

Check against delivery!

**Safeguarding jobs in a time of
crisis**

Speech given by

Peter Clever

Ladies and gentlemen,

We are meeting here today in circumstances that are radically different from those a year ago in Niigata. All over the world the crisis in the financial markets is dragging the real economy down, threatening jobs and eliminating them on a large scale. No one can forecast the extent and duration of this disaster. Successful international coordination has averted a meltdown in the financial system. Around the globe governments have coordinated the timing of their economic stimulus packages in an effort to head off a recession. We are by no means over the hill yet, but what needed to be done has been done.

Given the global threat to employment we face at present, even greater urgency attaches to the priorities we formulated in Niigata. In all labour markets we need conditions that promote rather than hinder the creation and safeguarding of jobs. And we need much greater concentration on

education. Only those who are adequately equipped, now and in the future, to meet the demands placed on them in their working lives, in the economy and society can take their destiny into their own hands with sufficient self-confidence and, as a rule, avoid any dependence on government transfers.

Ladies and gentlemen,

No company can be successful without well-qualified, hard-working, flexible and creative employees. “Business is people und good business is good people”. The great speed and drastic nature of the economic downturn make most employers think back to the boom years, when they discovered how hard it is to find adequate numbers of sufficiently qualified people. Since they are now looking further ahead into the future and contemplating the economic upswing that will surely come, they are not rashly shedding too many jobs in the interests of short-term cost

savings. That could well prove very expensive in the medium term when they will badly need well-qualified and loyal employees.

Despite all the efforts we are seeing at the moment, however, no company can ignore basic economic rules. Ultimately, every company is primarily concerned with ensuring its survival. In many cases redundancies will be inevitable.

The political parties can and must support companies in their efforts to safeguard jobs. In Germany, therefore, we have from the very beginning backed the initiative launched by the Federal Minister of Labour Olaf Scholz to simplify and facilitate short-time work. Short-time work has an effect at two levels:

- It gives companies time. It helps them in their efforts to keep their employees in work.

Having enough time saves them the

tremendous expense of recruiting new staff for the economic upturn.

- In addition, the extensive use of short-time work has an impact on the national economy. Employment is stabilised, there is no sudden, dramatic increase in the numbers of unemployed, nor are there any panic reactions or other negative psychological effects that only serve to exacerbate the crisis.

Short-time work is normally not cheap for companies in Germany, because they have to pay the full social insurance contributions. The Federal Government and the Bundestag have provided quick and effective assistance here and halved the companies' costs. However, given the dimensions of the crisis, I doubt whether this will be enough. A short-time working allowance is not a hidden subsidy. There is no subsidising of wages. However, as is the case with unemployment, employees receive financial support in times when

it is not possible for them to work. Moreover, employers share in these costs, although they derive no benefit in terms of work performed.

Short-time working allowances are very important as part of an emergency strategy. In addition, long-term measures must be adopted to make the labour market more conducive to employment. It is essential to

- facilitate time limits. In a crisis, whose outcome nobody can predict, companies cannot create any new, long-term jobs that are expensive to terminate. In many cases the use of time limits can secure or create jobs.

However, in a consistent overall strategy it is also necessary to

- reduce ancillary wage costs. That means employees have more take-home pay, which helps consumption. Above all, it makes the

work factor less expensive for companies and makes it easier for them to employ people.

Ladies and gentlemen,

Given the disastrous developments in the financial markets, there are vociferous calls for ever greater government influence and ever more regulation.

The need for government regulation of the financial markets is not in dispute. Other sectors, however, are suffering from too much regulation, not too little.

My appeal to you is: don't throw the baby out with the bathwater. Jobs cannot be safeguarded by even stricter regulation of the labour market. Quite the opposite. When put into practice, well-meant protective regulations often have an unsocial effect because, contrary to what was intended, they act as an exclusionary barrier and impede mobility in the labour market. Regulatory "protective" provisions of this kind do not offer protection. They do not help to solve a crisis, they only make it worse.

Ladies and gentlemen,

The past few months, in particular, have made it abundantly clear how important international agreement and coordination is. It is not right for countries to try and go it alone. Independent initiatives lack international coordination and so national investment programmes cannot have any mutually reinforcing effect. But that is precisely what is needed if we are to face up to and master the global crisis.

Nobody must be allowed to exploit the crisis to engage in protectionism. That would be completely the wrong path to pursue. Open international trade provides an important global stimulus for growth and prosperity and is of elementary importance for the creation and preservation of jobs. Those who accept protectionism merely extend and prolong the crisis and transgress against the dictates of global

fairness. Many emerging economies have profited tremendously from global commerce. Their increasing share of world trade has helped to take millions of people out of poverty. In the G8 countries a great deal of jobs also depend on exports. They therefore have little reason to behave in a protectionist manner or to shut themselves off. Everybody must be given a chance. That is why we need open markets.

Ladies and gentlemen,

I have already emphasised how important international coordination is in the current crisis. This G8 meeting of labour ministers is therefore of special significance. If we succeed in continuing and deepening cooperation, I am confident that we will not be completely helpless in the face of the crisis.

Thank you.

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