” into more disaggregated components, down to the same level of detail used in the GS, at which point an assessment can be drawn. The last column, reports for each policy measure the overlap and possible complementarity of the specific actions.

The OECD has already done some preliminary work to assess the potential of the “simple mapping”. While the review conducted so far is very partial and remains subject to more careful verification, two broad considerations can already be drawn:

- ***The degree of the matching varies across components:*** Unsurprisingly, it is possible to observe a considerable overlap between EP and GS for the policy areas that fall under the heading “Broad economic settings”. With regards to the other components, “Labour markets and Social Protection” and “Skills Development” are two areas for which some further effort could be made to ensure that potential interactions and complementarities are fully exploited.
- ***Significant differences exist also across countries:*** while in some countries all or almost all employment policies that are presented in the EP are reflected in the GS, this is less often the case for other countries.

Table 2. Template for the mapping exercise

Country	Employment Plan				Growth Strategy	Overlap		
	Broad policy area as indicated in the EP	Components of the policy area	Description of the policy measure as formulated in the EP	Policy measure unbundled into individual elements (if applicable)	Description of the policy measure as formulated in the GS			
Name of the Country	Broad economic settings	Macroeconomic policy	...	...	...	High/Low	
				...	...	High/Low	
				...	...	High/Low	
		Regulation, finance, incentives, investment and entrepreneurialism	...	...	...	...	High/Low
					...	...	High/Low
					...	...	High/Low
	Labour markets and social protection		Labour market regulation	...	...	...	High/Low
					...	...	High/Low
					...	...	High/Low
		Social protection	...	...	...	High/Low	
				...	...	High/Low	
				...	...	High/Low	
		Active labour market programmes	...	...	...	...	High/Low
					...	...	High/Low
					...	...	High/Low
			Policy measures targeting labour market disadvantage	High/Low
						High/Low
						High/Low
	Skills Development	School education	...	...	...	High/Low	
				...	...	High/Low	
				...	...	High/Low	
		Apprenticeships, vocational training and higher education	...	...	...	...	High/Low
					...	...	High/Low
					...	...	High/Low

Option 2: “Upgraded mapping”

It should be stressed that the templates used for the compilation of the GS and the EP differ significantly (see Annex 1 and 2). While in the GS information is provided in a detailed manner that can be quantified (see Table 2 in Annex 1), the information of the EP is often presented in a narrative form. This lack of “granular” information in the EP is a key factor precluding the possibility to carry out a full mapping exercise of the complementarity and interactions of policy commitments.

A review of the areas that would need to be addressed to strengthen the joint assessment of GS and EP is provided below:

- **Limited details about policy implementation.** From the analysis carried out so far, it appears that in many areas countries have provided limited information about specific efforts to implement the policy measure presented in the EP (timeframe, resources, target population, expected impact). This reduces the relevance of the mapping exercise.
- **The timeframe of policies.** In some cases, the effectiveness of the mapping is affected by the fact that the EP contains policies that, while likely to be still ongoing in the country, were implemented several years ago. The relevance of on-going policies is clear, however in the GS the decision was taken to include only new policies introduced after the St. Petersburg Summit, so the EP and GS do not align in these cases. There are also cases of countries whose newly

introduced measures are expected to provide effects beyond the time horizon of the GS. Under both circumstances, the measures are not taken up in the GS, despite the fact that they appear in the EP. Having more details about the planned implementation of each employment measures and the timeframe of the related outcomes in term of job creation would produce a more consistent mapping and could also be informative for the GS monitoring process.

In order to address these issues, further information on the EP could be provided along the following lines:

- **Using a common template, rather than in a narrative format**, which would lead to the formulation of more harmonised replies.
- **Assigning a code to each policy area**, which would allow to directly associate each policy measure to a specific area.
- **Specifying the timeframe:**
 - The EP could ask the country to provide information on the expected date of implementation, along with the implementation path.
 - The EP could contain a clear specification of the cut-off date for the policies to be reported.
- **Specifying the coverage:** for the sake of providing more details about policy measures, it would be useful if the EP could contain more information on the target group and the expected number of beneficiaries (if possible).
- **Specifying the resources:** more information could be provided on the financial resources allocated to each of the policy measure and its overtime distribution.

