

Opening Remarks
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(As prepared for delivery)

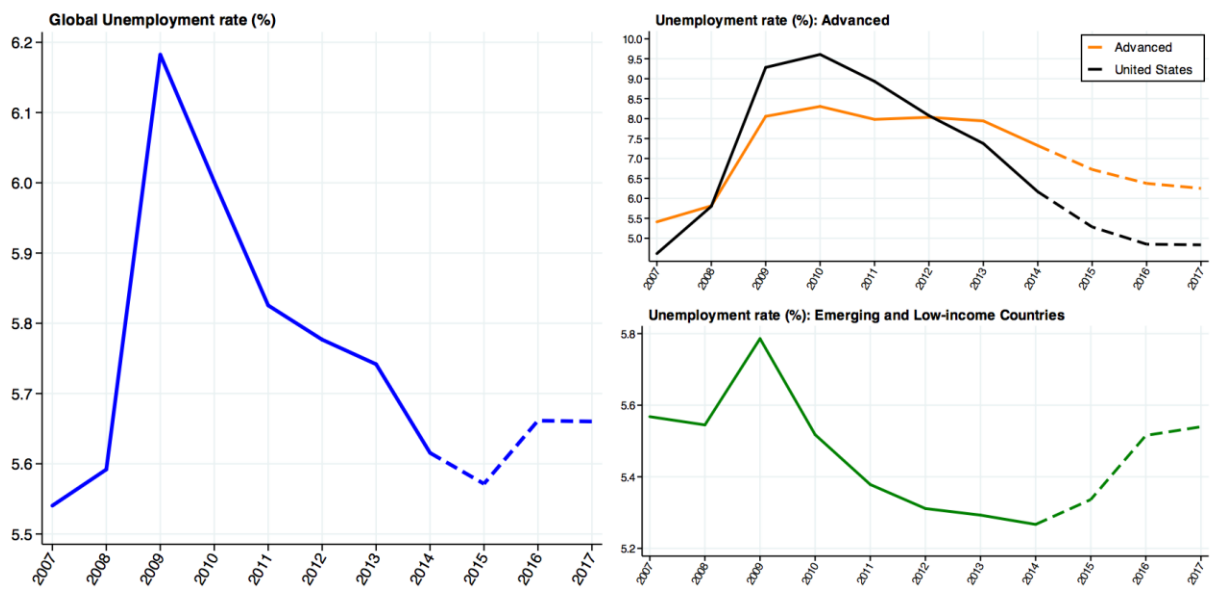
Welcome to this timely conference on Global Labor Markets. You will be discussing issues—jobs, growth and productivity—that are central to peoples’ lives and should be front and center in the minds of policymakers.

Let me help start out your deliberations with a quick overview of the global unemployment outlook and IMF views on the broad policy framework needed for a healthy global labor market.

The global picture

As you know, the global financial crisis led to job losses around the world not seen since the Great Depression. By 2010, 30 million people had been added to the ranks of the unemployed. The situation today is better. The global unemployment rate has now returned to its level before the onset of the crisis. But progress has been slow and remains uneven across countries.

Figure 1: The Global Unemployment Outlook



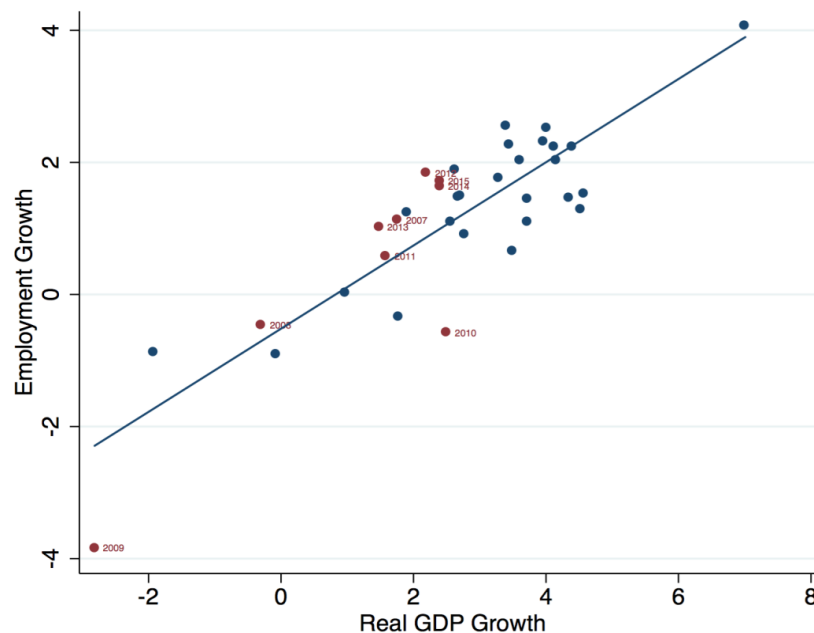
Source and notes: Dashed lines represent estimate and IMF forecasts from the World Economic Outlook database. Details on the computations are available at International Jobs Report.

