



POLICY FORUM

Searching for Answers: The Labor Market Policy Response to the Global Financial and Economic Crisis with Special Reference to Developing Countries

May 6, 2009
Bonn, Germany
Deutsche Post DHL, Room Bonn

Scientific Organizers: Markus Frölich (University of Mannheim and IZA)
Friederike Rother (The World Bank)
Sigrid Schenk-Dornbusch (BMZ)
Eva Weidnitzer (GTZ)

Background

The world economy in 2008 has been subjected to severe shocks: A dramatic rise in fuel and food prices, followed by a financial crisis of an unprecedented scale. The implications vary from a projected deceleration in economic growth to deteriorating financial conditions, to increased poverty, hunger and malnutrition.

Governments everywhere are searching for answers. What are the likely labor market policies and instruments that can limit the adverse implication on employment and household income, and can contribute to reignite growth and poverty alleviation in low and middle income countries? Are there lessons learned from previous experiences and recent economic analysis to provide such a guide? How could donor countries and organisations support developing countries in responding effectively to the expected labor market shocks?

The policy forum contributes to this debate by bringing together experts and practitioners from both developed and developing countries to share experiences and present evidence on tested labor market interventions. It will follow the two days IZA/World Bank annual conference. The participation of donor countries, multilateral agencies and developing country representatives will enrich this debate.



IZA

Program

Wednesday, May 6:

8:30 - 9:00 Welcoming Coffee and Registration

9:00 - 9:30

Opening Session:

Chair: **Klaus F. Zimmermann** (Director IZA, Bonn University and DIW Berlin)

The Global Economic and Financial Crisis as an ‘Employment Crisis’: An Agenda for Action

Robert Holzmann (Sector Director, The World Bank and IZA)

Erich Stather (State Secretary, Federal Ministry for Economic Cooperation and Development (BMZ))

9:30 - 10:30

Session 1:

Chair: **Klaus F. Zimmermann** (Director IZA, Bonn University and DIW Berlin)

Past Financial and Economic Crises – Patterns, Experiences, Lessons Learnt

Santiago Levy Algazi (Vice President for Sectors and Knowledge, Inter-American Development Bank)

Thomas Bauer (Member of the Executive Board, RWI Essen and IZA)

*What are the Analytical Patterns of the Past Financial and Economic Crises?
Which Experiences and Lessons Learnt can be Drawn?*

General Discussion

10:30 - 10:45

Coffee Break



10:45 - 12:15

Session 2:

Chair: **Volker Ducklau** (Deputy Director General, BMZ)

Responding to the Crisis - Country Experiences from Past and Present

Armin Bauer (Senior Economist, Regional and Sustainable Development Department (RSDD), Asian Development Bank (ADB))

Ella Libanova (Director of Institute for Demography and Social Studies of the National Academy of Sciences of Ukraine, Advisor to the Prime-Minister of Ukraine)

Haroon Borat (Professor, School of Economics, University of Cape Town)

Past financial and other crises offer an excellent opportunity to learn about the effectiveness of policy measures undertaken to combat crises. Examples of crises that contain useful policy lessons include: the oil-price shocks in the 1970 and 80s, the transition crisis in Eastern Europe, the 1994 Tequila crisis in Mexico, the 1997-98 financial crisis of East Asia, and the Argentine experience of the early 2000s. While these lessons will prove useful, they need to be adjusted to an unfolding situation of potentially dramatic scope. This will be a challenge for low and middle income countries, given poorly developed information systems, weak labor market institutions, and the often insufficient scope of automatic stabilizers such as unemployment insurance.

General Discussion

12:15 - 13:30

Lunch

13:30 - 15:00

Session 3:

Chair: **Pierella Paci** (Lead Economist, The World Bank)

Projecting the Impact and Challenges of the Crisis on Employment and Decent Work

Martha Chen (Harvard Kennedy School, Coordinator of the Global Research Policy Network Women in Informal Employment)

Stefano Scarpetta (Head of Division, OECD and IZA)

Duncan Campbell (Director, ILO and IZA)

In the wake of the widening global economic crisis, most developing countries are facing a sharp deceleration in FDI and exports, and prospects of a severe slowdown in GDP growth. This slowdown will inevitably affect, albeit with a lag, employment and earnings. The effect of the current crisis may be more severe, however, due to its depth and world-wide scope. This session will present scenarios describing the impact of the financial and economic crisis on employment outcomes in low-income and emerging economies.

General Discussion



15:00 – 15:30

Coffee Break

15:30 - 17:30

Closing Policy Panel Discussion

Chair: **Jan Svejnar** (Director, International Policy Center, University of Michigan and IZA)

Addressing the Employment Crisis: Thinking Inside and Outside the Box

Panelists:

Michaela Baur (Head of Section “Vocational Education and Labor Markets” within “Economic Development and Employment” Department, GTZ)

Robert Holzmann (Sector Director, The World Bank and IZA)

Roland Schneider (Senior Policy Advisor, TUAC)

Duncan Campbell (Director, ILO and IZA)

Henrik Huitfeldt (Sector for Employment, Social Inclusion and Protection, EuropeAid Cooperation Office, European Commission)

Representative of International Organization of Employers (tbc)

Policymakers around the world are searching for the right policy responses. While sound macroeconomic policies and a favorable investment climate are essential to mitigating the impact of the crisis on earnings and employment, a comprehensive policy package must include also labor market interventions. But given that dimensions of current financial crises are unprecedented, much remains to be learned about how to formulate an adequate – timely, targeted, substantial, and sustainable – policy response in the area of labor markets.