BIAC THE VOICE OF BUSINESS AT THE OECD

BIAC Statement to Annual Consultation with OECD Ambassadors

"Policy Choices for Productive Economies"

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The Business and Industry Advisory Committee to the OECD (BIAC) represents national business, industry and employer associations from OECD member and observer countries, as well as international sector-specific associate experts. The OECD is the world's foremost purveyor of cross-cutting statistics and fact-based policy recommendations.

INTRODUCTION

Investment – the central theme of the 2015 OECD Ministerial Council Meeting and the OECD June Economic Outlook – remains the principal factor for the growth of our economies. Businesses continue to face multiple policy uncertainties, regulatory burdens, and risks that constrain their propensity to invest in domestic and international markets. Open and competitive markets for investment and trade, access to finance, a predictable regulatory environment, flexible labor markets, and measures to support innovation and entrepreneurship are essential for the private sector to deliver strong, sustainable growth and more employment.

An important element in reviving investment and economic growth is the need to foster ***productivity.*** Worryingly, there has been a dramatic decline in productivity growth in recent times, most notably during the period 2004-2013 – the weakest on record since 1950[1]. This trend could bear profound impacts not only on the post-crisis global economic recovery, but also for longer-term priorities such as implementing the Sustainable Development Goals and realizing countries' pledges to tackle climate change.

The apparent slowdown in productivity growth is still a puzzle. Most fundamentally, debate continues as to whether the **measures of productivity** are adequate: available data is often too heterogeneous or incomplete to be internationally comparable, and the traditional indicators are often unable to reflect 21st Century trends. The duration of the current productivity slowdown is also a major unknown: a surge in the widespread use of new technologies, such as robotics, could for instance transform current trends.[2]

Confronted with the many measurement and policy uncertainties inherent to the concept of productivity, it is imperative that the OECD should increase international understanding and contribute to sound policy decisions. We believe this should be a focus at the next OECD Ministerial Council Meeting. BIAC also supports the OECD's ambitions to build a Productivity Network, which we believe should seek to improve the international collection and consistency of data, and help to guide decision-making, recognizing that the quality of OECD evidence and advice has important bearing not only for policymakers but also for companies' investment decisions.

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[1] OECD (2015) "The Future of Productivity: Preliminary Version", OECD Publishing Paris. http://www.oecd.org/eco/growth/OECD-2015-The-future-of-productivity-book.pdf

[2] Boston Consulting Group (2015) "The Robotics Revolution: The Next Great Leap in Manufacturing", available at: https://www.bcgperspectives.com/content/articles/lean-manufacturing-innovation-robotics-revolution-next-great-leap-manufacturing/

In contribution to the OECD's ongoing and future activities on the wider concept of productivity, notably the quest for more inclusive growth, this BIAC paper draws attention to the following five areas in which OECD work could be particularly valuable in 2016 and coming years: [3]

1. **Promote open markets and improve the investment climate:** A competitive and open business environment is needed to encourage firms of all types and sizes to invest and become more productive.

2. **Develop a regulatory environment conducive to productivity growth:** Regulations should be designed and implemented in a manner that supports, and does not hinder, the ability of firms to invest and strengthen productivity growth.

3. **Foster policy frameworks for innovation, health, and the digital economy:** Policies that encourage innovation and its diffusion, in cooperation with the private sector, are necessary to unlocking the drivers of future productivity growth.

4. **Promote lifelong learning:** Lifelong learning and collaboration between education providers and employers are vital to upgrading skills and putting them to their most productive use.

5. **Create greater opportunities for employment:** Efficiencies in labor markets can be enhanced through frameworks that enable labor mobility and encourage the participation of women, youth, older workers, and migrants.

I. PROMOTE OPEN MARKETS AND IMPROVE THE BUSINESS CLIMATE

Evidence shows that companies that are exposed to more international competition – whether via trade, foreign direct investment (FDI), or global value chains (GVCs) – tend to be more innovative, more skill-intensive, and thus more productive.[4] This is true not only for manufacturing, but also for services: the business services with the highest productivity growth tend to be those more exposed to international competition.[5,6] New analysis also suggests that

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[3] Increasing productivity growth calls for actions across many aspects of our economies – including but not limited to the five priority areas highlighted in this BIAC paper. Nevertheless, these five areas are considered to be among the most pertinent and pervasive for when the OECD undertakes its new work on productivity.

