

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**nfrastructure, 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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