

Globalization, Labour Market Developments and Poverty

Panel Discussion on
Employment and Development
Berlin 25 May, 2006

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Distinguished Ministers and Experts / Ladies and Gentlemen

Let me first thank the World Bank for inviting me to address this panel discussion. And let me particularly thank Robert Holzmann who has been one of the key partners in the Bank for us Finns – generally, but also for me personally - already for one full decade.

I guess it is my role here to represent the donor perspective, which I am glad to do, not least because my government is one of the main sponsors of this conference, and the research programme that this conference is launching.

Of course, there is no joint donor position – nor one singular Finnish government doctrine on *Employment and Development*, so the points I raise are mine alone. In the OECD-DAC Task Team on Social Protection, which I chair, I have, however, become relatively well aware of what other donor governments think about these issues.

To understand donor expectations towards researchers working on *Employment and Development* now – we have to go back to the UN Social Summit – in Copenhagen 1995. The late 1980s and early 1990s had experienced a widely shared global dissatisfaction and resistance to the one-size-fits-all economic policies imposed on developing countries in the name of structural adjustment. The United Nations had reacted constructively by organizing a series of global conferences during which the governments of the world had had the opportunity to seek a consensus on the key components of the global and national development agendas for the 3rd Millennium.

The Copenhagen Social Summit identified three main themes that the global development effort should concentrate on: (a) poverty reduction; (b) full productive employment, and (c) social integration. Evaluating now, 11 years later, how we have performed, it is fair to say that both the donor agencies as well as governments of low-income countries have taken poverty reduction, the first of the three Copenhagen challenges, rather seriously: Poverty now tops the agenda in most development agencies and low-income country governments.

However, the two other pillars of the Copenhagen agenda, full productive employment and social integration, have received far less attention during the decade since Copenhagen. This has been clearly

recognized in the UN, and therefore, both the ECOSOC as well as the UN Commission for Social Development have now chosen to focus their next sessions on the themes of *Full Productive Employment and Decent Work for All*.

“*Decent Work for All*” was also one of the key concepts used by the the World Commission on the Social Dimension of Globalization in its final report titled *Fair Globalisation..* As you may remember, that World Commission was co-chaired by President Tarja Halonen of Finland, together with President Benjamin Mkapa of Tanzania.

Let us look into this concept, *Decent Work for All*, a bit closer:

“*For All*”, the latter part of the *Decent Work for All* –concept sounds typically “Nordic”. If there is any one single message that could – and should – be learned from the Nordic success stories, it is the idea of “*Society for All*”, with universal residence-based social rights and services, population-wide risk pooling and solidarity principle in social protection systems, and trust in the creative capacity of well-educated and continuously re-trained workers. This has been the recipe that has made the Nordic societies rich and competitive, despite their deep and wide-spread poverty only few generations ago.

An additional factor not to be ignored is that all macro-economic and macro-social policy-making in the Nordic countries has been based on tripartite – or multi-stakeholder – consensus building where the government has taken seriously the views and perspectives of the representative organisations of the peasants, workers and the employers.

The first part of the concept, *decent work*, clearly comes from the ILO, the host of the World Commission: In the ILO-thinking, which we Finns – and Nordics, and Europeans broadly – share and support, job creation and smooth functioning of labour markets are important goals, but not enough: The Decent Work challenge is broader: In addition to employment creation, it has three other important components: (a) social rights, (b) social protection and (c) social dialogue. Gender equity, social redistribution and sustainability are key principles of the Decent Work agenda, to which our governments are committed.

The major challenge for the donor agencies – and our partners in low-income countries - is how best to turn these Decent Work

principles into reality in the developing countries of the Global South. We hope that the academic research community can help us in this challenge.

The global research programme that we are launching here in Berlin is long overdue. In fact we should have started it a decade ago. The ministers' dialogue in the ECOSOC on the first week of July should have been based on a decade-long research evidence.

But it is not. For reasons that I shall not discuss now, development economics and social science research of the past ten - actually 30 - years, has unfortunately marginalized the questions of employment, decent work and sustainable livelihoods.

