The Voice of OECD Business

Delivering Confidence for Private Sector-Led Growth and Job Creation

and

Business Perspectives on the OECD Initiative "New Approaches to Economic Challenges"

Discussion Paper for the Consultation with the OECD Liaison Committee

16 January 2013, Paris

Executive Summary

Five years since the onset of the crisis, the global economy is still struggling to recover; in fact, signs suggest that it is weakening again. A key factor dragging down the recovery has been a sharp drop in confidence, and thus investment, trade and job creation are suffering as a result. As many governments are faced with consolidating their fiscal deficits, policymakers are facing the question how to urgently restore business confidence, and thus revive private sector-led growth and job creation in the short-term, while at the same time working towards longer-term sustainable and inclusive growth.

Achieving a sustainable and inclusive economic recovery rests on the ability of governments to implement comprehensive, co-ordinated policy approaches. Governments must work to stimulate and not hinder private sector-led innovation, growth and job creation. Involving business and key stakeholders, including emerging and developing countries, in the policy process is essential in this effort.

Business recognises that policymakers are under pressure to increasingly examine pro-growth policies in terms of their possible impacts on stability, equity, and the environment – as well as vice-versa. Meanwhile, macro and micro issues are interlinked, and thus policies cannot be looked at in isolation. OECD fact-based multidisciplinary analysis is of distinct value for current policy discussions, and the OECD "New Approaches to Economic Challenges" (NAEC) initiative could hold potential for a major rethink on how policy is made – both for the economic recovery and for longer-term prosperity.

Considering the above, BIAC herewith presents a selected and non-exhaustive overview of issues relevant for private sector-led growth that we believe should be given greater recognition in the OECD's policy work, structured around 3 main themes: [1] Approaches for short- and longer-term growth; [2] Financial system and the real economy, and; [3] labour and social policies. Within this framework, we advocate the following business priorities to

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the OECD and national governments – priorities which we also recommend as a focus for the NAEC initiative:

I. Approaches for short- and longer-term growth

- Take a strong stance on reducing policy uncertainty in order to restore market confidence, through greater policy co-operation and dialogue with business
- Work with business and use OECD policy analysis to help build an enabling business environment which fosters sustainable and inclusive economic growth and job creation, through open competitive markets for trade and investment
- Step-up the implementation of OECD policy recommendations, such as through closer dialogue with business in the early stages of policy design
- Consolidate fiscal budgets in accordance with the recovery of the private sector
- Look beyond the econometric models for a more comprehensive and tailored assessment of countries' situations
- Seize win-win opportunities through closer co-operation with emerging and developing economies
- Harness and diffuse the opportunities of innovation and the knowledge economy
- Make "greening" and growth mutually supportive

II. The financial system and the real economy

- Address the cumulative impacts and possible unintended side-effects of new and proposed financial regulations and economic policies, with a view to reducing any unnecessary or excessive regulatory burden

III. Labour market and social policies

- Develop clear, pragmatic national employment strategies and institutional frameworks, which support sustainable private sector led growth as a key source of job creation
- Enhance access to high quality education and lifelong learning for all, making use of the OECD Skills Strategy and related work in order to boost employability
- Make labour market flexibility work for all groups
- Implement responsive sustainable social protection systems that target those most in need

Clearly all of the above priorities are interlinked and cannot be treated in isolation. To realise the full potential of any of these priorities, close co-operation between policymakers and business is fundamental. BIAC stands ready to contribute additional perspectives as the NAEC initiative develops.

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Introduction

1. As the OECD rightly looks back to learn from the crisis, as well as simultaneously looks ahead at emerging trends in the longer-term, BIAC believes that the Organisation must also confront the challenges facing our economies *here and now.* The aftermath of the 2007-08 global financial and economic crisis remains severe as we enter into 2013. Growth in the OECD area is forecasted to be weak over the coming year at only 1.4%[1], with weakened business confidence and the euro area still mired in recession. Meanwhile the average OECD unemployment rate is set to rise to 8.2% in 2013, but could rise to an unprecedented 12% in the euro area by 2014. In some jurisdictions, these economic challenges have culminated in social unrest. This situation requires urgent, decisive and co-ordinated actions.