To meet the above requirements for further improvement, the descriptive EP could be expanded by including a recapitulative template, which could be modelled as illustrated below in Table 3, along the lines of the GS template (*cfr.*, Annex 1, Table 2):

Table 3. A template for the EP

Country	Policy area (give the code)	Name of policy measure	Brief description	Date of introduction	Implementation path and time horizon	No. of beneficiaries (expected)	Total expenditure (expected)	Other observations
...

For consideration by the EWG. The EWG may wish to consider whether it has an interest in going beyond the completion of the “simple mapping” exercise discussed above by agreeing to provide more detailed information about policy measures. This would require the support of a new questionnaire modelled on the example of the template used for the GS, considerable effort by each G20 country to complete the detailed questionnaire and then an exercise undertaken by international organizations to assess the coherence of the GS and EP.

Discussion of the advantages of the two options

The EP go beyond what is required to boost growth in the short-term. Notably, the overview prepared by the IOs for the Melbourne G20 Employment Ministerial (September 2014) pointed to some common medium-term policy challenges across G20 economies. Many of the policy measures to address such challenges involve programmes targeted at youth and women as well as skills development (through vocational education and training and apprenticeships). They also reflect efforts by many G20 countries to address inequality, poverty and job quality. Policy areas that are frequently cited for further action include: strengthening the social safety net and active labour market policies (e.g. changes to public employment services, direct job creation, employer or employee subsidies or entrepreneurship support programmes), minimum wages, collective bargaining, social dialogue and rights; and workplace safety. Other policy measures address country-specific challenges, tailored people with disability, low-skilled workers, displaced workers and older workers.

Furthermore, the challenges identified in the EP reflect the differing realities across G20 members: while emerging economies EP often aim to accelerate progress in formalizing employment and reducing underemployment and poverty, advanced economies tend to focus more on tackling unemployment and promoting participation. However, a number of common challenges emerge, including: promoting greater labour force participation and improved quality of employment, especially for women and vulnerable groups; promoting better youth outcomes; addressing skills gaps and mismatch; tackling long-term unemployment; boosting job creation; strengthening active labour market policies (ALMPs) and social protection systems; and addressing inequality, low wages and working poverty.

In this context, one advantage of Option 2 would be to more consistently disentangle the time profile of the effects of policy measures whose effects go beyond the short-term. One case in point is the example of the policies to increase labour market participation, which is an important long-term determinant of growth, insofar as it can contribute to raise potential output. However, in the current context of low aggregate demand and slow job creation in many G20 countries, supply-side measures to increase participation may not yield the desired positive impact on growth unless they are accompanied by successful interventions to increase labour demand. Under Option 2 it would become easier to appropriately reflect in the GS the capacity of the demand side component of these policies.

Other illustrative examples, of the potential gains of using Option 2 are outlined below:

- ***Simplified assessment of “double dividends” effects.*** By way of example, some EP have stressed that the immediate priority to provide targeted policies to help unemployed jobseekers overcome barriers to finding work requires the complement of training and other activation measures particularly tailored to the long-term unemployed who experience the strongest difficulties in finding jobs. These include to overcome poor or inadequate skills, stigma effects associated with long-term unemployment, and a weakened motivation to look for a job, along with an increased risk of withdrawing from the labour force altogether. Addressing these barriers requires activation measures which, when well designed, can not only encourage job search and job finding amongst vulnerable groups, but also improve their productive participation in society and increase their self-sufficiency.
- ***Easier assessment of policy complementarities.*** By way of example, in the emerging economies, a broad strategy of labour market and other measures is required to tackle the high incidence of informal work. The examples of countries which have made sustained progress on curbing informality show the need for coordinated policies across a range of issues. They have encouraged employment-centred growth in the formal economy together with adequate regulatory framework and reinforced compliance measures to address evasion of taxes and

contributions to social protection systems. They have also extended social protection to informal workers, and developed tailor-made approaches to address the needs of specific sectoral or target groups.