[4] OECD (2015) "The Future of Productivity: Preliminary Version", OECD Publishing Paris. http://www.oecd.org/eco/growth/OECD-2015-The-future-of-productivity-book.pdf

[5] OECD (2015) "Compendium of Productivity Indicators 2015", OECD Publishing, Paris. http://dx.doi.org/10.1787/pdtvy-2015-en

private investment and the ability to access fit-for-purpose financing are vital to bolstering companies' productivity.[7]

The OECD should therefore consider deepening analysis and advice in the following areas to support trade and investment for productivity growth:

Address barriers to cross-border trade and investment

Regulations in many OECD and non-OECD countries continue to restrict trade and FDI, constraining firms from participating in global markets. As part of its core mission, we call upon the OECD to continue work that spurs governments to eliminate barriers to markets and protectionist policies. OECD cooperation with non-OECD countries is of particular importance to address competitiveness concerns and ensure a level playing field. While evidence points to the introduction of measures by G20 countries aimed at enhancing market openness for FDI, a great number of investment barriers still need to be addressed and progress on removing trade-restrictive measures has been slow since 2008.[8] There is a renewed urgency for the OECD to clearly communicate the benefits of foreign investment so that the general public in member countries, as well as governments, are made aware of those benefits, while the OECD should also expose and address protectionist actions to foster growth.

Governments continue erecting barriers to trade that disrupt GVCs and that continue to keep global trade levels below potential. We encourage the OECD to continue producing and disseminating evidence pointing out the benefits from opening those markets that currently remain highly protected through policies and tariffs. Trade facilitation and services reform are two pillars that BIAC considers of utmost importance for the OECD work on trade. Recognizing the growing number of bilateral, regional and plurilateral preferential agreements, we encourage continued analysis on common standards and principles, including non-discriminatory rules, that yield greater market access. The trend towards local and regional content requirements is of increasing concern.

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[6] IMF (2015) "The New Normal: A Sector-Level Perspective on Productivity Trends in Advanced Economies", IMF Staff Discussion Note, at: https://www.imf.org/external/pubs/ft/sdn/2015/sdn1503.pdf

[7] OECD research is underway examining fragmentation and productivity growth in global companies and sectors.

[8] The OECD/WTO/UNCTAD "Reports on G-20 Trade and Investment Measures (Mid-May to Mid-October 2015)" finds that over 80% of FDI measures introduced since 2009 have been liberalizing in nature, while over 75% of protectionist trade-restrictive measures introduced in 2008 still remain in place. See: http://www.oecd.org/daf/inv/investment-policy/14th-G20-Report.pdf

Companies face significant economic and political risks when making foreign investment decisions. To reduce such uncertainties, international trade and investment agreements have been designed to confirm basic standards of treatment and create safeguards that reduce risks for investors, while facilitating the settlement of investment disputes through well-designed neutral and non-political international arbitration proceedings that need to be preserved. Investors must be able to mitigate growing risks if potential investment flows are to be realized. The OECD should play a leading role in the international debate on freedom of investment and continue to provide fact-based and objective analysis to foster open, transparent, and non-discriminatory trade and investment policies supported with unbiased policy monitoring.

Also in this context, the OECD's G20-mandated work on Base Erosion and Profit Shifting (BEPS) plays a crucial role. Now that the first phase of the project has been completed, the focus should be on implementation in a manner that remains consistent with fostering cross-border trade and investment. Uncoordinated implementation could lead to a less uniform international tax regime and, in turn, hinder trade and investment. In an increasingly globalised world, it is necessary to have consistent and clear tax rules for companies. The inclusive framework for monitoring and implementing BEPS and the Multilateral Instrument[9] will be critical in this respect. The OECD should also take into account the protection of sensitive company data, not only in the context of BEPS but also in relation to many other policy measures such as customs and security regulations, preferential rules of origin, forced technology transfer, local content requirements, and transparency measures.

