Ensuring Tax Policy Supports Employment

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POLICY REVIEW

A powerful
and balanced
voice for business

International Organisation of Employers | Organisation Internationale des Employeurs | Organización Internacional de Empleadores

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Executive Summary

- Fiscal policies (taxes and how tax revenues are spent by governments) are important for prosperity, living standards, development, and employment.
- How governments levy taxes and deliver services can impact job creation and the attractiveness of their countries for investment, business, and work.
    - Punitive or inefficient taxes and inefficient or unaccountable government spending can reduce employment and discourage investment, stunting job creation.
    - Conversely, well-considered fiscal reforms can encourage investment and recruitment.
- Fiscal policies and their impact on jobs are even more important and impactful at a time of high government debt, rising prices and major economic and employment challenges.
- Employers' and Business Membership Organisations (EBMOs) should consider engaging with fiscal policies and becoming leading voices for fiscal reform to boost employment and economic growth.
    - Some EBMOs already engage with a wide range of policies, including economic policies.
    - For others, advocating for fiscal reform would expand their role.
- There is no single model for fiscal reform. But there are many resources to draw on, including examples of positive, job-supporting reforms.
- IOE produced this paper to support its members in:
    - Reviewing the impact of their national tax systems and government spending on employment, investment, and economic growth.
    - Identifying and promoting fiscal reforms that boost growth and employment.
- Part 1 outlines how fiscal policies can impact employment.
- Part 2 outlines fiscal reform options and challenges.
- Part 3 sets out five recommendations for EBMOs on promoting fiscal reform, stressing the importance of:
    - Reviewing national fiscal policies and their impact on employment.
    - Establishing clear, focused reform priorities.
    - Harnessing the support of EBMO members.
    - Making the case for change to benefit the wider community, not just businesses.
    - Building coalitions for fiscal reform.

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Abbreviations

EBMO	Employers' and Business Membership Organisation
Fiscal policy	Policies on taxation and government spending
FTT	Financial transactions taxes
GST	Goods and services tax
ILO	International Labour Organization
IMF	International Monetary Fund
IOE	International Organisation of Employers
OECD	Organisation for Economic Co-operation and Development
PPP	Public-private partnership
MSMEs	Micro, Small, and Medium Enterprises
VAT	Value added tax

Introduction

Taxation is fundamental for the prosperity, development, living standards and security of communities. Governments rely on tax revenues to provide services, fund social protection systems, protect national security and build and maintain infrastructure, which is critical for businesses, civil society, legal and financial systems, and the schools that educate a productive workforce.

> Ensuring tax policies and government spending are well-designed, efficient and support investment and employment has rarely been more important.

However, tax policy is far from straightforward. How taxes are levied, and the appropriation and allocation of tax revenue, are complex and often contentious because of, their (unintended) consequences and their often ideological approach and local contextual understanding.

Ensuring tax policies and government spending are well-designed, efficient and support investment and employment has rarely been more important. Slowed global growth,[1] demands on governments to provide social welfare and support through COVID-19 and recovery, changes linked to climate change policies, increasing defence spending and numerous other demands require fiscal policies to be as efficient, well-designed and well-directed as possible.

Fiscal policies impact employment, the core focus of EBMOs. Many countries are seeking opportunities to better support job creation and sustainability. As outlined in this paper, fiscal policies have an important role to play, and EBMOs can lead the way and provide governments with reform ideas to create and retain jobs.

There are also pressures for fiscal changes that will not support job creation, will inhibit opportunities for businesses to access capital and secure investment, and will harm rather than help communities. They include calls to hike tax rates for businesses and taxpayers and make systems more complex – which makes compliance harder. Other notable changes include the emergence of new types of taxes in addition to regular corporate income taxes, and restrictions on incentives, deductions and other benefits that help businesses of all sizes to defray the costs of investing in new markets, upskilling workers, innovating and developing new technology. At the same time, in many economies, public debt has reached an all-time high, leading to new pressures which may lead to weaker currencies, lower investor confidence, and reduced GDP and employment growth.