2. Since the onset of the crisis, BIAC has been urging the OECD to recognise the importance of facilitating private sector-led economic growth. In this period of weakened public budgets, there cannot be any significant and sustained OECD-wide growth, or major improvements in equality and environmental outcomes, unless private sector investment and job creation are fully mobilised. This is a fundamental approach which we believe merits far greater political attention in the current circumstances.

3. Following consultation of our BIAC membership, this paper presents a selected and non-exhaustive overview of timely issues relevant for private sector-led growth that we believe should be given greater recognition in the OECD's policy work. These issues fall within the following three sections of this paper:

   I. approaches for short- and longer-term growth;

   II. the financial system and the real economy; and

   III. labour market and social policies.

[1] OECD Economic Outlook No. 92, November 2012.

I. Approaches for short- and longer-term growth

4. While there have been recent signs of recovery in some major economies, business confidence is generally low[2] in many countries and thus investment, trade and job creation are suffering. This in turn is putting a heavy drag on global economic recovery. As many governments are faced with consolidating their fiscal deficits, policymakers are facing the question how to urgently restore business confidence, and thus revive private sector-led growth and job creation in the short-term, while at the same time working towards longer-term sustainable growth. While by no means an exhaustive list, and in no specific order, we feel that the OECD should take the following aspects into close consideration:

5. **Take a strong stance on reducing policy uncertainty:** Despite a strong demonstration of international political solidarity at the London G20 Summit in 2009 in response to the crisis, the subsequent years have been marked by a degree of political uncertainty at both international and national levels. While political and regulatory uncertainty is by no means the sole reason for low business confidence (other factors in recent years have included a weakened banking sector, commodity prices volatility, rapidly shifting international capital flows, among others), nevertheless political delays, deadlocks and sometimes diverging approaches between countries have not been conducive to economic recovery. Anti-business and anti-banking rhetoric in some countries also serves to undermine market confidence.

6. Crucially, lack of policy predictability deters strategic long-term investment decisions, the revival of which is not only central to the economic recovery in OECD countries, but also essential for growth in emerging and developing economies. The protection and guarantees of investments within an open and stable investment policy environment must therefore figure prominently on the OECD's agenda. The OECD should highlight the benefits of foreign investment and a global level playing field, while calling out against protectionist actions by governments and overly-restrictive foreign investment regulation. The OECD should also be increasingly active in making timely calls for greater political co-operation and credible evidence-based policy approaches, built upon close dialogue with business and other key stakeholders.

7. **Work with business to build an enabling business environment based on open, competitive markets for trade and investment:** In OECD, emerging and developing economies alike, the private sector needs an enabling business environment to make the necessary investments that will lead to growth and job creation. Put simply, BIAC has been calling for: less, but smart, regulation; more co-ordinated legislation among OECD countries; lower, but non-distortive, business tax levels and a reduced amount of tax driven compliance costs; a pro-active investment agenda; open trade and investment policies and resisting protectionism in all its forms; labour market flexibility; access to skilled labour force; strengthened

[2] The November 2012 OECD Economic Outlook observed that business sentiment has weakened markedly in many major OECD economies over the past several months.

competition policy; and setting a clear path for long-term structural reform. Recognising that corporate governance affects every step of the investment process, corporate governance practices should enable business to take risk to grow and create value, which requires access to and effective allocation of capital.