Among advanced economies, the decline in unemployment has been faster in the United States than in Europe. Labor markets in emerging markets and low-income economies were fairly resilient during the crisis but the forecast for coming years is gloomier. This is due in part to the fall in oil and other commodity prices, which is raising unemployment rates in countries which export these products.

Promoting growth and jobs

The recovery in growth has been the driving force behind the improvement in labor markets: where growth has been stronger, unemployment has come down faster. The U.S. experience illustrates this point nicely. Output and employment collapsed together and recovered together. As evidence to be presented at this conference will show, the relationship between growth and jobs has remained strong in other countries as well.

Figure 2: Growth and Jobs in the United States, 1980 to 2015



Source: Ball, Leigh and Loungani (2016)

So what can countries do to boost growth? The IMF has long advocated a three-pronged approach spanning monetary, fiscal and structural policies. Major central banks have played an invaluable role in supporting the global recovery through successive rounds of lowering of interest rates and quantitative easing. While accommodation should continue in most advanced economies, monetary policy can no longer be “the alpha and omega to recovery,” as IMF Managing Director Christine Lagarde noted earlier this year. It will be much more effective with support from fiscal and structural policies.

Fiscal policies should be made more growth-friendly, for instance by shifting the composition of expenditures away from subsidies toward infrastructure. In low-income and developing countries, the direct and indirect cost of subsidies is estimated at over \$5 trillion. Reducing them can create room for other spending, even while rebuilding fiscal buffers. And as you will discuss extensively during your conference, supply-side measures to improve the performance of labor and product markets are the third prong of our proposed policy framework. To offset any dampening effect of such structural measures on demand in the short term, they must be complemented by supportive fiscal and monetary policies.

Managing migration

While countries can do much to improve labor markets through their own policies, international cooperation on labor market policies could work wonders. As the IMF noted last year, “while migration presents several challenges, it can also confer benefits to both recipient and source countries under the right circumstances” (IMF Staff Background Paper for G-20 Surveillance Note, November 2015).

The global labor market is far from truly global: the world may be flat for capital to move around with ease but it is full of barriers to the mobility of labor. The share of immigrants has remained quite stable at about 3 percent of the world population since 1960, though it is of course higher in some countries and regions. It is important to inform people so that their perceptions about the extent of migration line up with reality: in France, for instance, opinion polls suggest people think that immigrants make up almost 30 percent of the population whereas the actual number is 10 percent. Similar misperceptions in polls conducted in the United States, the United Kingdom and Spain point to the need for improved communication and information.

More important, it is critical to raise awareness of the benefits of international migration. Careful research documents the range of benefits that immigrants bring to the home country: alleviating skill shortages, enhancing productivity through creation of new firms and industries, lowering prices for consumers. As the IMF advised last year, “global policy efforts should focus on encouraging cooperation and dialogue between source and destination countries in order to take full advantage of global benefits of international migration.” These policy efforts should include reducing international spillovers from immigration policies, facilitating remittance flows, protecting labor rights, and promoting safe and secure working environment for migrants.

Let me conclude by applauding the focus your agenda places on labor markets in emerging markets and low-income countries. Academic work on labor markets tends to focus on advanced countries because that’s where much of the data is; but that’s not where most of the people are. Only about 15 percent of the global labor force is in the countries that are labeled advanced (i.e. high income) under the IMF’s classification. Discussing how to improve prospects for the other 85 percent of the global labor force deserves greater attention from researchers and policymakers.

Our partnership with the UK's Department for International Development (DFID) has helped us expand our research into low-income countries on many different topics. I am glad that with this conference you will be initiating a major new research emphasis on understanding labor markets in low-income countries. I wish you a productive two days of discussion and debate.