- ***Easier assessment of policy trade-offs.*** In addition to spotlighting complementarities, Option 2 would also allow to better focus on possible policy trade-offs. For example, pro-competition reforms have the potential to promote productivity and employment growth by facilitating a more efficient allocation of resources across sectors and firms. At the same time, these reforms facilitate a greater pass-through of wage moderation efforts – in the case of recent adjustments to the crisis – to prices and thus foster competitiveness and growth. However, they can also create losers, as workers in previously protected industries are subjected to market forces. Governments can smooth the transition towards more competitive environments by implementing adequate and efficient labour market support policies for affected groups. Similarly, trade openness policies can facilitate the participation of economies in global value chains (GVCs); encourage foreign direct investment and job creation. But trade openness creates winners and losers, so accompanying policies are needed to help displaced workers find new jobs and to redistribute the overall gains more equitably across population groups.
- ***Better accounts of the broader objective to strengthen inclusive growth.*** Last but certainly not least, there are significant labour and social policy measures, some of which addressed in the EP, which, while not immediately relevant to boost job creation and productivity, can nevertheless generate lasting pro-growth effects because they lead to greater equality and strengthened inclusiveness, which have been found to increase growth over the medium and long term. For example, recent OECD, ILO and IMF research has provided new evidence that addressing high and growing inequality is critical to promote strong and sustained growth and needs to be at the centre of the policy debate. This includes both short and long-term measures. In the short and medium-term, adequate minimum wage, collective bargaining and social protection policies are important means to counter growing inequality. In the long term, for example, policies to promote equal opportunity for all from an early age are important. Similarly, anti-poverty programmes are important to address exclusion and inequality in the short to medium term. For example, cash transfers and public employment programs are important policies to mitigate poverty and help households improve their incomes and investment in their skills and assets. Over the long-term, improved access to quality public services, such as high-quality education, training and healthcare, create greater equality of opportunities. Some of these challenges are already addressed in the EP and with additional information could also be brought into the GS framework.

While the enhanced monitoring of Option 2 would make it easier to correlate the contributions of the EP with the GS and better inform the overall evaluation of country strategies and plans, G20 countries would be required to make an additional effort to refine the EP in the ways discussed. Further, the G20 as a group would need to recognize the greater complexity of the policies and tools required to achieve high quality, job-rich and inclusive, sustainable growth.

Indicators for monitoring

As the G20 moves forward to monitor the employment aspects of the GS and the EP, it will be important to agree on a small number of indicators that can be tracked to assess whether the desired growth and employment results are being achieved.

Table A3.1 (Annex 3) presents a snapshot of labour market indicators as submitted by governments last year. Regular updating will not only demonstrate progress where it is achieved, but will also keep visible

the differing challenges facing different countries. This benchmarking could also motivate countries to learn from each other. The various indicators also enable G20 members to appreciate the important role overall economic growth plays in boosting employment growth. Where growth has been particularly slow, or there has been a protracted recession, employment growth cannot escape the impact. The timely generation of pertinent labour market, employment and social indicators can become a regular part of the annual reporting exercise undertaken by the G20 members. This could also be useful for country-specific and cross-country evaluation of policy coherence and policy impact.

Annex 1. KEY HEADINGS IN THE G20 GROWTH STRATEGIES

1. Economic Objective and Key Policy Commitments

- 1.1. Economic Objective
- 1.2. Key Commitments

2. Economic outlook and challenges to growth

- 2.1. Current and Future Growth Prospects
- 2.2. Key Drivers
- 2.3. Assessment of Obstacles and Challenges to Growth

3. Policy Responses to Lift Growth

- 3.1. Macroeconomic Policy
- 3.2. New Structural Policy Responses
- 3.3. Investment and Infrastructure
- 3.4. Employment
- 3.5. Competitiveness and competition
- 3.6. Trade

Annex 1: St. Petersburg Fiscal Template

- A.1. Update on Fiscal Strategy
- A.2. Medium-term projections, and change since last submission
- A.3. Economic Assumptions, and change since last submission

Annex 2: New Policy Commitments (see table 2)

Table 2 : New Policy Commitments

The New policy action	Name of the policy
Implementation path and expected date of implementation
What indicator(s) will be used to measure progress?
Explanation of additionality (where relevant)

Annex 2. KEY HEADINGS IN the G20 EMPLOYMENT PLANS

1. Employment and labour market outlook

This section provides a narrative on the country's employment and labour market outlook, as context for the policy discussions (and new commitments) which follow in later sections. It covers, in broad terms, recent history and the outlook.