8. For instance, according to a recent BIAC survey[3], we see that many national business communities stated that reducing economy-wide regulatory burdens should be one of the top five priorities for their respective governments in 2013. In this context, we would encourage policymakers to implement the 2012 OECD Recommendation on Regulatory Policy and Governance, which we believe holds important potential in assisting countries to improve the quality of regulation. Many BIAC national member and observer organisations have also expressed that some countries are not paying sufficient attention to product market reforms, thus leading to unevenness in the pace or extent of overall economic reforms. For example, labour market deregulation reforms have been implemented in some countries while product market reforms have been lagging, which can inadvertently worsen the economic and social situation in the short-term. BIAC calls upon the OECD to continuously improve and tailor its advice to governments on introducing policy reforms in an orderly manner that would improve the enabling environment for business. This requires close co-operation with business.

9. **Step-up the implementation of OECD policy recommendations:** Taking the 2011 OECD "Going for Growth" publication as an example, a recent BIAC survey[4] showed that national business and employers' organisations agree that a large majority of the OECD's 2011 country-specific recommendations would be very useful, yet only 2% of the recommendations are perceived by business to have been fully implemented. 68% of the 2011 reform priorities are considered to have been partly implemented, while 30% are considered to have not been implemented at all. We urge the OECD to devote greater attention to the factors that can enhance implementation of recommended policy reforms, particularly the importance of closer co-operation with business in the early stages of policy design. Closer dialogue between business leaders and OECD policymakers, for example at the level of the OECD Economic Policy Committee, would be useful in order to develop mutually agreeable solutions for policy reforms.

10. **Consolidate fiscal budgets in accordance with the recovery of the private sector:** As many governments have rushed to consolidate their fiscal budgets and reduce debts, BIAC has argued over recent years that governments should ensure sufficient flexibility to make the pace of fiscal consolidation reflective of the recovery of each national economy. This message was eventually highlighted by policymakers at the November 2012 Mexico Meeting of G20 Finance Ministers and Central Bank Governors, as well as in the November 2012 OECD Economic Outlook. BIAC welcomes this political recognition of the problem, and we encourage the OECD to

[3] "*Private Sector Growth in 2013: BIAC Survey on Priorities for Structural Reforms and Implementation*" (December 2012), available at www.biac.org
[4] *Ibid.*

closely consider the relationship between fiscal consolidation programmes and private sector recovery in individual countries.

11. **Look beyond the econometric models:** As stated by the Chairman of the OECD Economic Development Review Committee (EDRC) in October 2012, "it is now clear that the OECD, like the Fund and many other institutions, failed to give adequate warnings prior to the crisis"[5]. The fact that the crisis caught so many acclaimed economic leaders by surprise has led to calls for improved economic modelling. While the OECD should rightly reflect upon such models, BIAC encourages the Organisation to also look increasingly beyond the models when offering policy advice to governments in order to provide a far more comprehensive and tailored assessment of each country's situation and possible risks.

12. **Seize win-win opportunities through closer co-operation with emerging and developing economies:** OECD analysis shows that the long-term geographic distribution of economic wealth over the coming 50 years is set to change significantly, with China likely to become the world's biggest economy by 2016, and with the OECD share of global wealth set to shrink from close to 65% in 2011 to just over 42% by 2060[6]. This trend presents challenges, but also presents important opportunities for growth, development and improved living standards. For instance, innovative financing and development aid should be used to help business in OECD countries to invest in and trade with fast-growing emerging and developing economies – this would help to strengthen OECD-based industries and create jobs for economic recovery, while simultaneously enhancing the development of partner countries through improving infrastructure, food security, healthcare, education and other sectors.

13. **Promote innovation to foster growth and address global challenges:** The OECD's work related to science, technology, and innovation (STI) needs to address what policies and practices will really matter in the next few years. Specifically, the OECD needs to think strategically about how best to understand STI trends; how to be more proactive than reactive in policymaking; how to better link key trends to broader societal goals such as green growth, active aging, education and skills development, knowledge-based value creation and inclusive development; and how to communicate these messages across the whole of government.

