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Opening Remarks

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Check against delivery!

Overview/ Structure of speech

- I. Introduction (MDG context, neglected topic)
- II. Two topical challenges for development policy
- III. Access to productive employment – four lines of approach:
 - general situation, training/vocational training, job placement, economic policies
- IV. Decent work – four lines of approach:
 - core labour standards; CSR/Global Compact; codes of practice, partner countries
- V. Youth employment
- VI. Looking ahead: need for action-oriented research

I. Introduction

- **Thank you for the invitation** to both organisers: World Bank, Prof. Holzmann and Institute for the Study of Labour, Prof. Zimmermann.
- **Especially thank you** for putting this **topic on today's agenda**. In our focus on the Millennium Development Goals we are always talking to one another about progress made with regard to water supply, combating AIDS and hunger or about global environmental protection.
- All too quickly we can lose sight of the fact that there are other key topics, even if they do not seem to play a prominent role in the eight MDGs, as in this case, jobs.
- The employment situation is only discussed indirectly. The **first MDG** calls for the proportion of people living on less than 1 dollar a day to be halved. Yet we should ask **ourselves**:
 - **How are we going to achieve this goal, if not by means of more productive employment in developing countries and the income that thus results?**
 - **How do we want to achieve a more just globalisation, if not by ensuring that more people have access to decent work?**
- Although employment is the main political issue in many industrialised countries, it has to be said that employment issues have **long been neglected**:
 - In some cases employment has been considered an automatic consequence of economic growth. But structural bottlenecks, such as inappropriate training courses can hinder growth in employment.

- It is particularly the most vulnerable members of society who generally have no chance of participating in economic growth and in growth in employment and thus escaping from poverty.
- Employment is a topic that is **gradually being given more attention**, with two positive trends that can be observed:
 1. In the first generation of national poverty reduction strategies employment was scarcely mentioned. The PRSPs that have been presented more recently are much more concerned with the topic of employment.
 2. Decisions adopted at the **regional summits of African Heads of State and Government** (Ouagadougou, September 2004) **and of American Heads of State and Government** (Mar del Plata, November 2005) placed employment at the heart of development strategies.
- In themselves such decisions are not enough. **The figures relating to the employment situation are dramatic:**
 - **The official number of people** all over the world **who are unemployed** is demanding: almost 192 million, the majority of them in developing countries.
 - But that is nowhere near the whole truth: **under-employment** is a fate shared by **more than half a billion people**.
 In many places people cannot actually “afford” to be unemployed. They try, often by means of unproductive work and often under

inhuman conditions, to earn the bare minimum that is needed to feed their families.

II. **Topical challenges for development policy**

- What are we doing and what can we do to improve the employment situation in developing countries? There are **two challenges that must be addressed in parallel**:
 - Firstly, a **quantitative challenge**: **more people in developing countries must have access to productive employment.**
 - Secondly, a **qualitative challenge**: we want **decent work**, in other words **employment in which human rights, such as core labour standards and other social standards are respected and in which women's rights are preserved.**
- German development policy is devoting itself to both these challenges – sketch a broad outline of what is being done in each case.

III. **Access to productive employment**

- First of all the quantitative challenge – for me four lines of approach:
- **First line of approach**: improving the **general situation** so that additional productive jobs result.
 - For example by providing economic policy advice, by promoting the private sector and small and medium-sized enterprises, by creating legal certainty for investments, providing loans and many other things. The

point is: unless there is a strong private sector the employment problem will remain unsolved.

- In the last 5 years (German) bilateral development cooperation alone has invested almost 1.5 billion euros in such economic development.

[Priority area sustainable economic development.]

- **Aim:** Jobs must be found **in the formal sector** in particular. If employment in the informal sector in sub-Saharan Africa is estimated at almost 80%, then we have to seek to make employment in the informal sector more productive as well and more decent in the sense of the ILO decent work concept.

- **Second line of approach is qualification and training:** more jobs alone are of relatively little help for a country if it lacks workers with the appropriate qualifications.

- **German development cooperation** has been making **vocational training a focus** of its efforts for many years now. The combination of teaching in class and training on the job is one that continues to interest many developing countries.

Example from **Chile:** The project partner has been convinced by the concept, introduced by the GTZ, whereby private companies are included in the team for training young people and the approach is now being implemented across the country. More young people gain the knowledge and skills for the labour market and thus increase their chances of finding work.

- **Third line of approach is a better match between supply and demand on the labour market:**
 - This means harmonising supply and demand by providing help with regard to obtaining up-to-date labour market information, advising job seekers and operating job placement services.
 - **Example** from **Kyrgyzstan**, where innovative instruments for active labour market policy have been introduced with the help of the GTZ. **Regular job listings** have been initiated, along with a **job placement agency** that **counsels young people** in particular and helps them find their first job. This was at the same time an important contribution towards the institutional decentralisation of labour market policy in Kyrgyzstan.

