Development Agenda: The Way Forward

Challenges Ahead – IMPULSES Needed

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Background: Global Challenges

- Economic crisis will cause long-run decline in development aid
- Globalization continues: international trade will further increase and labor markets will become more integrated
- Demographic disruptions: population shrinking and aging, sex imbalances
- Climate change and natural disasters
- Rise of BIC countries
- Rise in ethnic diversity
- Skill matches in the labor markets: excess supply of unskilled, excess demand for skilled, and skill waste
Background: The Development Agenda

- Global poverty levels have fallen considerably, but developing countries still face enormous needs (e.g., rising inequality and serious social risks)

- Emerging countries have become key players in development (e.g., China is set to become the World Bank’s third largest shareholder, greater South-South cooperation)

- G20 Summit in Seoul: identification of nine areas for action

- Four priorities of the French G20 presidency in development:
  - Strengthen infrastructures in developing countries
  - Ensure food security
  - Extending social protection
  - Mobilizing resources for development
Worrying Setting and the Way Forward

- Great recession as an excuse to tighten protectionist policies
- Discussions dominated by trade imbalances, undervalued currencies and, last but not least, budget deficits
- **Focus needed on the key to development: the way forward is job creation and economic growth**
  - Growth without more and better jobs may fail to reduce poverty
  - Prerequisite: sound labor markets, which are also needed to guarantee the success of structural reforms, to maintain the social support for those reforms, and to ensure that benefits are widely distributed
- This requires **IMPULSES** in eight important areas
Challenges in Development: **IMPULSES** Needed

- **I**nfrastucture, institutions and investment climate
- **M**igration and labor mobility
- **P**olicy and macroeconomic environment
- **U**rbanization and rural-to-urban migration
- **L**abor market regulation and job creation
- **S**ocial protection and safety nets
- **E**ducation, skills and human capital
- **S**urrounding conditions, climate change and natural disasters
Economic Growth and Development through JOBS

► All eight areas of IMPULSES should be targeted through a JOBS STRATEGY:

– More and better jobs reduce poverty
– Prerequisites and factors that lead to sound labor markets are located in all of these eight areas

► Proposal of concrete and practical JOBS measures:

1) Education and Training
2) Labor Market Policy
3) Diaspora and Migration
Education and Training

► Provide apprenticeship programs that are directly related to jobs: the German dual system may serve as a role model
  – This fights youth unemployment

► Combine public employment programs (or job creation schemes) with elements of on-the-job training
  – Place emphasize on upgrading the skills of unskilled workers
  – Involve the private sector as much as possible to gain work experience that fosters the transition into regular employment

► Fight qualification mismatches in the labor market and in the companies (e.g., via efficient job placement services)
Labor Market Policy

► Establish active labor market programs that promote self-employment
  – Introduce start-up subsidies for the unemployed
  – Facilitate access to credits for business founders

► Follow the example of the National Rural Employment Guarantee Act (NREGA) in India when targeting rural workers
  – Guaranteed employment as a safety net for the rural poor

► Use workfare programs instead of unconditional cash benefits to effectively fight poverty
Diaspora and Migration

► Mobilize the diaspora to foster trade and migration in their country of origin
  – Take greater advantage of expatriates

► Introduce diaspora bonds to finance small businesses and accommodate infrastructure investments
  – Extend the positive effects of remittances beyond families with members abroad

► Establish and support circular labor migration regimes to generate growth
Concluding Policy Recommendations

► Attach highest priority on the proposed **JOBS** measures
► Accompany these measures with **IMPULSES** in eight areas
► Perform stocktaking exercises of existing knowledge to develop such additional measures in these areas
► Close gaps in development research:
  – Data as a significant constraint for empirical research
  – Existing theory does not match with empirical findings
► **JOBS** are the channel for economic growth and development and they should be the centerpiece of any development agenda
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