

# Employment Creation

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I have been asked today to speak about employment creation – a subject that is central to many of our thoughts and actions at the moment.

The nature of the employment challenge will vary from country to country but commonly, unemployment will be higher amongst those at the margins of the work force – the young, the unskilled, and other disadvantaged groups. Trends we are seeing in long term unemployment and youth unemployment are cause for great concern.

We all know that the overriding challenge is to regain strong, secure economic growth in all of the OECD economies. That above all else will mean that those currently unemployed will have a better chance of gaining meaningful, sustainable jobs. But we also want individual employers throughout the world to make choices about hiring people as a result of that growth. In that way we will best achieve a job-rich recovery.

We all understand this is an urgent need. The best outcomes will occur if we execute now on strategies and policies that are pragmatic, relevant to national circumstances and well-supported by business.

As much as anything the act of hiring a new employee is an act of confidence. Confidence in the economy and markets, confidence in future growth and confidence in Government and the suite of policies that Government puts in place.

One way of making sure that you have the best mix of policies in place to ensure the creation of the largest number of jobs, particularly among those at the margins of the labour force, is to put the employer and the worker at the heart of your consideration of policy options.

Policy makers might usefully put themselves in the shoes of - for example - a small business person and ask themselves what it might take for that person to hire somebody.

You might usefully do the same in the case of – for example - a young, unskilled woman and ask yourself how she could better equip herself to find a job.

If we can do that kind of thinking then we will have a better chance of making sure that growth is as job-rich as possible.

The reason I use a small business example is that they are usually the engines of job growth in any economy and if we can instil confidence in them that they can take on a new employee, then in principle we will have done that for all businesses.

And the reason I use a young unskilled woman as my example is that, if we can ensure that her needs are better addressed then we will have achieved better outcomes for all job seekers.

In a nutshell a business will hire a new employee if they think that by employing that person their business prospects will improve.

What will those businesses want from Governments? A number of things but by way of example:

1. At the most basic level a lack of corruption, clear property rights, a minimum of red tape and so on.
2. Confidence that their business can grow. That suggests competitive markets, free trade, responsible Government spending, good innovation policies, competitive taxes and the like.
3. Reasonable flexibility in labour laws, especially around issues such as hiring, restructuring and dismissal.
4. Access to credit.
5. A worker with relevant skills. In addition to basic literacy and numeracy skills, employers are increasingly looking for both hard and soft skills. By "hard" I mean technical skills - increasingly things like science, technology, engineering and maths and with regards to soft skills I am really talking about things like customer service, team work, self-awareness and so on.

Now let me turn to that potential employee. What might she want? Once again a number of things:

1. Foundation skills in literacy, numeracy and ICT skills.
2. Those hard and soft skills I have spoken about.
3. To be treated with dignity and respect which suggests a smart set of labour regulations that speak to that need but don't get in the way of the employer making that hiring decision.
4. The chance to grow her skills in any new job.
5. Most of all she won't want to be excluded from the labour market.

We need to make sure we do everything in our power to ensure that she is not excluded either by accident or design. This suggests that we need laws and regulations that do not have the effect of protecting those who are already in work at the expense of those who are not.

Now, it would not be unusual if that young woman started out in a job on a lower income than her peers, who might have more experience or more relevant capabilities but over time her own capabilities and experience will usually mean

higher rewards. We all know that is the dynamism of any market economy. Incomes will differ and that is a good thing – if they did not we would all end up equally poor. What we are after is equality of opportunity rather than equality of outcome.

The OECD's recent report on income inequality is relevant here. Clearly it is a concern if inequality becomes so great that it attacks the fabric of our society and our communities, but market economies rely on dynamism and difference to succeed.

So what can we do about addressing the negative aspects of that worrisome type of income inequality while retaining the dynamism that is so vital?

The OECD report has useful recommendations, in three areas:

First, it strongly recommends “more intensive human capital investment”.

This means skills – up to date, technical, work-ready skills relevant to high-priority areas of the economy.

This requires an education system that works closely with industry to provide training in the areas most needed for competitiveness. It requires a passion for education and an environment where education and skills are highly valued.

The report notes that education is the single most important factor in higher employment and wages.

Second, the OECD recommends “inclusive employment promotion” – better access to employment for under-represented groups such as youth, older workers and migrants.

This also entails education policies focused on their particular circumstances and needs, along with sound human rights and other social policies.

The OECD's third main recommendation is well designed tax and benefit policies.

The aim should be a tax system that collects enough to support needed benefit policies while not repressing productive enterprise.

In conclusion then, it is a good idea, in thinking about employment creation to put ourselves in the shoes of employers and potential employees, ensuring that their needs are met and that they both have adequate opportunity and protection. In that way economic growth will be as job-rich as possible.