- **Fourth line of approach: pro-poor growth oriented economic policies and institutions are needed.** Macroeconomic and financial stability is only necessary but not sufficient for higher growth and higher employment. In particular, pro-poor growth is not an automatic consequence of successful stabilisation. Pro-poor macroeconomic policies go **beyond the** framework which was known as **Washington Consensus** (→ **“Post-Washington Consensus”**).
 - **Institutions matter** and there is evidence that better institutions and regulatory frameworks promote growth and employment. This concerns both economic and political institutions, as well as areas as health, education etc.
 - **Distribution is not neutral** for growth and employment. A long time after being banned from the economic agenda, recent reports, such

as the World Bank's World Development Report 2006 on "Equity" and the latest Latin America Report on "Poverty Reduction and Growth", highlight the importance of distributional issues for economic development.

- **Macroeconomic policy should not be passive.** There are good examples from developing and developed countries that active macroeconomic policies with a strong focus on employment are successful.
- Institutions and policies must be tailored to **local specificities**. Local knowledge is indispensable for designing the adequate policy-mix. Evidence shows: reforms can only be successful when there is **country ownership**. Thus, we must accept that there are different ways to growth, employment and poverty reduction.

IV. Decent work

- With regard to the second challenge, we want **decent work that does not exploit people**.
- It is quite simply not acceptable if the result of globalisation is that the environment is being harmed by backyard factories and we find practices such as forced labour, which we thought had long been eradicated, sneaking in through the back door or continuing to exist behind closed doors.
 - It is estimated that some 12.3 million people around the world are the victims of "slave labour". In **Brazil** alone at least 25,000 are affected by **slave labour**.

- At the end of March (28 March), an interesting meeting on this topic: it is vitally important that President Lula has made fighting forced labour a priority – aim: abolish all forms of slavery in Brazil by the end of 2006.
- Clear **acknowledgement** of economic and social **human rights** – globalisation with a human face requires us to **press for social standards and observance of core labour standards**.
- **Emphasise four lines of approach:** [*a) Core Labour Standards, b) Global Compact / CSR, c) codes of practice, d) partner countries*]
- First, the **Core Labour Standards of the International Labour Organisation (ILO)** – in other words **fighting child labour or banning forced labour**. **Enforcing** these standards is one of the **priorities** of our **development policy**.
 - Priority areas in this context are measures in the **international arena**: here the BMZ is supporting a number of programmes.

For example: since the beginning of the 1990s the BMZ, as one of the most important donors to the ILO, has given it about 53 million euros altogether to support its work. Its international programme for the abolition of child labour is meanwhile being implemented in more than 40 countries.
 - The German government is an advocate for incorporating the Core Labour Standards in the **work of the International Monetary Fund and the World Bank Group** as well.

For example: The World Bank subsidiary, the IFC (International Finance Corporation – which is an important catalyst for mobilising private investment) recently completely realigned its environmental and social

policies. As part of this realignment the Core Labour Standards have been made a firm component of its policy.

- Second line of approach, appeal to the responsibility of businesses. The key concept here is: **Corporate Social Responsibility**. It is very important that businesses set out fundamental social and ecological standards for their involvement in developing countries as well.

- **Social standards** are in no way shackles for economic players; in fact they **help them develop new potential**.

For example: For textiles factories in developing countries they are an important prerequisite for them to be able to sell their exports on the globalised world markets.

- In **concrete** terms, how a company acts, responsibly and forward-looking:
“**Cotton made in Africa**” initiative of the **Otto Group** from Hamburg:
 - Creating a **demand alliance** for African cotton – **important contribution**, that thanks to fair **prices conditions for African farmers are improved** too and at the same time **decent working conditions and environmentally sound production methods** can be enforced.
 - Important message for the **consumers in the industrialised countries** too: It pays to buy goods from Africa and help the people there to be able to earn their own living under fair conditions.
- **There is also a positive factor for the business itself**, e.g. through **image enhancement** or qualitative improvements in the imported goods.
(That is another positive benefit for the consumer.)

- **World movement: Global Compact**, initiated by Kofi Annan. The growing interest that businesses are showing in such voluntary initiatives is proof that more and more economic players want to rise to this challenge and face up to their social responsibilities. But it needs to be ensured that the principles of the Global Compact are put at core of their daily business operations and not only used for “public appearance”.