Public debt can be necessary. However, it becomes a problem when it is so high that it is no longer serviceable, and there is insufficient revenue for normal repayment and reasonable debt ratios. Because of mounting public debt, economies can become unstable, unattractive

1 https://www.imf.org/en/Publications/WEO

to investors and unable to generate sufficient demand to employ their populace. Governments facing such challenges may look to increase taxes to generate revenue to service or reduce debt, while failing to appreciate the chilling effect this may have on future investment in upskilling, job creation and workforce retention.

This paper outlines the importance of fiscal policies for employment, and the role EBMOs can play in ensuring those policies and the allocation of tax revenue are sustainable and support investment, growth and employment. The paper also seeks to support EBMOs that have traditionally focused on labour and social policies expand their priorities to include taxation and government spending.

Part 1 – Fiscal policies and employment

EBMOs are encouraged to think beyond corporate income and employment taxes and consider how fiscal policies (tax policies and government allocation of tax revenue) can bolster employment.

1. How tax policies impact employment

Taxes are compulsory financial charges imposed by governments to fund public spending. Taxes can be imposed on the profits of businesses through corporate income tax regimes and through other rules, regulations and systems at the municipal, state and national level. National tax systems are complex, encompassing:

- Different taxes (known as the tax mix), including transactional taxes and duties, property taxes, indirect and consumption taxes (GST and VAT) and income tax for individuals and business. Income tax often starts at a given threshold, is graduated, and comes with a complex system to avoid double taxation.
- Procedures for reporting and paying taxes (compliance), and processes for avoiding and resolving disputes around how much tax should be paid and by whom.
- Social protection premiums—and sometimes the benefits they provide—are often included in the tax wedge. These can vary by sector or job type and may cover things like insurance for work injuries, unemployment, health and social care, training, pensions, and childcare support.

The efficiency and competitiveness of national tax systems can impact employment in various ways:

Investment: High corporate income taxes and other business taxes can reduce funds available to companies. With less capital to deploy, companies may reduce hiring, training, investment in technology and expansion. Businesses may also seek to invest in environments where there is greater stability and certainty around their returns on investment and the ability to access capital and preserve returns. That is a particularly important consideration for MSMEs, which may have less collateral, access to credit, capacities and resources.

Consumer spending: Taxes that directly impact consumers, such as income or consumption taxes, can reduce disposable income, aggregate demand and employment. Additionally, increased costs associated with higher taxes are often passed on to consumers in the form of reduced products or services and higher costs.

Work incentives: Taxation on wages, along with social protection premiums and benefits, can strongly influence labour supply and activation policies. If the tax wedge is poorly designed, it can discourage people from working more hours, lead them to reduce their working time, or even retire early. Most importantly, well-designed work incentives are essential to encourage full participation in the formal labour market and to ensure that periods of unemployment are used effectively for re-skilling and upskilling.

Training incentives: Training incentives aim to support workers, enhance business competitiveness, and prevent unemployment. Done without them, businesses face increasing skills shortages. That stifles opportunities for sustainable growth, innovation, increased wages and, hence, long-term fiscal sustainability.

National competitiveness: High corporate income taxes relative to other countries can make businesses less competitive, which can lead to businesses relocating to countries with lower tax burdens.

Deadweight loss: Taxes on goods and services (such as customs duties, tariffs and digital services taxes) can distort markets and create deadweight losses,[2] in which the costs of paying taxes stop businesses from pursuing innovative, job-creating activities, and dampen economic activity.

Compliance costs: Complex tax regulations can increase compliance costs (additional reporting systems, new procedures and upskilling costs), which diverts resources away from income-producing activities. Tax compliance can also deter entrepreneurship and small business expansion, especially in emerging economies and markets where new entrants may not have the knowledge or resources to comply. Overly complex tax regulations also deter individuals and businesses from formalising.