Macro-economic research and policy making has been largely based on the assumption that liberalization, deregulation and privatization will somehow automatically generate stability and growth, and that low inflation and high GDP will somehow automatically create employment and eradicate poverty.

But the invisible hand does not seem to be working according to these assumptions. We have seen too many examples of *jobless growth*. We have seen too much economic growth that has increased income inequalities and regional and gender disparities. We need to do better in the future.

Mr. Chairman,

As donors we would be very keen to learn from research, how employment, decent work and sustainable livelihoods, could be turned into priority goals of macro-economic policies. Could we use employment impact as the Number One criterion for judging the quality of economic policies? How could we create incentives for every ministry and agency, including the central banks, to carry responsibility for maximizing the decent work opportunities in the society?

By using the term *flexicurity* we are seeking to balance the firms' legitimate need to flexibly adjust to market signals and the workers' equally legitimate need for livelihood security. Again in this question, one-size-fits-all global prescriptions are probably not a good idea, and an honest and open social dialogue may be the best way to find the appropriate context-specific solutions. Careful documentation of

country experiences and comparative research into the menu of feasible combinations of active and passive labour market policies would be very helpful from donor agencies' perspective.

The question whether to prioritize job protection or social protection is obviously not an easy one. We would need to learn more about the options. The extension of social protection systems to all workers and all citizens in the context of developing countries with large informal sectors, low administrative capacity and limited fiscal resources is a difficult but unavoidable challenge ahead of us donors in any case.

Our partner governments in the South have now increasingly written Social Protection into their national poverty reduction strategies. In the DAC-POVNET Task Team on Social Protection and Social Policy a group of donors is trying to learn more about the various instruments of Social Protection and to draft Guidelines for donors on how to respond if developing country partners ask for support in the development of their national social protection systems, which they are increasingly doing.

Finally: We should not forget that for most of the world's poor people, *decent work* would not mean a good job as we understand jobs: Most of the world's poorest families derive their livelihoods from a combination of rural farm and non-farm activities, now as well as in the future. For many of these poor people physical labour is the main productive asset, and the key question is how to create a virtuous cycle of good nutrition, health, decent education, rising productivity, production, marketing and income growth combining agriculture and non-farm activities. How best to balance labour-based and capital-intensive approaches infrastructure development? How best to promote land reform and reduce various supply-side constraints, particularly for poor farmers and their husbands? What role could various group strategies, such as producer groups, cooperatives, women's groups, and farmers associations play, and what sort of training, incentives and risk management systems would they need to move forward?

Time does not allow me to list here all research questions that we as donors would wish and expect you to focus your research on. But many of those questions will be touched upon in the various presentations during these 3 days.

Finally, there is one more – methodological, if not ontological - point I want to make here in front of this group of distinguished and high calibre researchers. It is about the appropriate balance between quantitative and qualitative methods. “*What you cannot measure you cannot manage*”, is one of the favourite phrases of Robert – I have heard him say it over-and-over again.

On this very issue I tend disagree with Robert, and in my final one minute I would like to explain to you why it is important from a Ministry of Foreign Affairs perspective that you also do research on questions that are hard to quantify, or to find quantitative data about.

If only measurable things are taken for real, how about love, faith, pride, humiliation, and hope. They are extremely hard to measure (we do not even know what unit of measurement to use). And yet, to ignore for instance *hope* as a key factor in all equations and theories of development, would be extremely reality-alienated and unwise.

Peace, security and stability are the traditional main concerns of foreign policy of every government. Poverty reduction, equity and decent work are not. What makes poverty, inequality, and unemployment, however, extremely relevant from foreign policy perspective is, that the feelings of insecurity, injustice, humiliation and hopelessness caused by unemployment, underemployment or poverty despite long hours of hard work day-in-day-out are just about the most fertile seeds of anger, conflict, violence, terrorism – or political change.

Therefore, if you as researchers focus only on the the absolute numbers, and fail to capture the perceptions - for instance of youth - we in the Ministries of Foreign Affairs are much less interested in your work. But if you manage to enlighten us on the deeper causes of social unrest, conflict and change in societies, you will always have friends in the Ministries of Foreign Affairs.

Thank you very much.