While governments have a primary responsibility to protect internationally recognized fundamental rights and to improve the functioning of markets, BIAC recognizes that responsible business conduct – as promoted by the OECD Guidelines for Multinational Enterprises – is an essential part of an open investment environment. For the success of the Guidelines, it is important to pay due attention to the different roles and responsibilities of states, international organizations and business, including small- and medium-sized enterprises, for which growing demands for transparency and accountability along the entire value chain can involve particular challenges. As the OECD will celebrate the 40th anniversary of its Declaration on International Investment and Multinational Enterprises, BIAC calls on the Organization to continue to address investment and responsible business conduct issues in a balanced and mutually reinforcing manner.

[9] Action 15 of the BEPS project deals with the legal issues related to the development of a Multilateral Instrument to enable countries to streamline the implementation of the BEPS treaty measures.

Enhance conditions conducive to investment

Policy uncertainties and regulatory burdens are among the factors identified by business representatives as constraining investment.[10] The mobilization of domestic and foreign investment requires, among others, the rule of law, effective dispute settlement, the protection of property rights (including intellectual property rights), good public and corporate governance, sound and coherent legislation across different layers of administration, as well as assurances of fair and non-discriminatory treatment between all types of investors – foreign, domestic, private, and state-owned enterprises (SOEs).

Following the update of the OECD's Policy Framework for Investment (PFI) in 2015, active efforts in OECD and non-OECD countries should now be encouraged to use the PFI and build enabling investment environments conducive to realizing the universal Sustainable Development Goals and enhancing productivity growth. Implementation of the PFI must become a cornerstone of the OECD's work on investment and development, and should be an integral part of the OECD's cooperation with emerging and developing economies.

Strengthen access to finance

Financing is critically-important for companies seeking to invest in tangible capital and/or knowledge-based capital that will enhance firm productivity.[11] It is particularly important that policy and regulatory frameworks support the rise of small- and medium-sized enterprises (SMEs) that account for the majority of employment and value-added in OECD countries. Measures to boost SME financing include for example: enhanced financial education; increased use of digital payment platforms and information tools; and greater use of fit-for-purpose financing for SME participation in GVCs, recognizing the complementary roles to be played by bank and non-bank financing.

However, while efforts are underway to foster the growth of alternative financing such as private equity, venture capital, peer-to-peer lending, and crowdfunding, the market reality is that traditional bank financing will remain a key source of finance for most small businesses for

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[10] BIAC (2015) "BIAC Business Climate Survey 2015", at http://biac.org/wp-content/uploads/2015/06/15-05-BIAC-Business-Climate-Survey-Synthesis-Report2.pdf

[11] Eichengreen, B., Park, D., and Shin, K. (2015) "The global productivity slump: Common and country-specific factors" finds that global financial stringency is associated with the likelihood of total factor productivity slumps. http://www.nber.org/papers/w21556

the foreseeable future in many parts of the world.[12,13] As companies now operate in an environment where bank credit is constrained due to the pro-stability financial regulations introduced since the 2008-09 global financial crisis, companies' success in unlocking financing for productivity-enhancing investments will hinge to a great extent on the proper coordination and calibration of financial regulations.[14] The OECD should therefore help policymakers to consider the broader economic impacts and cumulative effects of policy and regulatory approaches within the nexus of financial stability, sustainable economic growth, and return on investment, in order to identify and mitigate against possible unintended consequences that might be harming productivity growth.[15]

II. DEVELOP A REGULATORY ENVIRONMENT CONDUCIVE TO PRODUCTIVITY GROWTH

There is a basic need for businesses everywhere to operate in a stable and predictable policy environment, in particular if they want to sustain and enhance their productivity growth. In the context of climate change, for example, the business community has consistently called for a clear framework and the creation of a level global playing field.[16] BIAC strongly supports OECD efforts to promote policies that uphold the modernization of the public sector and sound regulatory frameworks. Where regulations are burdensome and/or inconsistent, the ability of firms to invest and thereby strengthen productivity may be impaired. The OECD indicator of product market regulation shows for instance a marked reduction in the pace of reforms aimed at reducing state control, removing barriers to entrepreneurship, and eliminating obstacles to trade and investment since 2003[17]: this reform slowdown happens to coincide with – and may