Tax incentives: While tax incentives can encourage job creation, they can also influence how markets behave and lead to over-investment in particular sectors, reducing economic efficiency and job creation.

Double taxation: Subjecting income to multiple levels of tax can create inefficiencies, e.g., where income is taxed in multiple jurisdictions, or both at the corporate level and when distributed to shareholders.

Transaction taxes: Taxes on transactions, such as stamp duties, financial transactions taxes and sales taxes, may influence market behaviour, reduce economic efficiency, discourage trading, artificially increase transaction costs and reduce liquidity, cutting job-creating investment.

Stimulus through tax reform: Levying taxes alone does not drive employment. The OECD's annual *Tax Policy Reforms 2024* report shows that while tax systems are vital for revenue, they do not directly generate jobs – beyond those in tax administration – unless paired with smart reforms. Tax reforms, tax policy simplification and tax reduction can stimulate investment, consumption and the demand for goods and services, all of which support employment.

EBMOs have a critical role to play in ensuring their country pursues the right tax mix and rates and has an efficient, accountable tax administration.

2 Tuovila, A (2022) ***What Is Deadweight Loss, How It's Created, and Economic Impact*** (Investopedia.com, retrieved 29 April 2024).

2. How government spending impacts employment

How well governments allocate resources and predict and respond to changes dictates how much tax needs to be levied. That is the essence of fiscal policy – getting spending and taxation right to benefit employment, the economy and society.

EBMOs interested in employment, national prosperity and development should consider engaging with how much their government spends and how efficiently and effectively it provides services, including:

- Identifying employment policies (e.g., training, job seeking support and incentives) and labour policies (e.g., subsidies and unemployment benefits) that are ineffective.
- Understanding and reviewing which services and activities governments should fund, and to what extent.
- Ensuring the government is accountable for how effectively, efficiently and transparently it spends tax revenues.
- Reviewing opportunities for PPPs.
- Identifying duplication in government services and functions (especially in federal states), inefficient or outdated compliance and reporting systems, and opportunities for consolidation and reform.

How effectively and efficiently governments allocate resources and respond to change dictates how much tax needs to be collected and how much scope governments have to reform taxation and make their countries more attractive places to invest, do business and create jobs.

Changes in government spending also directly impact the demand for labour. Governments can increase or reduce the money they inject into economies and labour markets to stabilise, maintain or increase employment. That includes stimulatory counter-cyclical investments, such as major new infrastructure projects during downturns. However:

- Expansionary fiscal policies (increased government spending) financed by debt can lead to higher interest rates by increasing demand for capital. This may reduce the positive impacts on employment of stimulatory spending. The level of government debt also impacts a nation's credit rating, which can determine capacity for future borrowing, the cost of future borrowing and the government's ability to stimulate job creation. A poor credit rating can mean less capital available, or the only option being more expensive borrowing from the private sector.
- Expansionary fiscal policies can increase government debt, especially if they are not accompanied by sufficient revenue generation or economic growth. High levels of government debt may raise concerns among investors and creditors, reduce confidence in the economy, and ultimately hinder employment growth.
- Inefficient spending and resource misallocation, such as investing in projects with poor economic returns, do not stimulate job creation effectively (however, governments may fund projects for the good of society and not for economic returns).
- It takes a long time to reach the construction phase of large-scale infrastructure projects. As such, they are often too slow to impact economic recovery, especially when rapid employment responses are needed.[3] Income transfers to businesses or tax relief may be more effective and immediate.

3 Addressing Crisis Through Infrastructure

3. Other considerations

Expectations and confidence: Fiscal policies can impact confidence to invest and hire.

Inflation: Expansionary fiscal policies can cause inflation, especially if implemented during periods of near-full employment. Inflation can reduce purchasing power, leading to reduced demand and fewer job opportunities. An IMF Working Paper on Fiscal-Monetary Interactions[4] found that large, untargeted fiscal stimulus when output is already at potential can cause central banks to tighten policy, which limits growth and still fuels inflation.