14. To achieve these goals, BIAC recommends reflecting transformations in 21st century science and technology into policy-making. Major transformations in the area of science and technology need to be taken into account, for example, the emergence of "big data" and "Internet of things", which are transforming business models across sectors and in fields such as healthcare and education. At the same time, we need to reap the benefits of next-generation sustainable manufacturing and jobs, and value-added enabled by cutting-edge STI advances and new types of platforms, tools,

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[5] "*New Approaches to Macroeconomic Challenges*": Presentation to the first meeting of the NAEC Group, 24 October 2012, by W.R. White.

[6] "*Looking to 2060: Long-term global growth prospects*", OECD Economic Policy Papers, No. 3, November 2012.

techniques and lifelong learning and skills built around new manufacturing and production capabilities. The growing role of Global Value Chains, Knowledge-based Capital and Knowledge Networks and Markets as key drivers requires rethinking of a range of government policies and approaches, and BIAC looks forward to the OECD presenting results in these important areas at the 2013 Ministerial Council Meeting in May.

15. Despite these transformations, innovation will only thrive if there is an enabling policy framework in place that facilitates the necessary financial flows, fosters entrepreneurship, focuses on education and skills, and encourages the uptake of innovation and diffusion of technology. Furthermore, closer OECD co-operation with major emerging economies is crucial, given their increasing involvement in global developments towards knowledge-based growth.

16. **Make "greening" and growth mutually supportive:** The environmental pressures we are facing underline the importance of reflecting cost-effective approaches for "greening" our economies. Policies and targets need to be achievable, taking into account national circumstances and priorities, the global economic context, as well as poverty alleviation objectives of developing countries. Recognising the important role of the business community and creating the right incentives for business to invest is essential to making green growth deliver. In light of the current global economic situation, there is a possibility that some countries will give priority to short-term fixes. The harder but ultimately more beneficial solution is to pursue a long-term strategy built around stimulating innovation, new solutions and an active role of business to facilitate greener growth. The OECD can add real value in this respect by convincing governments of the necessity to take a longer-term view and foster practical, cost-effective and coherent policy measures as well as dialogue within and between governments, the business community and other key stakeholders.

II. The financial system and the real economy

17. BIAC supports appropriate regulation and policy initiatives to avoid market and governance failures, and the financial sector is working with policymakers in this important undertaking. Regulation must be not only effective in achieving its goals, but also efficient in doing so, in order to create the least burdens on the financial sector and the economy as a whole. However, the 2007-08 global financial crisis has led to a wave of new and proposed financial regulations, such as Basel III, the Dodd-Frank Act, Solvency II, financial transactions taxes, and the Foreign Account Tax Compliance Act (FATCA).

18. Unfortunately, while the objectives of such regulations are generally well-founded, BIAC is concerned that the sheer number of different financial regulations being introduced by different jurisdictions without proper sequencing or thorough impact analysis could bring serious unintended consequences for the global financial sector and the real economy, thus delaying or undermining economic recovery. There is no mechanism to warn us when regulatory accumulation ceases to be productive, and

instead becomes counter-productive. This also leads to unrealistic expectations as to how financial institutions can handle new regulations.

19. **There needs to be a discussion between regulators and industry about the cumulative impacts and possible unintended side-effects of new and proposed financial sector regulations and economic policies.** New regulations, if looked at in isolation, may seem appropriate, but may have unintended consequences when implemented in combination with others (such as the effects of collateral requirements or liquidity requirements on markets). OECD countries should also increase their co-operation when drafting up regulations for the financial sector in order to avoid over regulation or inconsistent rules. The OECD, with its whole-economy approach, should facilitate this dialogue and carry out supporting analysis, with an aim towards more consistency and better co-ordination.

20. By means of illustration, the following paragraphs point to recent and/or emerging developments where the OECD business community is concerned that new or proposed regulatory approaches could negatively impact the financial sector and the real economy.

Financing small- and medium-sized enterprises (SMEs)

21. As stated in the B20 Los Cabos Statement 2012, "SMEs are the lifeblood of the economy". However, since the onset of the crisis, SMEs in many countries face a persistently challenging operating environment, due in part to reduced access to credit. The regulatory burden, compounded with the volatile global economic situation in recent years, is resulting in a prolonged period of market uncertainty in which lending activities are being scaled back. This will disproportionately affect smaller companies.

