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Investing in the Future Together

*Business at OECD (BIAC) Vision Paper on
Priorities for the 2025 OECD Social Policy
Ministerial Meeting*

Established in 1962, *Business at OECD* (BIAC) is the officially recognized institutional business stakeholder at the OECD. We stand for policies that enable businesses of all sizes to contribute to economic growth, sustainable development, and societal prosperity.

Through *Business at OECD*, national business and employers' federations representing over 10 million companies provide perspectives to cutting-edge OECD policy debates that shape market-based economies and impact global governance. Our expertise is enriched by the contributions of a wide range of international sector organizations.

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Introduction

The sustainability of social protection systems is closely linked to economic growth and development. On the one hand, economic growth contributes to more robust social protection, as tax revenues and contributions from employers and workers increase when businesses perform better in a dynamic economy and more people at work lead to less unemployment and other social expenses. At the same time, well-designed social protection systems and social policies can also contribute to economic growth and the resilience of our societies, as integral components of both the economy and the labour market.

New demographic trends and economic, technological, and environmental transitions will affect both the role of, as well as the financing of, social protection systems in OECD countries over the coming decades. It will be crucial to address these megatrends in a way that is conducive to employment-rich economic growth and that promotes the long-term sustainability of social protection systems.

Businesses and employers play a central role in financing social protection. Strengthening the competitiveness of companies and their ability to navigate these megatrends is an essential prerequisite for the private sector to make its full contribution to creating new jobs, and thereby to funding social protection systems in the present and future.

This paper highlights key issues that from a business perspective should be considered in the development of sustainable social protection systems that benefit all. These include the need to:

- Strengthen the competitiveness of businesses and their ability to contribute to employment-rich economic growth as the foundation for sustainable social protection;
- Increase the participation of all socioeconomic groups in the labour market and remove barriers to employment;
- Increase the efficiency of social protection systems by leveraging technological innovation such as advanced data analytics and artificial intelligence (AI), especially in the context of demographic change;
- Find practical solutions and address the financial stability of social protection systems in close dialogue with business and employers' federations.

1. Fostering Economic Growth and Job Creation as the Foundation for Sustainable Protection

In OECD countries, the general tendency is for people to lead longer and healthier lives. This positive development, however, has a number of economic consequences. Under existing structures, most OECD countries will experience serious deficits in their social security budgets that are expected to increase under pressure from economic and demographic changes. Structural changes are needed in many countries in order to avoid a collapse of these systems as a whole and ensure the future sustainability of social protection systems.

It is vital for economic growth that to meet the costs of these societal changes in the coming decades, participation in the labor market of all socioeconomic groups increases, thereby bringing more individuals into the contributory system. Raising the burden with higher social insurance contributions on businesses would create considerable risks for international competitiveness and economic development in many OECD countries with unfavourable effects on employment and jeopardize the fair balance between the generations involved.

Increasing labour market participation through a holistic social policy approach

There is substantial scope in OECD countries for raising the labour market participation of all socioeconomic groups, and in particular, underrepresented groups including women. While OECD countries have made substantial progress, a comprehensive social policy approach is needed to ensure that people in these groups have equal opportunities to participate and thrive in the labour market. This also depends on the broader living conditions and quality of life experienced by individuals, families, and communities, which are greatly influenced by social policy frameworks as a whole, for example the affordability of quality childcare, housing and transportation networks.

Moreover, increasing labour market participation will require a sound policy framework “making work pay” - that is, strengthening the necessary incentives and removing barriers to work. Such policies may include reforming and modernizing tax and benefit systems. These policies not only make employment more attractive but also contribute to broader economic growth and social inclusion.

Investing in initial education and lifelong learning

Initial and continuing education systems that instill the value of lifelong learning and prepare individuals to learn for life and be able to adapt can significantly contribute to improving employment prospects for all socioeconomic groups. Investing in early childcare and education is also vital to improving life changes and societal prosperity.

In the face of new demographic trends and economic, technological, and environmental transitions, encouraging the workforce to improve their skills and respond to changing labour market requirements is instrumental to employment and economic growth. Likewise, fostering greater awareness of career possibilities and understanding of the labour market is key to enhancing the employability of the workforce.

Both employers and workers have a key role in supporting the development of education and training systems in cooperation with governments, by making explicit their need for modernized knowledge and competencies, with a view on labour market needs and skills demand. They can provide on-the-job skills development opportunities as well as firm- and job-specific training. Workers also need to take initiative to develop transferable skills and be receptive to learning that is not exclusively job- or firm-specific. This is especially important for improving the employability of low-skilled and older workers.

Addressing barriers to formal job creation and reducing informality

Increasing the participation of workers in the formal economy contributes to more sustainable economic growth and helps expand the tax and contribution base for social protection systems. Workers in the formal economy are also typically more productive and live longer and healthier working lives, due to better working conditions, access to training, and legal protections.

With more than 60 percent of the global workforce in informal employment according to the ILO, there is significant potential for OECD countries, particularly in Latin America and the Caribbean region, to boost economic growth through increasing formal sector participation. Contribution rates should also be set at a level that is affordable for both workers and employers while ensuring that social protection systems remain financially sustainable.