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[12] G20/OECD (2015) "G20/OECD High Level Principles on SME Financing", http://www.oecd.org/finance/G20-OECD-High-Level-%20Principles-on-SME-Financing.pdf

[13] AFME/BCG (2015) "Bridging the growth gap: Investor views on European and US capital markets and how they drive investment and economic growth", www.afme.eu/WorkArea/DownloadAsset.aspx?id=12509

[14] The OECD Business and Finance Outlook 2015 observes that "complex and sometimes conceptually contradictory regulation may have unintended consequences that should be considered" (p162), and argues for "sensible and balanced calibration of the existing regulatory frameworks" (p174).

[15] BIAC-B20 Turkey (2015) "Business Access to Global Value Chains and Financing SMEs", at http://biac.org/wp-content/uploads/2015/06/15-06-10-BIAC-B20-Turkey-Publication.pdf

[16] BIAC (2015) "Getting ready for the Paris Agreement: Key Actions for the OECD", at http://biac.org/wp-content/uploads/2015/10/FIN-2015-10-BIAC-CLIM9.pdf

[17] Koske, I. *et al.* (2015) "The 2013 update of the OECD's database on product market regulation: Policy insights for OECD and non-OECD countries", *OECD Economics Department Working Papers*, No. 1200, OECD Publishing, http://dx.doi.org/10.1787/5js3f5d3n2vl-en, page 30.

be partially responsible for – the weak period of productivity growth witnessed over the past decade.

In its future activities, the OECD should consider the impacts of the regulatory environment on productivity growth, particularly in the following areas:

Ensure good governance and implementation

BIAC supports the OECD's mission to uphold good regulatory practice and a sound framework for public governance, as promoted by the 2012 OECD *Recommendation on Regulatory Policy and Governance.* Recognizing the Recommendation as a fundamental basis for trust and an indispensable condition for businesses to operate, the business community is using the Recommendation to promote regulatory reform at the country level. But we have regularly expressed concern as to the lack of implementation of its provisions.

Where governance is weak, impediments to productivity are likely to arise, such as corruption – an area where the OECD's Anti-Bribery Convention presents a unique instrument to policymakers. The 2016 Anti-Bribery Ministerial Meeting will be an important opportunity to discuss implementation gaps, further outreach and adherence, and explore ways for the OECD to tackle additional topics such as addressing the demand side and encouraging and duly recognizing voluntary efforts by companies. Effective measures to battle bribery and corruption are also essential for the success of development and the realization of the new Sustainable Development Goals.

On the occasion of the OECD Governance Ministerial in October 2015, we reiterated our call for the full implementation of good regulatory practices. We emphasized the fundamental importance of an enabling regulatory framework and a good understanding of the prerequisites for growth that is inclusive. We stated again our strong support to OECD activities aiming to restore trust in business but also in public institutions. Lastly, we recalled that businesses need stable, transparent, predictable and efficient legal frameworks and their consistent implementation, recognizing that sustained stakeholder engagement and consultation are key to improve regulatory processes.

Improve regulatory practices

The indicators being developed in the ground-breaking work on Measuring Regulatory Performance should help to strengthen good regulatory practices, and could incidentally be a useful tool to achieve greater integrity and ethics in public decision-making mechanisms. However, despite encouraging results in this work, the business community continues to perceive the implementation of good regulatory practices, including regulatory impact assessments, stakeholder engagement and ex post evaluation, as being largely insufficient in a great number of countries. In BIAC's view, the elimination of unnecessary legislative, regulatory, and administrative barriers represents a fundamental and most cost-efficient stimulus to productivity and economic growth available to governments today.

Enhance stakeholder engagement

Stakeholder engagement throughout the policy cycle is a pillar of sound, evidence-based and efficient regulatory frameworks. The OECD Trust Project recognizes that trust in public institutions and trust in business should not be considered in isolation: both governments and business should work together to re-establish trust. With the update of the OECD's Corporate Governance Principles in 2015, for example, BIAC supports putting focus on its implementation in OECD and non-OECD countries to foster business growth and create and optimize sustainable value.