Income redistribution: Policies to redistribute income, such as social welfare programmes and progressive taxation, can impact employment positively and negatively. Financial support can help individuals participate in the labour market and increase consumer confidence and spending. However, there can also be disincentives to employment participation, and such programmes can impact tax revenues and public budgets.

Each country has different opportunities to improve efficiency and accountability in taxation and spending. EBMOs can help identify those opportunities.

Monetary policy

Another important consideration is monetary policy, used by central banks to control the supply of money, control interest rates, and hit macroeconomic objectives such as keeping inflation in check.[5]

There are calls in some countries to broaden the goals of monetary policy to include employment and other social considerations. EBMOs should approach this cautiously, engage with experts and understand competing policy positions before adopting any public position.

EBMOs should consider engaging with central banks to influence monetary policy decision-making. Options include meeting with central bankers, taking part in central bank advisory committees, speaking publicly on monetary policy and seeking to influence who is appointed to leadership positions in central banks and monetary policy committees.

4 Effective Fiscal-Monetary Interactions in Severe Recessions in: IMF Working Papers Volume 2022 Issue 170 (2022)

5 Various international agreements and treaties address the independence of central banks. Many EBMOs and other business organisations strongly support the independence of central bank decision making on monetary policy.

Part 2 - Fiscal reforms to promote employment

So, what are the best fiscal policies to support employment, and what should EBMOs be arguing for?

There is no single answer or ready-made solution. Priorities differ between countries depending on factors such as their economy, tax system, and level of development, capacity and formality.

EBMOs should consider whether the following taxation and spending options could usefully be applied to their country context.

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1. Tax reforms

- **Lowering marginal tax rates:** Lowering personal income taxes on workers' wages can increase after-tax rewards for working and encourage labour market participation. Boosting real incomes through lower taxes can also alleviate wage pressures, encouraging investment to expand employment. There is also a need to differentiate between flat rates and progressive rates clearly.
- **Reforming corporate taxes:** Competitive, clear and simplified corporate taxes can attract investment and support employment. Reforming corporate taxes can also free up resources for businesses to invest in employment-generating activities such as research and development and workforce training.
- **Employment tax credits and other incentives:** Targeted tax credits, deductions and subsidies for hiring and retaining workers can stimulate job creation. Employment tax credits provide financial incentives for employers to hire workers from target groups, such as people who have been unemployed for a long time, young people, people with disabilities and veterans.
- **Investment incentives:** Tax policies that encourage business investment, innovation and expansion can stimulate job creation by boosting productivity, competitiveness and growth. Accelerated depreciation, investment tax credits and research and development tax incentives encourage businesses to invest in equipment, technology, skills and training.
- **Reforming payroll taxes:** Lowering or abolishing payroll tax can reduce the cost of employment.
- **Targeted support for MSMEs:** Tax relief and incentives tailored to MSMEs can support entrepreneurship, innovation and job creation. Simplified tax compliance, tax credits for hiring apprentices or trainees and preferential tax rates for MSMEs can help them expand and hire.
- **Reforming overall tax competitiveness:** A competitive tax environment characterised by simplicity, stability, predictability and transparency can support investment and job creation.

The optimal tax mix for job creation in any country requires a balanced approach that considers short-term measures and long-term structural reforms. EBMOs can play an important role in ensuring policymakers consider the pros and cons of different tax policies and deliver a tax system that supports businesses, job creation, economic growth and prosperity.

Examples of well-regarded tax reforms

India (2017): The complex system of indirect taxes was replaced by a GST, reducing compliance costs, improving tax administration and creating a more transparent and efficient tax regime.

