

Opening Remarks
for
a Program of Seminar Event
"Can Government Policies Lead to Good Jobs for Development"
By Akihiko Tanaka, President, JICA

Excellencies, Distinguished Guests, and Ladies and Gentlemen,

Before starting this session, please allow me to notify you of some sad news. Dr. Mahabub Hossain, the executive director of BRAC from Bangladesh, is not able to be with us today, as his mother passed away. I would like to extend my deepest sympathies and condolences for his loss. We will miss his valuable perspective during today's discussion, but Dr. Martin Rama, Director of the WDR 2013, has kindly accepted to fill the great void that Dr. Hossain has left behind. I am confident that the insights Dr. Rama gained while preparing the WDR will ensure that our discussion is fruitful and thought-provoking.

I am honored to be a member of such a distinguished panel, addressing a topic that is so essential to the sound development of the global economy: "How can government policies create jobs?"

In their flagship report, *World Development Report 2013: Jobs*, the World Bank highlights the importance of jobs as the "hinge" of living standards, productivity and social cohesion. The report correctly places jobs "at the center of the policy debate." That is why we are here today.

We will discuss the question of how to generate good jobs so that everyone can enjoy their benefits.

Taking this opportunity, I would like to share with you the two realms of the question that I believe warrant our particular attention: The first has to do with economic development or transformation strategies, and the second, with the interactions between economic structural transformation and the labor market.

Ladies and Gentlemen,

First, to create a decent number of jobs, a country has to realize economic development or transformation, and the pattern of such development or transformation determines, to a large extent, how many and what kind of jobs will be created and where. Different countries may opt for different strategies, but

whatever their policy, the outcome should be such that all the members of society have fair and equitable access to jobs. In other words, economic development has to be inclusive.

Looking back in history, we have seen significant examples of job-structure transformation from agriculture to non-agriculture. Countries such as Japan, South Korea, China and also Southeast Asian countries have experienced such a transformation in their path of development.

Bangladesh is a more recent and notable example. Despite strong pessimism shared by many observers when it achieved independence, the country has shown remarkable economic and social progress. This was made possible mainly because of the shift of the abundant unskilled rural labor into the urban labor-intensive garment industry. With an average yearly sector-wise growth rate of 17 percent in the past 30 years, and with current employment at over 3 million — roughly eighty percent of which are female — this labor intensive industry has contributed a great deal to economic growth and widespread job creation in the country.

However, this model may not be appropriate to apply to countries with different contexts and endowments, such as some Sub-Saharan African countries.

Some countries on this continent suffer from low agricultural productivity and a highly segmented urban labor market. Under these circumstances, further urbanization with a massive rural-urban labor shift might undermine the whole economy by causing a decline in agricultural production on the one hand, and keeping migrants within the urban informal sector on the other.

Countries with conditions like these may opt for alternative strategies for job creation. For example, they might wish to focus on developing “value chains” for agriculture and related industries. Such an alternative development process has emerged in places like Brazil, where its agriculture sector is a driving force for attracting and absorbing labor.

Ladies and Gentlemen,

So far, I have been talking about the paths of economic development that lead to job creation. In doing so, governments must make sure that the job opportunities created will be matched by an appropriate labor supply. This brings us to my second point, which is how to strike a balance between economic structural transformation and labor market development. I believe this is important, because job structure transformation is significantly affected by the characteristics of the labor market,

and vice versa.

We have tended to believe that the more skills the labor force gets, the better the chances of getting decent jobs are. Examples in Egypt and Tunisia, however, demonstrated that the story is not that simple: it was the high unemployment rate among the highly educated youth that has caused social and political instability.

This experience tells us that governments should be careful when matching job opportunities with the labor force being created. In the case of some Arab countries, one possible cause of high unemployment has to do with the countries' large public sector. Because the government offers high wages, the sector attracts young labor while discouraging them from entering the private sector. Yet, there are not enough jobs in the government sector for all these workers. So the challenge is how to balance a cutback in the public sector while at the same time nurturing the private sector.

One way for a government to increase labor demand in internationally competitive industries is to look to foreign investment. Let us consider, for example, the case of Thailand, where increased foreign direct investment led to greater labor demand. The Thai government worked to attract foreign investment by improving the business climate and building infrastructure. They also raised the skills of their workforce through educational reforms such as the enactment of the National Education Act, the formulation of basic educational curriculums, and the elimination of tuition fees, which raised the education continuance rate. These actions helped to ensure that Thailand could match the labor demands of industries with its labor supply.

Ladies and Gentlemen,

I have touched on two issues: One was the issue of economic development *per se* as the prerequisite of job creation, and the other was the issue of matching economic transformation with the labor market. However, these are only examples of the vast range of issues that must be covered, and I hope that with the knowledge of our eminent speakers from Uruguay, Costa Rica, Ethiopia, Egypt and from my own country, we can gain new insights that will help us tackle this challenging agenda.

My questions are as follows:

First, what policies can facilitate job structure transformation, especially from rural to urban, or from agriculture to non-agriculture?

Second, what is the expected role of foreign direct investment in developing and upgrading value chains? How can recipient countries' policies optimize the benefits of FDI?

The next one is regarding the labor market matching process: What are the problems? What has been done and should be done?

Lastly and most importantly, concerning job-related policies, are there possibilities to learn from other regions?

Thank you.