Very often, the willingness of regulators to engage with the private sector has considerably suffered since the 2008-09 global economic crisis. Discussions on specific company failures have at times resulted in the disregard of the constructive role played by the private sector in the analysis of existing regulations, in the assessment of relevant measures, and as a key provider of expert advice. Effective regulatory consultation processes, well-conducted impact assessments, and a strong involvement of relevant stakeholders in independent ex-post evaluation are drivers for stakeholder buy-in and commitment in the implementation of regulations. They contribute to enhancing the efficiency of regulatory practices.

III. FOSTER POLICY FRAMEWORKS FOR INNOVATION, HEALTH, AND THE DIGITAL ECONOMY

Innovation is the driving force for enhanced productivity, jobs and economic prosperity in our economies. Products and services from private sector industries including ICTs, bio and nanotechnologies, 3D printing, cloud technology, artificial intelligence, and robotics can increase productivity rates dramatically. Such innovations, and their diffusion in our economies and markets, will play a critically important role in offering productive solutions for the greening of our economies and achieving the Sustainable Development Goals. The diffusion of the benefits of these innovations will in large part depend on measures for individuals to adapt to changing skills needs.

We encourage the OECD to further examine the following areas for enhancing the role of innovation and the digital economy in driving productivity growth:

Develop an innovation-friendly policy framework

The provision of an enabling policy framework for the private sector that facilitates the necessary financial flows, innovation, and entrepreneurship, and that encourages the uptake of innovation and diffusion of technology is essential for innovation to unlock productivity growth.

An important aspect of such an enabling framework is an effective and efficient intellectual property rights (IPR) regime to provide incentives to take risks and encourage the creation and adoption of new technologies areas across industries. Intellectual assets (including patents, copyrights, and trademarks) are increasingly important to the efficiency of capital markets, investment decisions, and entrepreneurship. Patent regimes should be robust and transparent to maintain the balance between exclusive protection for a defined period and disclosure of IP in accordance with internationally-established IPR policies. At the same time, the access and diffusion of IPR for innovation can increasingly be accelerated through emerging open innovation business models in a number of sectors, a range of new collaborative mechanisms, and the emergence of global knowledge networks and markets.

Encourage international policy cooperation

In addition to creating the frameworks for innovation, raising overall productivity growth will depend largely on promoting the uptake, or diffusion, of ideas, new technologies and knowledge throughout and across markets. This links again to the need for reducing barriers to cross-border trade and investment, as identified earlier. While innovation has traditionally been regarded as spreading from developed to developing countries, this perception is changing as innovation is also increasingly moving from developing to developed countries. This presents major opportunities, but also challenges governments to cooperate on key issues such as securing adequate enforcement of IPR and other areas where structural reforms may be required to become fully innovation-oriented.

Foster a whole-of-government approach

Recognizing the need to foster innovation across all sectors and economies, it is important for the OECD to bring the work on innovation beyond the remit of research ministries. OECD analyses show a positive correlation between frontier firms and their exposure to international trade, integration to global value chains (GVCs), and FDI, which in turns suggests that innovation and productivity insights should be shared across government agencies responsible for promoting better trade, investment, and education policies. Insights from innovation work should also guide OECD work on health, where innovation is critical to discover therapies and treatments for illnesses for which there is still no cure.

Ensure that policies encourage health innovation

Non-communicable diseases are the largest cause of morbidity and mortality in OECD countries and beyond, and their incidence results in lost productivity in the workplace as well as other economic and societal costs. For example, depression costs employers USD 44 billion annually in the United States due to lost productive time at work[18], while the costs of lost productivity due to premature cancer-related mortality in Europe are estimated to be 75 billion Euros.[19]

Active and healthy populations are the backbone of our economies. OECD countries are challenged to develop more sustainable healthcare systems that harness e-health and other innovations as a means to achieve better health outcomes, greater productivity, and wellbeing. Innovative public-private partnerships that educate and encourage populations to develop and maintain healthy lifestyles should be further examined as a tool for governments to decrease population risk factors towards preventable chronic diseases. Recognizing that investing in health innovations is of utmost importance but is also a long, costly, and complex process, governments should incentivize treatments and technologies that will contribute both to healthier societies and enhanced productivity.