22. One example is new regulation calling for increasing the regulatory capital requirements of banks. While BIAC supports the core goals of assuring stronger capital and funding structures for financial firms as per the basic Basel III requirements, it needs to be borne in mind that new capital and liquidity requirements for the financial sector generate additional costs, which lead to tightening of the terms and availability of finance for corporations, SMEs and individuals. Moreover, any surcharges over the widely accepted core requirements will tend to decrease the amount and nature of risk assets held by financial institutions. Emerging and developing markets are also becoming increasingly concerned about the effects of the incentives built into the international regulatory programme on their largely deposit-funded banks and thus on their economies, and in particular on trade finance and project finance, which are highly significant for their future growth and development.

23. The result is a reduction in lending precisely at a time when an increase in SME lending is needed. According to a recent survey, close to 40% of banks expected to disinvest from riskier loans and almost 20% from average loans in the second half of

2012 in the euro area in order to increase their capital positions[7]. In addition, current capital and liquidity treatments in Basel III do not appear to reflect the lower risk profile of trade finance (which is an important source of funding for SMEs, being cheaper and easier to borrow), thus further constraining lending to SMEs.

24. Meanwhile, several countries are introducing initiatives for restoring growth, with special focus on SMEs. While such initiatives are necessary in order to help revive economic recovery in many countries, there needs to be a strengthened co-ordination of these initiatives together with the financial regulatory measures in order to help revive SME lending and overall economic recovery. BIAC encourages future editions of the "OECD Scoreboard on Financing SMEs and Entrepreneurs" to incorporate greater analysis on this issue, perhaps through developing an indicator of policy consistency and effectiveness.

Restructuring banks' business models

25. Any structural segregation of banks' business models is expected to be costly, burdensome and reduce the benefits of diversification, risking damage to the economy. Meanwhile, it is not clear that a separation of activities would make a bank safer in a crisis, as any bank (universal or separated, retail or investment) is liable to be seriously affected – as demonstrated in the latest crisis. The key is proper risk management.

26. If universal banking is separated through ring-fencing of certain activities (as proposed by the Volcker rule in the United States, Vickers report in the United Kingdom, and Liikanen report in the euro area), there is a real risk that wholesale and retail banking would not be able to sufficiently fund and promote economic recovery. This could be particularly troublesome in Europe, where universal banking funds a large part of the economy. Moreover, especially export-oriented European businesses are likely to be affected by a separation of banking activities, because apart from requesting loans, these companies could face a more limited choice of advanced financial products for their activities and thus may be less able to benefit from financial innovation.

27. Furthermore, the Volcker rule, Vickers report and Liikanen report propose very different approaches, and countries may implement them in different ways and to different extents. Banks cannot therefore take the right strategic decisions needed right now in order to restore investor and consumer confidence, and long-term investment is bound to suffer as a result.

28. A further concern is that "resolvability assessments" may require additional changes of banks' structures and business models, which could cause banks to drop lines of business or withdraw from competition in certain jurisdictions. At the moment the outcome of such assessments (and the consistency with which they will be performed) is unclear.

[7] ECB *Euro Area Bank Lending Survey* (July 2012).

29. BIAC calls for any regulations on restructuring banks' business models to be clear-cut, designed in co-operation with the private sector, harmoniously implemented for a genuinely level playing field, and with emphasis on risk management, including liquidity management and capital planning. We strongly recommend the OECD to take the above considerations into account when developing its advice on the structural separation of banking activities. More generally, the balance of financial sector "safety" and economic growth must be properly considered by regulators, and BIAC encourages the OECD to explore this sort of interaction.