2. Employment challenges

This section identifies the most important policy challenges or objectives for the country.

3. CURRENT POLICY SETTINGS AND NEW COMMITMENTS

This section provides a description of the country's employment strategy and reform agenda. It gives concrete and realistic examples of policies the country may take over the next five years to address their employment challenges.

3.1. Broad economic settings

3.1.a. Macroeconomic policy

3.1.b. Regulation, finance, incentives, investment and entrepreneurialism

3.2. Labour markets and social protection

3.2.a. Labour market regulation

3.2.b. Social protection

3.2.c. Active labour market programs

3.2.d. Policy measures targeting labour market disadvantaged

3.3. Skills Development

3.3.a. School education

3.3.b. Apprenticeships, vocational training and higher education

4. MONITORING OF COMMITMENTS

This section responds to the direction given to the Taskforce in the G20 Leaders' Declaration (September 2013) concerning the monitoring of policy measures and related 'database'. This includes a description of the most substantial measures countries have undertaken to address commitments which they have made under recent G20 presidencies.

APPENDIX: LIST OF RECENT COUNTRY-SPECIFIC COMMITMENTS AND OTHER KEY DOCUMENTS FROM THE G20 EMPLOYMENT AGENDA

The Brisbane Action Plan

Saint Petersburg Action Plan

Los Cabos Jobs and Growth Action Plan

Other Key Documents

Annex 3. Indicators

Table A3.1. G20 Economic & Labour Market Conditions 2013: Selected Indicators (%) (as reported by G20 members in employment plans)

	GDP growth	Employment growth	Unemployment	Long-term Unemployment	Youth Unemployment	Participation Rate	Female Participation Rate	Informal Employment Rate	MW (% average or median)	Gini
G20 Median	1.90	0.90	6.10	31.00	-	60.30	51.80	42.20	34.90	0.37
Argentina	2.90	1.00	7.10	26.60	19.40	46.00	38.00	33.70	66.40	0.42
Australia	2.40	1.00	5.70	19.20	11.80	64.90	58.70	-	44.00	0.32
Brazil	2.30	2.82	5.40	0.70	13.80	54.00	49.20	39.30	35.20 (m)	0.51
Canada	2.00	1.30	7.10	12.20	13.70	66.50	62.10	-	-	0.31
China	7.70		4.05 *							
EU 28	0.10	-0.30	10.80	47.50	23.50	57.80	51.10	-	-	0.31
France	0.30	-0.15	9.80	40.10	23.90	71.10	67.00	-	49.80	0.31
Germany	0.10	0.90	5.40	44.70	7.90	77.50	72.50	-	-	0.29
India	4.70	-	2.2*	-	6.10	40.00*	28.00*	94.00	-	-
Indonesia	5.78	1.18	6.17	-	21.60	66.90	50.30	52.60	-	0.41
Italy	-1.80	-2.00	12.20	56.90	40.00	63.50	53.60	-	-	0.32
Japan	1.50	-0.30	4.00	38.50	7.90	73.90	48.90	-	38.30	0.34
Mexico	1.10	2.90	4.90	-	8.30	59.10	43.00	59.00	22.40	0.45
Russia	1.30	-0.20	5.50	27.00	14.80	68.70	63.30	19.00	17.40	0.42
Saudi Arabia	3.80	4.10	5.70	-	29.40	54.20	20.10	-	-	-
South Africa	3.80	2.70	25.50	65.80	36.10	61.10	50.90	42.20		0.38
South Korea	2.80	1.60	3.10	0.40	8.00	61.80	50.20	-	42.2(m) (2012)	0.30
Spain	-1.20	-2.80	26.10	58.40	55.50	60.00	53.90	-	46.0(m) (2008)	0.32
Turkey	4.00	2.80	9.70	25.70	17.10	50.80	30.80	36.70	38.00	0.42
United Kingdom	1.90	1.30	7.50	36.20	19.90	62.80	56.90	-	38.80	0.34
USA	3.10	1.70	7.40	37.60	15.50	63.20	57.20	-	32.50	0.48