- Thirdly, **elaborate concrete codes of practice in consultation with companies**, or even entire branches of industry, so that the growing international distribution of labour does not undermine existing standards.
 - **For example:** together with the European Coffee Association and Swiss Development Cooperation we are promoting an **initiative in the coffee sector**. The aim is to **develop and implement a code of practice** with global validity **for the sustainable cultivation, processing and trade of mass market coffee** – for example: eliminating child or forced labour; or ensuring better practices in dealing with waste water and issues like protecting the tropical rain forest.
 - The “**Common Code for the Coffee Community**” (4Cs) actively includes the **entire value added chain**: producers, traders in raw coffee beans, roasters and marketers, trade unions and NGOs. For us this is already a success simply because it covers – with the producers and traders that are involved – about **70% of the world market in processed coffee**.

- Fourth line of approach, decent work is not something that is just incumbent upon the governments of the industrialised countries. The attitude of private businesses as employers is **crucial and also the commitment of our partner governments**:
 - In the **poverty reduction strategies** employment can and must be emphasised far more strongly – especially the **relationship between employment and effective poverty alleviation**. To do this, meaningful, verifiable employment indicators are needed in the strategies.
 - Also very important: **macro economic policy must also promote economic growth and employment**. (→ Cf. BMZ Paper on the Post-Washington Consensus)
 - **Budget policy** has a special role to play. Public **investments**, e.g. in infrastructure, can make an important contribution to employment growth. **But**: in most developing countries investments have **fallen sharply** in the last 10 years (e.g. Latin America) – partly in the over-optimistic assumption that the private sector would step into the breach.
 - **Today we know that public investment is often a prerequisite for greater private sector involvement**. The World Bank has set up a research programme at our request in order to improve our understanding of these linkages and draw pertinent conclusions for economic policy.

V. Youth employment

- The **situation of young people** is of particular concern to me. There are more than 3 billion young people under 25 years of age in the world today – the **biggest young generation of all times!** All over the world young

people are more affected by unemployment and under-employment than other age group.

- **If we look into the future** – remembering that the **global population** is set to **grow by three billion** up to 2050 – 95% of the young people of the future will be growing up in developing countries.
- **What kind of world will they grow up in? Will they have the chance to realise their dreams? Or will they be denied the hope of a life free of poverty?**
- What happens then? Not just **personal frustration** – also a waste of resources: **unused potential, unused creativity**. In addition: **conflict potential**, which results from unemployment and under-employment. **Productive employment, particularly for young people, is conflict prevention!**
- With this in mind, **the development ministry** has brought out a very topical **discourse paper** entitled: **Cornerstones of Youth Employment Promotion in Development Cooperation**, which is available here today. It is not a blueprint for all developing countries or for the development cooperation of a single donor. But it shows how youth-specific aspects should also be taken into consideration within the various lines of approach.
- The Ministry is supporting youth employment in concrete ways through a **project with the Youth Employment Network**, which was initiated by Kofi Annan, ex-World Bank President Wolfensohn and the Director-General of the ILO Juan Somavia in 2001: within the framework of this project we are supporting measures in **Senegal** and **Sri Lanka** enabling the World Bank to draw up a Youth Employment Inventory.

- We welcome the fact that the World Bank's latest World Development Report 2007, [*Development and the Next Generation*], focuses on training and youth employment.

VI. Looking ahead

- Still much to do. **"Without work everything else is nothing"** – that is the striking title of a recent article on this topic. **We cannot achieve the Millennium Goals just through money transfers.**
- If businesses invest more in developing countries, if they observe environmental standards and core labour standards whilst doing so – then all this will help quite considerably towards achieving the MDGs.
- **Relying just on economic growth**, which should of itself lead to a better working world, **is to be on the wrong track**. Developments must be **steered** in the right direction! **Without the intervention of social policy, people remain in the poverty trap.**
- What I have **outlined** today are various **lines of approach** – but I also know that we **need** sensible **employment-oriented strategies** in order to create more and better jobs for the long term. **Strategic work is urgently needed!**
- **Our Ministry has been supporting the World Bank's action-oriented research into labour market questions** since 2004. Especially research into the quantitative and qualitative dimensions of employment – more work and more better work.

- We need policy or strategy recommendations that can be translated into action. When the World Bank commissions studies, **I expect**
 - **World Bank regional departments to be included in them from the start,**
 - that they will use the relevant study findings in a direct way, in order to **suggest to partner governments sensible programmes** for more and better employment, and I expect
 - that, in this way, the **findings will soon be reflected in the World Bank's lending policy.**

- **Welcome** the fact that the World Bank and the Institute for the Study of Labour have invited everyone to this Conference. I am pleased that many participants have come from the university sector in particular.

- **Call** on you, because of the great significance of labour market issues in developing countries, **to devote time to this topic as well!**

- Hope that research and practice will use today's opportunity for an **intensive – and always action-oriented – exchange:**
 - that the development cooperation practitioners explain to the researchers what it is that under-employed people in an African provincial town are worried about,
 - and that the researchers explain to the practitioners why a particular theory developed for labour markets in industrialised countries does or does not work for developing countries.