Unlock the potential for digitalization

The digital economy holds great promise in furthering economic growth, productivity, and fostering societal benefit. The realization of that promise depends on appropriate and facilitating policies, and a conducive regulatory environment. This is where the OECD can contribute greatly with analysis, knowledge, and policy guidance. In particular, governments need to ensure the right framework conditions for the success of the digital economy that largely encompass the widely recognized six "I"s: infrastructure, innovation, information and data flows[20], intellectual capital, investment and integration. These essential elements will form part of the business contribution to the 2016 Ministerial on the Digital Economy: *Innovation, Growth and Social Prosperity*, in Cancún, Mexico.

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[18] Stewart, W.F., Ricci, J.A., Chee, E., Hahn, S.R., and Morganstein, D. (2003) "Cost of lost productive work time among US workers with depression", *Journal of the American Medical Association*, 2003 Jun 18;289(23):3135-3144.

[19] Hanly, P. (2015) "Measuring the societal burden of cancer: the cost of lost productivity due to premature cancer-related mortality in Europe", *International Journal of Cancer*, 2015 Feb 15; 136(4):E136-45.

[20] Information and data flows include privacy and security.

IV. PROMOTE LIFELONG LEARNING

Evidence from the 2013 OECD Survey of Adult Skills finds that a significant proportion of workers perceive a mismatch between their existing skills and those required for their job – i.e. they are either over- or under-skilled.[21] This suggests there is significant room to strengthen labor productivity by addressing skills mismatch.[22]

Meanwhile, employers often report that they struggle to find suitably skilled candidates to meet today's and tomorrow's labor market needs, suggesting that shortages of skills may be constraining productivity growth. Survey data reveal the striking difference in perception regarding skills needed in labor markets: higher education institutions are twice as likely as employers to believe that their new graduates have the right skills for the workplace.[23]

Future OECD analysis and policy advice concerning the relationship between education and productivity should include the following priorities:

Strengthen cooperation with employers

Dialogue and cooperation between education policymakers, education providers, and employers should be enhanced to help ensure a closer match between education learning outcomes with the current and future needs of the labor market.[24] Modalities for cooperation can include, for instance, high-quality system-level foresight systems for education policy, joint initiatives to develop work-based learning opportunities, voluntary involvement of employers with schools and universities to showcase modern working environments and tools, and direct cooperation between education providers and employers for assessment and quality assurance systems. We commend the OECD's initiative to hold a series of Global Education Industry Summits, starting with the first Summit held in Helsinki in October 2015, and believe these fora should examine conditions for success and share good practices for effective employer engagement mechanisms in countries, regions, and sectors.

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[21] OECD (2013) "Survey of Adult Skills", http://www.oecd.org/site/piaac/surveyofadultskills.htm

[22] Eichengreen, B., Park, D., and Shin, K. (2015) "The global productivity slump: Common and country-specific factors" finds that countries with better educated populations tend to be more successful in avoiding slumps in total factor productivity. http://www.nber.org/papers/w21556

[23] McKinsey & Company (2014) "Education to employment: Getting Europe's youth into work", http://www.mckinsey.com/insights/social_sector/converting_education_to_employment_in_europe

[24] This is considered a key priority by employer organizations, as reported in the BIAC Education Survey 2013, at http://biac.org/wp-content/uploads/2014/05/130605_BIAC_Education_Survey_PREMIUM.pdf

Consider redesigning what should be learned and how it should be learned

The abilities of individuals to participate effectively in enhancing the productivity of our economies in the 21st Century will depend to a large extent on reforming key elements of education systems. There is a pressing need for lifelong learning that pays equal attention to modern areas of knowledge (such as technology and engineering, including robotics, biotechnology, and entrepreneurship), skills (such as creativity, critical thinking, communication, and collaboration), and character qualities for the workplace (such as ethics and leadership)[25]. This necessitates reviewing primary, secondary and tertiary curricula to target these key labor and societal needs, while avoiding curricula overload by carefully considering the relevance of topics and methods.

