

ANNEX I:

G20 Policy Priorities on Labour Income Share and Inequalities

1. The importance of robust, sustainable and long-lasting inclusive economic growth is a central matter for our economies and societies. Tackling rising inequalities contributes to achieving this objective and will also complement our Leaders' commitment to take action in order to increase G20 GDP by more than 2% by 2018. This is a fundamental element of the Turkish presidency's focus on Inclusiveness, Implementation, and Investment for Growth.
2. Inequalities have increased over the last two decades in a majority of our countries and have become a source of growing concern. In some emerging countries, inequality has decreased significantly, but still remains at a high level. In most cases, increasing inequalities are associated with a sustained downward trend in the labour income share.
3. Widening inequalities and declining labour income shares not only pose challenges for social and political cohesion, but also have significant economic costs in terms of both the level and sustainability of economic growth. This is confirmed by recent analysis by the International Organizations. Hence, these issues should be tackled by a comprehensive set of economic, financial, labour and social policies coordinated between national ministries and at the G20 level.
4. Inequality has many dimensions. We therefore agree to undertake a combination of interrelated and complementary policy actions, appropriate to national circumstances, and where necessary in cooperation with other governmental authorities to address rising inequalities and the falling labour income share namely by:
 - a) Strengthening labour market institutions (social dialogue, collective bargaining, wage setting mechanisms, labour legislation) based on respect for the Fundamental Principles and Rights at Work;
 - b) Reducing wage inequality, through policy tools such as minimum wages and the promotion and coverage of collective agreements, ensuring fair wage scales and that work pays;
 - c) Improving employment outcomes for women, youth, older workers, persons with disabilities, migrants and other vulnerable groups in the labour market, by strengthening access to effective active labour market policies;
 - d) Improving job quality by:
 - i) fostering the transition of workers from the informal to the formal economy; and
 - ii) tackling labour market segmentation.
 - e) Ensuring equality of opportunities to participate in quality education, training and lifelong learning (including apprenticeships), especially for those with low to middle incomes, in order to obtain and adapt the skills needed in the labour market and to reduce intergenerational transmission of inequality; and

- f) Promoting universal social protection, taking into account the countercyclical role of social policies, and providing support to the unemployed and underemployed in order to assure an effective transition to quality employment.
5. In line with the joint statement that we agreed upon in the Meeting with Finance Ministers in Moscow in 2013, we note the importance of further dialogue on the following policies and coherent and concerted action with the involvement of other related actors:
- a) Fostering job creation, through sound and job-friendly macroeconomic policies to strengthen aggregate demand, and establish an environment favourable to enterprise development, entrepreneurship, innovation, investment and enhanced productivity and wages;
 - b) Ensuring tax and benefits systems are fair and better at supporting a productive and inclusive economy by
 - i) developing adequate taxation systems;
 - ii) ensuring better coherence with benefits systems to maximize their redistributive impact while preserving incentives to innovate and perform; and
 - iii) tackling tax avoidance and evasion.
6. We affirm the need for regular and effective monitoring of the evolution of the labour income share and inequalities, and their effect on the strength and sustainability of economic growth.