



INTERACTION COUNCIL

High-Level Expert Group Meeting

Chairman's Report on the High-Level Expert Group Meeting

“World Economy and the Future of Work”

**Chaired by
His Excellency Mr. Olusegun Obasanjo**

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Baku Azerbaijan**

Last year, at the 32nd Annual Plenary Meeting in Newport, Wales, the InterAction Council hosted a youth forum for students who highlighted the detrimental effects of persistent youth unemployment. As a result of that forum, the InterAction Council prioritized the exploration of necessary structural changes to the global economy and their impact, in particular, upon youth employment as part of its 33rd Annual Plenary Meeting. At a panel discussion chaired by H.E. Mr. Olusegun Obasanjo on 7 March at the ADA University in Baku, Azerbaijan, the InterAction Council engaged both experts and students. They focused on persistent slow rates of growth, employment rates, technology impacts, necessary structural changes to the global economy, and the emerging decoupling of wealth creation from job creation.

Worldwide, over 40 per cent of capable youth are either unemployed or living in poverty while working for very low wages, according to the International Labour Organization (ILO). The recent global financial crisis hit youth especially hard. Since the financial crisis, national incomes and stock market indices have grown while wages remained stagnant. Youth unemployment has worsened in Asia, the Middle East and North Africa.

Since 2007 unemployment among young people (15-29) has risen by over 75 per cent in OECD countries. Greece, Ireland, Italy, Spain, and the Balkan nations are the most affected. In Nigeria, over 11 million young people are unemployed – which is nearly the size of the population of Greece. Children and youth make up half of the world's refugee population, most without any access to basic education.

Youth unemployment impacts society in both the short and long term. Long-term career prospects are highly impacted by the first 10 years of working life. Persistently high youth unemployment is therefore a threat to a country's long-term economic stability. In Kosovo, youth unemployment has remained above 60 per cent for several years. As an example, Kosovo has become emblematic of the global problem. Persistently high unemployment pushes individuals to seek opportunities elsewhere, leading to brain drain, and an exodus of entrepreneurial and capable individuals. This type of migration will have long-term impacts beyond the economy. Kosovo will likely suffer culturally. Its democratic processes will erode, and participation in civil society will decline. Therefore, Kosovo, like much of the world, will be dependent upon remittances.

Tunisia, too, suffers from high youth unemployment: its 40 per cent rate ranks it among the top ten countries suffering chronic underemployment of youth. Tunisia is also the highest exporter of jihadist fighters per capita.

When youth lack identity and are without purpose, they become targets for unscrupulous organizations. Recruiting youth to terrorism and other forms of crime is certainly easier against a backdrop of economic misery, despair, and hopelessness. In Nigeria, Boko Haram was formed by an unemployed man. In Europe, unemployed migrants are travelling to Syria to join Isis-Daesh. The crisis in Syria was, in part, catalyzed by protesters calling for more employment opportunities. Radicalisation and terrorism must be considered highly related to access to work and a decent standard of living.

If participation in the work forces continues to decline, where will citizens find meaning? Many people tie their identities to work. Not only does work provide income to support families, it also helps define roles within society. When jobs are lost, communities are broken and identities are lost. More seriously, in Africa, suicide rates increase following job losses and the inability to find new work.

Meanwhile, during this same period significant wealth had been created for a privileged few. The wealthiest continue to become wealthier while youth unemployment remains high. This period shows a remarkable decoupling of the traditional relationship between wealth creation and employment.

Demographic Pressures

The global population is growing and the percentage of people under the age of 35 is rising. The population of developed economies is aging with lower birth rates while developing economies are engines of global population growth. In 2015, the population of Japan actually declined.

This is an imbalance that cannot exist without an inevitable series of conflicts. It is an important issue, not yet properly addressed.

The United Nations recognizes the problem. The UN Secretary General's Special Envoy for Youth, Ahmad Alhendawi, provided a video address to the InterAction Council in which he articulated the magnitude of this crisis. Mr. Alhendawi explained that over the next decade, the world must create 600 million new jobs to meet the needs of the ever-growing class of workers. The Global Initiative on Decent Jobs for Youth is the first ever UN system-wide effort to come together and tackle the challenge of youth unemployment.

The UN Special Envoy also noted that governments cannot tackle youth unemployment in silos: effective action will require strong partnership across society and among private and

public actors. States must foster environments that enable and support their youth to find employment through suitable education, making funding available etc. Importantly, the very nature of and purpose of a university education has altered permanently. Universities will need to design degrees and courses that connect students to the private sector through internships and course design. Northeastern University in Boston provides an excellent example.

International Agencies, such as the OECD and the ILO, have noted youth unemployment in their work. The ILO's 2015 *Global Employment Trends for Youth* report called for action in creating decent jobs for youth. The ILO Youth Employment Programme provides assistance to countries in developing coherent and coordinated interventions on youth employment.

The OECD Employment Outlook of 2015 provides an in-depth review of recent labour market trends and short-term prospects in OECD countries and it also looks at trends in youth employment. The OECD Action Plan for Youth sets out a comprehensive range of measures that OECD Member countries have committed to take to tackle the current situation of high youth unemployment and underemployment.

Citizens must recognize that the job market has changed permanently. Where previous generations might have had one employer and one career, there is a great possibility that workers may change jobs frequently and even have several careers over the course of their lives. This implies that they must have a willingness to embrace change and access to resources to prepare them for that which comes next. In addition, many have already embraced – and others will have to embrace – a different work culture: flexible self-employment without the security provided by hierarchical organizations.