Rwanda (2000s): Comprehensive fiscal reform and consolidation aimed to improve revenue collection, enhance fiscal discipline and foster economic development. That included simplifying the tax system, broadening the tax base, strengthening tax administration[6] and promoting transparency and accountability in public finance. Those reforms were instrumental in increasing domestic revenue mobilisation, reducing reliance on foreign aid, and creating space for investment in infrastructure, health, education and other priority areas.

Eastern Europe (1990s and 2000s): Estonia, Romania, Latvia and Lithuania replaced complex progressive taxes with a single flat tax rate on personal and corporate income. That simplified tax systems, reduced tax evasion and promoted economic growth by lowering marginal tax rates and eliminating tax distortions. When implementing such reforms, care should be taken to ensure those earning low wages are able to contribute efficiently without compromising on their quality of life.

New Zealand (1980s and 2010s): Comprehensive tax reforms simplified the tax system, broadened the tax base and reduced distortionary taxes. Reforms included lowering personal and corporate income tax rates, broadening the base of GST and reducing tax exemptions.

United States (2017): The Tax Cuts and Jobs Act (TCJA) lowered corporate and individual tax rates, increased deductions and introduced reforms aimed at encouraging business investment, such as bonus depreciation and the qualified business income deduction.

Note: *Overall fiscal sustainability is crucial (as opposed to only looking at tax cuts). Tax cuts do not automatically improve debt to income ratios. Any reforms should contribute to growth and fiscal sustainability.*

6 Which delivered an increased tax take as a share of GDP – see IMF Selected Issues Paper (2023) ***Tax Reforms in Rwanda—Comprehensiveness Over Selectivity***, p.4

2. Spending reforms

Consistent with the fiscal policy perspective recommended in this paper, EBMOs wishing to better support businesses, job creation, economic growth and prosperity should also address how government spending and service delivery can be improved. Options include:

- **Programme evaluation and performance measurement:** Rigorous evaluation and measurement can help assess the effectiveness of government programmes and services. For example, the U.S. Government Performance and Results Act (GPRA) requires federal agencies to set strategic goals, measure performance and report on results.[7]
- **Transparency and accountability:** Enhancing transparency and accountability can promote responsible fiscal management and discourage waste, fraud and corruption. Detailed budget documents, independent audits and independent oversight bodies can help ensure public funds are used efficiently and effectively. The IMF[8] and World Bank[9] have guidelines on fiscal transparency and accountability in public finance that can underpin reform proposals.
- **Public-Private Partnerships (PPPs):** Collaborating with the private sector through PPPs can help governments leverage private sector expertise, innovation and resources to deliver public services (including employment services) more efficiently and accountably, on time and on budget.
- **Procurement and contracting:** Improving procurement can help governments save money, enhance transparency and reduce corruption risks. Competitive bidding and centralised, consistent government procurement can streamline government spending, increase competition and reduce opportunities for fraud. For example, the Government of Georgia implemented a series of well-regarded procurement reforms, including the introduction of electronic procurement.[10]
- **Subsidy reforms:** Reforming subsidies and social assistance programmes can improve social equity and fiscal sustainability. Means testing, better targeting criteria and rationalising subsidy programmes can help ensure resources are directed to those most in need while minimising fiscal costs and market distortions. For example, Indonesia's reform of fuel subsidies saw more targeted cash transfers to low-income households.[11]
- **Pension and welfare reforms:** Ensuring the sustainability and efficiency of pension and other welfare systems can be essential for long-term fiscal stability and sustainable safety nets. Reviewing retirement ages, adjusting benefits, introducing private sector service delivery and promoting preventive care can help contain costs, improve quality and ensure long-term viability. For example, Sweden implemented comprehensive pension reforms in the 1990s to address demographic challenges and ensure the sustainability of its pension system.[12]

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7 https://www.performance.gov/about/performance-framework/

8 https://www.imf.org/en/Topics/fiscal-policies/fiscal-transparency

9 https://www.oecd.org/governance/budget-transparency-toolkit/international-standards/list-of-standards/wb/

10 https://wbnpf.procurementinet.org/featured/electronic-approach-streamlining-georgias-procurement

11 https://www.iisd.org/articles/press-release/indonesia-uses-savings-fossil-fuel-subsidy-reform-finance-development

12 OECD (2014) OECD Journal on Budgeting, Volume 2013 Issue 3, The Swedish pension system after twenty years - Mid-course corrections and lessons.