Business recommendations to the OECD and governments:

- We call on the OECD and governments to clearly communicate the challenges posed by demographic change to the broader public. Developing a better understanding of the issues currently faced will help to pave the path for necessary reforms.
- We urge the OECD and governments to develop a more holistic social policy approach to increasing the labour market participation of all socioeconomic groups, including by reforming and modernizing tax and benefit systems.
- We welcome the OECD's focus on child well-being and call for greater investment in initial and continuing education and training systems, to better equip future generations and support the employability of the workforce.
- We recall the importance of social policy frameworks and investment in policies that promote healthy working lives, recognising the important role of businesses and employers to promote health and well-being in the workplace.
- We urge the OECD to provide deeper insights on the structural barriers to and best practices for formal job creation, and urge governments to bolster action that addresses the root causes of informality.

2. **Aligning Social Protection with New and Diverse Forms of Work**

As the world of work continues to undergo significant changes, social protection systems will need to adapt to continue to provide essential safeguards for workers and businesses and contribute to economic prosperity. Policy frameworks that provide for more flexible approaches to accommodate diverse employment paths and job transitions should be seen as a positive direction toward achieving greater opportunities and diversity in the workplace.

Supporting greater flexibility in the labour market

More diverse forms of work are crucial to labour markets. In order to achieve this, the government should use digital technologies such as AI to improve the matching function and efficiency of the labour market. At the same time, it is important for the government and private sector to clearly define their respective roles and work closely together. The growing variety of forms of employment cannot only contribute to overall job creation, but also address the labour market needs and preferences of specific categories of workers as well as those of businesses and employers.

Ensuring adequate social protection coverage for all workers has been shown to have broad benefits for both businesses and the wider economy. As social policy frameworks are reformed, more diverse employment arrangements should also be accommodated to meet the needs of an evolving labour market.

Encouraging labour market mobility

Social protection systems as they evolve should also aim to foster greater labour market mobility and job transitions. A future-proofing design should allow for the creation and build-up of rights and benefits which are portable for individuals across different forms of work and employers, jobs and sectors, including with regard to training opportunities.

Well-designed social protection systems should also play a significant role in supporting the timely integration of migrants in the labour market. This is an increasingly important pillar of a comprehensive strategy to address skills shortages and gaps in OECD countries, as regular labour migration should help respond to specific labour market needs.

Extending social protection to foster entrepreneurship

Finally, expanding social protection to small business owners and entrepreneurs can also support entrepreneurship and economic growth, by reducing personal financial risks associated with setting up a business. Entrepreneurship is fundamental to the creation of new jobs, innovation and driving market competition which in turn promotes economic growth.

Business recommendations to the OECD and governments:

- We call on governments to foster comprehensive access to sustainable social protection for all.
- We urge the OECD and governments to consider how social protection systems can be designed in a way that is portable and encourages labour mobility.

3. Leveraging Technology Innovation and Data for Social Protection

The use of digital technologies and technological innovation can help improve the efficiency of social protection systems in an increasingly digital world. Businesses can play a pivotal role in helping governments improve social protection systems through technological innovation and data by offering expertise, infrastructure, and resources that enable more efficient, inclusive, and effective service delivery.

Using technology to enhance the efficiency of social protection systems

Advanced data analytics and AI help governments better identify and target those who are most in need of social protection. By using data from multiple sources (e.g., income, employment status, and living conditions), and partnering with private sector providers of data and technological solutions, governments can ensure that benefits reach vulnerable populations while reducing costs and minimizing errors and fraud.

Digital platforms are also an indispensable tool for formalizing informal workers, as they register transactions that would otherwise take place without any official record. Formalizing these transactions ensures they are taxed, expanding government resources. Additionally, bringing workers into the formal economy helps facilitate their ability to access social protection systems.

The use of digital technologies can also help governments during times of crisis, by more quickly identifying those in need and distributing benefits without delays. For businesses and employers, this can be critical to maintaining operations during a crisis and the resilience of their workforce.

Addressing the accessibility and complexity of social protection systems

While the use of automated systems for the provision of social services is on the rise across OECD countries, it is important that social protection systems remain responsive and accessible to the needs of businesses and workers. Great advances have been made through the use of systems that automatically assess the eligibility of beneficiaries and adjust to changes in circumstances, however, such systems often remain complex and difficult to access for businesses and employers.

Reforms of social protection systems should aim to reduce the regulatory and administrative burdens for businesses and employers. Governments must ensure that laws and policies are clear, inclusive and increase the efficiency and accessibility for businesses and employers.

Strengthening enforcement of social protection systems

Finally, the use of digital technologies and data can also help support the effective enforcement of social benefits – a vital component to ensuring the sustainability of social protection systems. Effective monitoring and penalties for non-compliance are also essential to protect the formal job market and ensure a level playing field. Ensuring the full application of social protection policies and laws is not only an essential principle of good regulatory policy and governance, but also a prerequisite for the well-functioning growth of our markets and societies.

Business recommendations to the OECD and governments:

- We call on the OECD and governments to leverage private sector innovation, including digitalization, to improve the delivery of social protection.
- We call on governments to enhance and simplify access to and use of social protection systems, including for businesses and employers.
- We call on governments to provide clearer and more accessible information on the social policy laws and policies applicable to businesses and employers, as well as identify areas of misuse and compliance in social protection systems.
- We call for more accurate and granular data collection, especially on diverse forms of work.




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