With these changes in the job market a very important shift has taken place: work no longer equals wealth. The assumption that new revenues will be equally shared is wrong: it will become increasingly difficult for anyone in the job market to become part of the middle class through work. Wealth creation no longer goes hand in hand with job creation. Capital, according to a report by the charity Oxfam, owned by the 62 richest billionaires is equal to the total wealth of the poorer half of the world's population.

Much has been said about technology as either a job creator, or a job stealer. Often, policy makers have been too quick to highlight the importance of technology. Granted, Science Technology Engineering and Mathematics (STEM) education is extremely important and must be encouraged. But it is not a panacea.

New Economies - New Professions

Many recognize the power of software and entrepreneurial thinking. When Marc Andreessen, the inventor of Netscape and well-known venture capitalist, says that software “is eating the world,” he is referring to the software developer’s ability to scale a solution. He is referring to solutions that are derived via design thinking. Solutions that can be rapidly constructed through agile methodologies and tested quickly through rapid prototyping. This has allowed applications such as Uber and Airbnb to disrupt established industries with surprising ease. Uber has allowed users to remove automobiles from their personal balance sheets and Airbnb has allowed others to gain returns from previously unproductive assets.

Applications like Uber, Foodora, Task Rabbit, and Postmates have created many temporary opportunities for people to work according to their own schedules. However, wages have stagnated around the world despite these new opportunities. Furthermore, the temporary nature of this work has created a class of people who work by themselves without benefits, access to training, or mentorship.

These “gig economy” workers might not be the only workers affected. Traditional white-collar jobs are under threat. At the World Economic Forum in 2016, special attention was called to advances in machine learning, AI, automation, and computer vision. As these technologies develop, entry-level opportunities in law, finance, media, and medicine will become increasingly scarce and increasingly threatened.

Progress and prosperity

It is a miracle of human achievement that automated cars and trucks will soon drive alongside human controlled vehicles. The necessary advancements in computer vision and machine learning have been staggering. But the technology that must be developed to allow robotic cars to exist will begin to threaten a great many jobs when applied beyond transport. President Obasanjo highlighted an example of a Nigerian with a PhD driving a truck in Nigeria because it was the only job he could find. It is very possible that within ten years, truck-driving jobs may be automated. At the same time, there are jobs that cannot be handled by machines or robots: for example elder care, human, and artistic services require human interaction.

Despite this difficult environment, there are new opportunities. If the new “silk road” becomes a reality, trade across Central Asia could become a significant contributor to global GDP and a driver of aggregate demand.

It is unknown exactly how investments in new technology will affect global employment. Despite predictions of job loss, it is very possible that we can harness concern for our planet and the environment to discover new opportunity. There are precedents; during the 20th century, governments focused the energy of their young people to build national parks and necessary infrastructure. The next generation should design the companies they want to work for and build the societies they want to live in.

Investment in infrastructure plays a vital role in addressing youth unemployment. Investing in infrastructure is an investment in the future of a country, on many different levels. States could mobilize or create organized institutions with the task of carrying out infrastructure projects and employing youth. At this time, the manner in which aid is extended to developing nations and the way that capital is allocated must be reviewed. It is clear that infrastructure around the world requires attention and that might require a re-design of incentives.

We are in a period of time in which the world economy is evolving through massive structural change driven by demographics and technology changes. To meet this challenge will require political leadership of a higher order. History offers some guidance. Faced with the Great Depression of the 1930s, US President Franklin D. Roosevelt, said:

The country needs and, unless I mistake its temper, the country demands bold, persistent experimentation. It is common sense to take a method and try it: If it fails, admit it frankly and try another. But above all, try something. The millions who are in want will not stand by silently forever while the things to satisfy their needs are within easy reach. We need enthusiasm, imagination and the ability to face facts, even unpleasant ones, bravely. We need to correct, by drastic means if necessary, the faults in our economic system from which we now suffer. We need the courage of the young. Yours is not the task of making your way in the world, but the task of remaking the world which you will find before you. May every one of us be granted the courage, the faith and the vision to give the best that is in us to that remaking!

This is the kind of spirit that will overcome the challenges now facing the world economy and provide hope to the world's youth.

Recommendations:

1. The InterAction Council enthusiastically supports the UN's Global Initiative on Decent Jobs for Youth, and calls on all states, businesses, and civil society to support the initiative as well.
2. States must recognize that youth employment is a crisis that must be addressed immediately.
3. States must foster environments that enable and support their youth to find employment through suitable education while managing cost.
4. Global institutions and states must reconsider how capital is allocated to necessary infrastructure projects in the developing world.
5. Given the impact of technological change on employment, states must provide the displaced with re-training, a social safety net, and recognition that the process of creative destruction sometimes harms the innocent.
6. Education reform is required. Education systems must focus on ensuring the delivery of relevant knowledge and skills to their people.
7. Universities should regularly engage policymakers and businesses to ensure that students are developing the skills they need to be employable.
8. Connect universities to the private sector and make engagement with companies an essential part of a university education.
9. Consider the past and learn from other moments of high unemployment. The Works Progress Administration and the Civilian Conservation Corps. deployed young people on projects creating essential infrastructure in the United States. States could learn from these past programs to create jobs that build essential infrastructure, protect the environment, and ensure sustainable development.