Joint Meeting of G20 Finance and Labor Ministers

September 4, 2015

CHAIR'S STATEMENT

G20 Finance and Labor Ministers met in Ankara on September 4th, 2015 to discuss the issues of growth - employment relationship and inequalities. The meeting brought together the Labor and Finance Ministers from G20 members and guest countries, as well as representatives of international organizations and social partners to discuss strategies to deliver more and better jobs and to reduce inequalities with a view to support inclusive growth priority of G20.

The importance of policy coherence and coordination has been repeatedly expressed by the G20 Leaders. This joint meeting aimed to ensure effective dialogue within the G20 platform to create an integrated policy approach that builds on the technical work done under the finance and employment work streams, and the recommendations of social partners, namely Business 20 and Labor 20.

In the aftermath of the global financial crisis, the global economy is recovering, but at a slow and uneven pace, which also had a negative impact on the global employment outlook. Despite the improvements in the labor market conditions, job creation is still far from satisfactory levels to close the jobs gap that widened after the crisis. The current growth trajectory is unlikely to be sufficient to create enough quality jobs. Moreover, sluggish growth in wages and deteriorations in income distribution continue to put downward pressure on consumption by contributing to the lackluster global demand.

Policies and practices have a decisive role in shaping the cyclical and structural reaction of employment to the growth outcomes. Hence, understanding the relation between employment and growth, and the factors that can accelerate job creation is of crucial importance.

In this context, G20 Labor and Finance Ministers evaluated the analytical works of international organizations on the recent trends of the growth - employment relationship, the channels through which growth and employment interact, and available policy tools to enhance employment generation capacity of our economies.

Ministers highlighted that investing in infrastructure, effective active labor market policies, increasing labor force participation, investing in workers' skills and training, creating quality jobs and supporting entrepreneurship are among the main policy options in supporting aggregate demand and reducing unemployment, recognizing the need to consider country specific conditions.

Alongside unemployment, another worrying and relatively longer term trend is rising income inequality, which not only has a corrosive effect on social and political cohesion, but also leads to slower economic growth as demonstrated by a growing body of research.

Rising inequalities has become a matter of concern for most G20 economies in recent years. In order to better understand the root causes of these trends and to develop effective policy

responses, a Sub-group on labor income share and inequalities was established under the Employment Working Group during the Turkish G20 Presidency.

To promote inclusive growth, the Sub-group came up with a set of policy priorities. Ministers discussed these policy priorities including strengthening social dialogue and social protection systems, adopting appropriate labor legislation, improving taxation systems, expanding collective agreements coverage and ensuring fair wage scale.

While recognizing the importance of the policies put forward by the international organizations and G20 working groups, Ministers also considered that designing and implementing these policies will have fiscal implications. As fiscal room is constrained in many G20 economies, finding cost-effective strategies to maximize the return of public money is crucial. Studies of international organizations and G20 working groups suggest that supporting a job-rich and inclusive growth is critical for the sustainability of growth and thus, these are among the most efficient areas to spend public resources.

In this respect, Ministers underlined that efficient allocation of resources through optimizing the composition of fiscal expenditures and revenues has a potential to support a more job-rich growth and promote inclusiveness in a budget-neutral way.

Ministers, recognizing the importance of social dialogue, appreciated the role of the Business 20 and Labor 20 in the G20 processes and their joint declaration on “Jobs, Growth and Decent Work”. They also thanked to ILO, IMF, OECD, UN and the World Bank for their continuing support to G20 platform.