



SESSION 2: LABOUR MARKETS, STRUCTURAL CONSTRAINTS AND REFORM OPTIONS

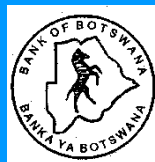
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Bank of Botswana

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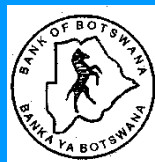
HIGH UNEMPLOYMENT PERSISTS IN MANY SMICS, WITH YOUTH UNEMPLOYMENT REMAINING A SERIOUS CHALLENGE

- **Especially in Southern Africa**
- **Unemployment estimated at 20 percent in Botswana**
- **Youth unemployment estimated at 34 percent**
- **Lack of up-to-date reliable data on unemployment**
- **Data for Botswana at least two years out of date**
- **There is need for investment in good statistics**



WHAT POLICIES SHOULD GOVERNMENTS PURSUE TO FOSTER JOB CREATION?

- **Jobs created where private sector can be viable (i.e., profitable)**
- **Can be supplemented by specific employment incentives at the margin**
- **Businesses must have confidence to invest (in both physical and human capital)**
- **Requires stability of supportive and sustainable macroeconomic policy**



WHAT POLICIES SHOULD GOVERNMENTS PURSUE (CONT'D)

- Openness of the economy important for SMICs
- Avoid bias for “mega” projects
- Avoid proliferation of incentives
 - Beyond efficient government bureaucracy and generally low taxes
- Incentives can be harmful:
 - Make administration more complex;
 - Encourage rent-seeking; and
 - Place additional burdens on other sectors
 - Higher taxes
 - Public expenditure foregone



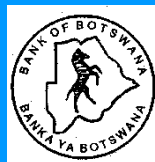
WHAT POLICIES SHOULD GOVERNMENTS PURSUE (CONT'D)

- **Human capital development essential**
- **Especially in a dynamic and growing economy**
- **Productivity the key to raising living standards**
- **Avoid bad investments in education**



WHAT POLICIES SHOULD GOVERNMENTS PURSUE (CONT'D)

- **Allowing employers flexibility to reduce employment important for business environment**
- **“Protect the worker, not the job”**
- **Assist them to adjust, job search and acquire new skills needed**



TO WHAT EXTENT SHOULD GOVERNMENTS BE DIRECTLY INVOLVED IN ABSORBING THE UNEMPLOYED?

- **Resist temptation to create public sector jobs**
- **Gov't. absorbing the unemployed hides rather than solves the problem**
- **Distracts Gov't. from provision of core services**
- **Postpones business environment reforms**
- **Adds to fiscal pressures and stress**
- **If there are resources available**
- **Better to look at options for unemployment benefit, job search and training**



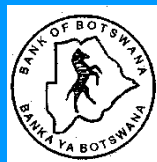
HOW CAN THE PRIVATE SECTOR BEST CREATE JOBS?

- **Conditions for productive investment and profitable business needed**
- **Then job creation will follow**
- **Private businesses should not be based their business models on attracting such Gov't. incentives**
- **Should focus on market development, investment and adaptation/innovation**



HOW CAN THE PRIVATE SECTOR BEST CREATE JOBS? (CONT'D)

- **For SMICs, with limited scope for development based on the domestic market**
- **Private sector must be outward-oriented**
- **They should not be protected from competition**
- **Should be empowered to compete in international markets**



HOW CAN THE PRIVATE SECTOR BEST CREATE JOBS? (CONT'D)

- **Gov't. not solely responsible for creating conditions for promoting employment**
- **Private sector, including the labour force, has a collective responsibility**
- **Business cooperation on training and skills development needed**
- **Workers need to deliver value for money**
- **Good return on investment in HRD**



HOW TO ADDRESS THE YOUTH UNEMPLOYMENT CHALLENGE AND SKILLS MISMATCHES?

- **Quality/relevance of training institutions qualifications must be trustworthy**
- **Lack of trust biases employers towards those with experience**
- **Relevant structures to promote dialogue and trust needed**
- **Weaknesses in quality of educated human resources likely to originate at lower levels of education and with incentives**



HOW TO ADDRESS THE YOUTH UNEMPLOYMENT CHALLENGE AND SKILLS MISMATCHES? (CONT'D)

- **Need realistic remuneration expectations**
- **Need to avoid high reservation wages**
- **Qualifications not “entitlement” to high level job**
- **New employees not likely the “finished article”**
- **But they should be trainable resources**



Thank you.