At the same time as reviewing what should be learned, reforms should also consider *how* to learn. Policies that strengthen teacher quality and training should be encouraged, including for vocational education and training (VET) and school leaders. Technologies provided by education industries also have an important role to play for lifelong learning and their uptake should be encouraged, with critical attention to their supplied content, accompanying pedagogical expertise, and learning environments.

V. CREATE GREATER OPPORTUNITIES FOR EMPLOYMENT

Excessive employment protection legislation (EPL) that imposes substantial or unpredictable costs on companies' ability to manage the workforce is found to undermine firms' productivity growth, reduce their experimentation with new technologies, and weaken their ability to attract resources to commercialize new ideas.[26] Flexibility enhancing reforms are key to helping individuals adapt to more productive sectors and jobs. While in the short-run certain structural changes can, in cases, result in labor market disruptions, particularly for lower-skilled individuals, flexibility-enhancing policies raise aggregate employment in the long-run.[27] Accompanying measures, such as active labor market policies (ALMPs), can help to mitigate short-term costs associated with flexibility-enhancing reforms. It is also important for all workers, particularly those displaced due to increasing product and process productivity, to be geographically mobile

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[25] BIAC (2015) "Character Qualities for the Workplace", available at: http://biac.org/wp-content/uploads/2015/06/15-06-Synthesis-BIAC-Character-Survey1.pdf

[26] OECD (2015) "The Future of Productivity: Preliminary Version", OECD Publishing Paris. http://www.oecd.org/eco/growth/OECD-2015-The-future-of-productivity-book.pdf

[27] OECD (2015) "ICTs and Jobs: Complements or Substitutes? The Effects of ICT Investment on Labour Demand in 19 OECD Countries"

and able to continuously adapt their skills to the demands of more productive, or growing, sectors.

The OECD's future work in this area, and in particular, the revision and update of the 2006 OECD Jobs Strategy, should focus on ways to foster more resilient and adaptable labor markets and jobs while keeping focused on the overall goals of enhancing the productivity of firms and employees:

Facilitate labor mobility, skills, and active labor market policies

To support labour productivity, the OECD should focus on how to improve mobility and skills adaption for displaced workers, as well as the right skills supply of current workers through an integrated skills strategy approach. In light of the changing demands of the economy and the future of work, the OECD's work on ALMPs should focus on providing workers with the relevant skills for the labor market and supporting employers looking to hire young, discouraged, or long-term unemployed workers.

Encourage participation of migrants, youth, older workers, and women

An inclusive approach to increasing productivity and adaptability of workers should, in particular, consider the integration of migrants, progress towards gender equality, skills developments for older workers, and the specific needs of young workers:

- It is in the interests of businesses, governments, and the OECD, to view migration policies as an important means to source diverse skills.
- Policies for skills and educational training need to provide lifelong learning opportunities while considering the specific needs of skills upgrading for older workers.
- The OECD's work on gender equality should continue to be a priority. There is a strong business case for more inclusiveness and gender equality in the workplace. Measures to improve gender equality in labor force participation, job promotion, education and skills, women's entrepreneurship, and leadership roles for women should be a focus.
- As outlined by the 2015 B20/L20 joint statement[28], governments are encouraged to tackle youth unemployment by focusing on: job creation; incentive and employment schemes

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[28] B20/L20 (2015) "Jobs, Growth and Decent Work", http://b20turkey.org/wp-content/uploads/2015/09/B20-L20-Statement.pdf

for young people to ensure a smooth transition from school to work; improving education and training systems with a particular focus on developing skills for better adapting to changes in technology and the digital age; applying the B20-L20 joint understanding on key elements for quality apprenticeships; and by setting ambitious key performance indicators for tackling youth unemployment.

CONCLUSIONS

In order to deliver greater clarity and a better understanding of the productivity challenge for our economies, BIAC calls for improvements to the international collection and consistency of data. BIAC identifies five overarching priority areas for future OECD analysis and policy recommendations that will lead to enhanced productivity growth. BIAC is prepared to deepen the dialogue with the OECD and governments on measures to promote more inclusive growth in our economies. We look forward to contributing to the Ministerial Council Meeting in June 2016.