Financial Transactions Tax (FTT)

30. The FTT is another example where some jurisdictions appear to be creating further regulatory burdens without thorough consideration for the impact this has on the financial industry and the real economy. BIAC is seriously concerned that FTTs will result in less credit, extra burdens for consumers, potential spill over effects for non-participating jurisdictions, and generally lower growth – and will *not* help to address structural weaknesses in financial systems. It is moreover unthinkable to the industry that such taxes could be introduced only in specific countries, as this will inevitably lead to competitive distortions by driving the market and much related economic activity away from the places where such taxes apply. In our view, the OECD should call for evidence-based impact assessments of FTTs.

III. Labour market and social policies

31. Certain fiscal austerity measures introduced in the aftermath of the 2007-08 crisis, while necessary for reviving longer-term growth and prosperity, may be leading to greater income equality in some countries in the short-term. Meanwhile, there has also been a longer term trend in growing income inequality in many emerging and developing economies. This inequality matters to business, as we need to maximise human resources and promote social mobility for all groups, in particular women and youth, in order to foster vibrant economies and societies. BIAC therefore welcomes that the OECD NAEC initiative plans to include a strong focus on growth and jobs. Co-ordinated policies that support job creation and enhance employability of all individuals must remain a top policy priority. Business continues to be seriously concerned about persistent high unemployment rates and continuing negative economic and social impacts resulting from recession and sluggish growth in many economies, as well as the longer-term trend of aging societies in many countries.

32. We cannot begin to tackle the problem of income inequality unless our economies are growing and re-employing the millions of people who have either lost their jobs since the onset of the global economic crisis or have been prevented from entering the labour market altogether. We are encouraged by the recommendations of the 2011 OECD Report *Divided we Stand*, which emphasises employment as the most important means to reduce income inequality, and we welcome ongoing detailed analysis by OECD on relevant issues impacting economic and social mobility.

33. A return to sustainable growth requires that employment and social policies support and do not inhibit job creation. Employment policies must be linked to the broader economic policy framework and be responsive to both macro- and micro-economic conditions. They should foster higher productivity, innovation and entrepreneurship, as well as necessary flexibility labour mobility and adaptability, which are crucial for firms to be competitive and grow in open global markets.

34. Business recognises that policies which drive growth have dynamic effects that can also create tradeoffs, necessitating a balanced and co-ordinated approach by policymakers to address negative impacts such as job displacement and skills mismatch. In today's globally integrated economic environment, where rapidly changing innovative technologies are driving change, policies must be coherent, multifaceted, multilayered and co-ordinated across agencies. Crucially, they must be developed in consultation with all stakeholders to ensure a comprehensive view on the short- and long-term potential effects of policy decisions.

35. In short, there must be a policy response in place to address certain tradeoffs. Such responses must not in themselves create additional unintended negative effects or burdensome costs. Policy decisions responding to tradeoffs in the current crisis conditions should continue to be timely, targeted and – when deemed necessary – temporary, allowing for flexibility and adaptation of policy approaches as markets continue to evolve.

36. BIAC welcomes continued OECD's analysis on equity issues, recognising that global income inequality trends are driving political approaches to economic and social policy in many countries. In this climate, a pragmatic fact-based analysis of these trends is needed and the OECD is uniquely equipped to undertake the cross-cutting analysis of the dynamic impacts policies can have on income inequality, i.e. to consider these impacts both in the short-term and longer-term in terms of life-time income distribution and the equality of opportunity. In addition, the OECD should move beyond studying the potential social impacts of individual policies in isolation, to instead undertake a more comprehensive analysis of how these different policies interact with each other in a country's overall policy mix.

37. In this context, BIAC emphasises the following key points for consideration in the OECD's future work with respect to employment and social policies:

38. Governments should deliver clear, pragmatic national employment strategies and institutional frameworks, which support sustainable private sector led growth as a key source of job creation. Employment strategies and social policies must not be considered in isolation: they must consider labour, economic, finance, education, innovation and entrepreneurship policies as interlinked, and be informed through active dialogue with the social partners. Active labour market and social policies that also support labour market mobility are an important part of the enabling framework for business activity including targeted activities to build capacity of SMEs, and should be seen as essential elements to support private sector job creation.