Challenges and limitations

Fiscal reform can be complex and difficult. Understanding challenges and limitations to fiscal reform can help EBMOs negotiate and advocate more effectively. Those challenges include:

- **Fairness and equity:** Fiscal reform often involves trade-offs between efficiency and equity and competing demands for fiscal resources.
- **Political resistance:** Including unduly short-term thinking from governments (at times to garner support in the lead-up to elections) and reluctance to pursue necessary but potentially unpopular reforms.
- **Bureaucratic resistance and risk aversion:** Bureaucratic inertia, resistance to change, risk aversion, corruption and entrenched interests can hinder fiscal reform and innovation.
- **Complex systems:** The complexity of taxation and government systems can make reforms hard to develop, implement and sell to the public. There may also be resistance to change despite systems being outdated. Moreover, in many countries, there is limited administrative capacity to introduce positive reforms (although this can create opportunities for EBMOs to inject their policy ideas).
- **Social and political fragmentation:** Societal diversity, regional disparities and political polarisation can complicate efforts to reform government services and secure cost savings.
- **Revenue impacts:** Governments that reduce tax revenue, even temporarily, must still deliver core services, maintain infrastructure, and meet national obligations and community expectations.
- **Limited government and EBMOs engagement and participation:** Insufficient or one-sided engagement and stakeholder participation can undermine the legitimacy and sustainability of fiscal reforms.
- **International coordination:** Globalisation, bilateral agreements, and cross-border economic activities pose growing challenges for taxation. Some governments are part of international tax treaties and participate in tax cooperation and coordination mechanisms with other countries. While these arrangements help prevent tax evasion and double taxation, they can also limit the flexibility of governments to implement major reforms or fundamental changes to their tax systems.[13]
- **Long-term commitment:** Tax reform must be a long-term project based on careful planning, phased implementation, regular monitoring and a willingness to stay the course. Rushed, uncoordinated or ad-hoc changes can

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13 Various international treaties and agreements address cross-border taxation and promote tax cooperation among countries. They include:

Double Taxation Treaties (DTTs) such as the **OECD Model Tax Convention** and the **UN Model Double Taxation Convention**, which aim to eliminate double taxation of income or profits earned by residents of one country in another. DTTs allocate taxing rights between countries and provide mechanisms for resolving disputes and preventing tax evasion.

The **Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting** (MLI), developed by the OECD to combat tax avoidance by multinational enterprises and modify existing bilateral tax treaties to prevent base erosion and profit shifting without the need for separate renegotiations. Other OECD efforts include the **Common Reporting Standard** (CRS) for the exchange of financial account information between tax authorities to combat tax evasion and improve transparency, and the OECD/G20 **Base Erosion and Profit Shifting (BEPS) Project** which aims to develop coordinated international tax standards to ensure profits are taxed.

EU Directives on corporate taxation, VAT and savings taxation, such as the **EU Parent-Subsidiary Directive**.

increase uncertainty, create compliance problems, and have other unintended consequences, such as discouraging economic and investor confidence.

- **Government debt:** Just as healthy levels of debt can help businesses expand and create jobs, debt financing for governments can be useful as a facilitator of growth and economic stability. Debt can also finance counter-cyclical spending to combat economic challenges. However, global government debt has grown in recent years,[14] and many governments (and people) are indebted to levels previously not conceived of. Government debt and debt servicing can limit opportunities for job-supporting fiscal reforms. EBMOs need to understand the impact of government debt in their country and propose policy ideas that will reduce debt and reform spending without increasing taxation or negatively impacting employment.

Lower-income developing countries and countries with high levels of informality may experience particular challenges in tax compliance, integrity, transparency and avoiding corruption. Such countries can also be exposed to public debt vulnerabilities and may not fully appreciate their levels of indebtedness. Data collection, transparency and reporting seem to be areas for improvement in some countries.[15]

14 Putting aside COVID-19 induced volatility. See IMF (September 2023) ***Global Debt Monitor***

15 IMF (2020) **Public Sector Debt Definitions and Reporting in Low-Income Developing Countries**

Part 3 - Recommendations to EBMOs

1. Review your country's fiscal policies and their impact on employment

- Review the efficiency and sustainability of your country's fiscal policies,[16] how specific approaches to taxation and spending are impacting employment and investment in your country, and how they could be reformed.
- Include fiscal reform in your EBMO's priorities and secure board-level support for setting out, adopting and acting on priorities for fiscal reform.
- Create an EBMO committee on economic and tax policy to oversee the EBMO's fiscal reform efforts.
- Do research and speak to members and policy experts to identify taxes and areas of government spending that are holding back employment, growth and investment in your country.

Understand how fiscal policy is determined in your country: EBMOs also need to understand the dynamics of the policy community in their country and how to navigate it.

- Understand your government's interests, priorities, capacities and limitations, and who within government drives fiscal policies and is a potential ally or blocker to the EBMO's reform agenda.
- Understand competing perspectives and priorities, including those of opposition parties.
- Beyond elected government, understand the real politics and dynamics determining fiscal policy in your country, such as the influence of the bureaucracy, investors, lenders, aid funders, etc.
- Identify key experts, commentators, academics and groups with an interest in fiscal matters, and understand their interests, priorities and perspectives.
- Flag high government spending or unsustainable debt levels before is too late. Employers and businesses should seek to provide policy and economic leadership, calling for sound and sustainable macroeconomic policies.

2. Adopt reform priorities for pro-employment tax and spending

- **Set out your EBMO's fiscal reform priorities,** with specific proposals for tax levels, the tax mix, tax collection and reforming government spending.
  - Refine your fiscal proposals into a three to five-point plan. Three to five points are easy to repeat, explain and promote, and can be easily remembered by decision makers. Clear and concise priorities can also support effective campaigning.[17] Some points to include:
    - Clearly identify each of the changes sought.
    - Explain in simple terms why change is needed and how each proposed change will benefit your country.

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16 Including state or provincial taxes in federal systems.

17 EBMOs with access to campaign expertise should consider involving campaign advisers early in the process, during the refinement of their priorities into specific requests of government and before any public release.

- Be able to engage with experts in detail on how the changes should be implemented, such as how legislation needs to change.

- Consider developing advocacy and influence plans or campaigns where possible, identifying specific timelines, responsibilities and measures.
- **Promote your reforms to government and the community.** With your EBMO's fiscal reform priorities in place, you can begin to promote them. That may include:
  - Formally presenting the reform agenda to government at the highest possible level prior to launching a public campaign or releasing a publication.
  - Holding regular meetings with ministers of finance to establish long-term relationships.
  - Establishing relationships with senior finance ministry officials, who often exercise significant influence over fiscal policies and their implementation.
  - Convening tax and fiscal policy conferences and stimulating national fiscal policy debate.
  - Releasing media statements and public campaigning[18] to build community support for reform. EBMOs may also consider writing articles for their national media on why change is needed and why the EBMO is seeking taxation and spending reform.
- **Seize or create opportunities for policy engagement.** Almost all countries conduct regular annual budgeting, which can provide EBMOs with opportunities to make the case for fiscal reform, such as:
  - Using the media to call for fiscal policy reform in the lead-up to an annual budget.
  - Making formal pre-budget submissions to government calling for fiscal reform, and meeting with ministers and bureaucrats.
  - Taking part in regular committee hearings on tax and economics that can provide a forum to argue for fiscal reform.[19] EBMOs can also call for one-off inquiries into specific areas of fiscal policy, such as the tax compliance burden on small businesses or government performance in a particular project or service.
  - EBMOs can also urge governments to convene regular independent dialogues on fiscal reform, such as Nigeria's National Economic Summit,[20] Ireland's National Economic Dialogue[21] and Korea's Economic Policy Dialogue.[22] In Latin America the OECD's LAC fiscal policy dialogue is an important programme in seeking to improve taxation and public spending policies.[23]