39. **Access to quality education for all and lifelong learning should be a top policy priority.** As demonstrated by OECD research, addressing the challenges of unemployment and inequality depends to a large extent on increasing the employability of individuals. Access for all groups to quality education, from early childhood education through to adult education, is a critical factor for lifelong employability in OECD, emerging and developing economies alike. Education and training based on a lifecycle approach to leaning as emphasised by the OECD Skills Strategy is critical, and the goal must be to ensure that all individuals have access to quality education and training from the start. The OECD Skills Strategy and ongoing work on the assessment of adult competencies are ground-breaking initiatives that could significantly help to anticipate, update and upgrade skills. Likewise there must be a renewed emphasis on increasing the quality of teaching in schools in many countries, work place learning, apprenticeships and traineeships.

40. **Employment strategies should actively support participation of all groups in the work force** by improving vocational training, lifelong learning, and targeting specifically youth employment and disadvantaged groups.

41. **Make flexibility work for all groups.** Reform of labour market rigidities must continue. Flexibility is a critical factor for competitiveness, and it is imperative that all forms of formal employment and social benefit systems are effectively linked, and that burdensome non-wage labour costs be reduced.

    There needs to be a commitment to remove stigmas concerning part time temporary and agency work by making these types of work viable for those who are on these types of contracts. “Quality work” is the pathway to economic and social mobility and we need to explore how we can put *all forms of work* on this track. For employers, job quality rests on respect for the law, good human resource practices, social protection, and respect for fundamental principles and rights at work. This means we must also reduce illegal, undeclared so-called “informal work” in OECD economies (and also in emerging and developing economies), and social benefit systems must be linked to all types of work. BIAC welcomes proposed OECD work on this issue, in particular to focus on interaction between social benefit systems with flexible work approaches.

42. **Implement responsive sustainable social protection systems that target those most in need**. Any social protection scheme must first and foremost encourage ongoing active labour market participation and employability wherever possible. Discussions on social protection must be realistic and take into account prevailing economic risks and uncertainty. Governments should be encouraged to establish or improve national social security schemes and social protection floors for those excluded, while policy discussions should be based on national priorities and budgets with the involvement of social partners. Social benefit schemes should be reviewed to better reflect demographic changes, financial realities and the increasing and positive role played by private schemes. Schemes also have to make jobs transition easier and promote the re-entry into the labour market.

Conclusion

43. Five years since the onset of the crisis, the global economy is weakening again. While there are many causes for such setbacks, a key driver has been a sharp drop in confidence. This BIAC paper has therefore put forth a selection of OECD business perspectives on what is needed to deliver that confidence now, with the key objective to generate private sector-led growth and job creation for the longer-term.

44. Looking ahead, the OECD “New Approaches to Economic Challenges” (NAEC) initiative, which aims to draw lessons from the crisis in order to improve the OECD’s analytical frameworks and policy advice through an Organisation-wide reflection process, could provide an important opportunity for realising many of the objectives highlighted in this paper.

45. In order for the NAEC initiative to develop into a recognised and useful OECD-wide process, it will be important to: define a set of concrete projects and outputs; focus on indicators and data for more effectively measuring our economic and social policies; step-up the implementation of OECD policy recommendations; and deepen OECD co-operation with emerging and developing economies.

46. Crucially, when exploring “new” approaches to economic challenges, it would be erroneous to ignore many of the fundamental policy approaches that the OECD has championed for over 50 years, such as open markets for trade and investment, labour market flexibility, good governance, including good corporate governance practices, and so on. These fundamentals are key for business. Ensuring public-private sector co-operation will therefore be essential for the success of the NAEC initiative, in which business can bring its operational perspectives to the discussions. We therefore encourage the OECD to look closely to the recommendations in this BIAC paper when shaping the NAEC initiative’s future programme of activities, and we stand ready to contribute additional perspectives as the NAEC initiative develops.