Example of 5 straightforward, easily explained fiscal reforms an EBMO might adopt:

1. Cut corporate / business tax from X% to Y%

2. Introduce a GST, allowing for the abolition of multiple regressive or complex taxes

3. Encourage investment or training through targeted tax incentives

4. Introduce greater transparency and accountability in government spending on major infrastructure projects

5. Simplify tax compliance and reporting.

18 There are campaign consultants and advisors in many countries who can work with EBMOs to promote fiscal reform without significant advertising resources.

19 The US Senate has **committees** on the budget, taxation, finance and economics, as well as committees on fiscal policy, such as the Committee on Small Business and Entrepreneurship. Part of its remit is to "study and survey by means of research and investigation all problems of American small business enterprises, and report thereon from time to time".

20 **https://www.nesgroup.org/about-us**

21 **https://www.gov.ie/en/publication/53e74-national-economic-dialogue-2023/**

22 **https://english.moef.go.kr/pm/KoreanTaxationList.do**

23 **https://www.oecd.org/tax/the-lac-fiscal-initiative.htm**

3. Use your greatest asset – your members

Equip your members to join you in making the case for fiscal reform:

- Explain to members how existing fiscal policies are impacting their operations, the cost and availability of investment capital, and the reputation of your country as a destination for investment, business and creating jobs.
- Explain the benefits of reform, why the EBMO is seeking fiscal reforms, and the important role members can play in supporting fiscal reform in their local community.
- Circulate talking points for employers to raise with local representatives and government.
- Use petitions and social media to urge governments to adopt the EBMO's fiscal reform priorities.
- Use your regional or provincial EBMO councils to target different levels of government.

4. Argue for the good of the whole community, not just businesses or investors

Argue the benefits of your fiscal reform priorities for the whole community. Highlight the benefits of your fiscal reforms for the whole community, including vulnerable groups, regions and industries. It is important to avoid any false belief that tax reform is pro-business and anti-worker, or hostile to the interests of vulnerable groups. In reality, positive fiscal changes can better support employment, equality and living standards.

5. Build coalitions for fiscal reform

Form effective coalitions to pursue fiscal reform. Cooperation with other organisations and interested parties can communicate wider levels of support for fiscal reform to the government and maximise influence.

- Start by seeking cooperation with other business organisations (including those with histories of engaging with tax and economic policies), major employers and investors. Consider forming a business coalition for tax reform to send a clear signal to your national government that businesses are united on the need for reform.
- Consider cooperating with academics, workers' organisations, NGOs and community bodies. Such groups may not share all an EBMO's priorities, but a core of shared priorities or concerns can create momentum to work together and a more powerful case for reform.
- Consider engaging with international financial and economic institutions (such as the IMF and the OECD), regional development banks and regional economic cooperation and development communities, all of which are likely to support well considered, job supporting fiscal reforms. EBMOs can, for example, meet with visiting delegations, take part in economic conferences, meetings and dialogues, communicate your fiscal reform priorities to international institutions and seek to influence the recommendations they make to your national government.

Above all, EBMOs need to stay the course in making the case for fiscal reform to better support employment. Reforming tax and government spending is almost invariably highly political, difficult and protracted. EBMOs need to have good ideas, good arguments, effective influence and engagement strategies, and must be willing to persist in their efforts to bring about positive, job supporting fiscal reforms.

A powerful
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