Statement by H.E. Mrs. Ellen Johnson Sirleaf
President of the Republic of Liberia
to the World Economic Forum Annual Meeting
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Professor Klaus Schwab, Founder and Executive Chairman of the World Economic Forum; and Members of the Foundation;
Fellow Panelist, President Park Geun-Hye of the Republic of Korea;
Other Heads of State and Government;
Distinguished Co-Chairs of the 2014 World Economic Forum;
Officials of Government;
Leaders of Business, Academia, the Media, the Arts and Civil Society;
Global Participants;
Ladies and Gentlemen:

Despite Switzerland's frigid January weather, compared to the balmy temperatures of my country, Liberia, let me say that it is a pleasure to be back in Davos-Klosters for the 2014 World Economic Forum.

Our last time here was in 2007 – exactly a year after we took office – where we made the case for relief from Liberia's US$4.9 billion external debt. This global platform helped in drawing attention to Liberia's economic and financial situation, and in July 20l0, having reached the completion point as a Heavily Indebted Poor Country (HIPC), much of that massive debt was waived.

It is also an honor to be a participant at this Forum – an organization and an event whose commitment it is to improve the state of the world, and whose reputation, since its founding in 1971, has been second to none in all that it has achieved, not only in the economic sphere, but also politically, socially and globally.

Thank you, Prof. Schwab, for the long-standing invitation to join the Forum yet again. We had promised you, last September, that we would come to Davos; and even though the Annual Message to our National Legislature – our State of the Republic Address – is just five days away, we felt it was important to come and join in the discussions on the overall theme of "The Reshaping of the World: Consequences for Society, Politics and Business," and, more specifically, on "Reshaping the World through Entrepreneurship, Education and Employment."

I cannot think of a more topical theme and particularly the focus on these essential activities hat will tackle unemployment, especially youth unemployment, which is one of the major challenges of today. It is complex; it is structural; it is global. It is complex because the drivers of this condition differ across the developed and developing world, across gender, across region, across age, across social status, across ethnicity. It is structural because institutions and systems, particularly in developing countries, have not been able to respond to global technological shifts. It is global because developed countries, normally sheltered by strong diversified economies and developed institutions, now face the same situation as they too try to deal with the changes of a reshaping world.

Many may recall that in formulating the Millennium Development Goals in the year 2000, the Civil Society Forum identified youth employment as a major challenge of development, particularly for developing countries with high population growth. Thirteen years later, the proposed Post-2015 Development Agenda confirms youth unemployment as an emergent crisis, worldwide.

The genesis of the current crisis can, in part, be traced to the 2008 global financial crisis which decelerated global output and demand, engendering a spillover effect in emerging and developing market activities, thereby exacerbating unemployment most especially among women and youths.

Driven by this deceleration of global demand, private households and firms in developed economies deleveraged their high debt burden through increased saving rates and austerity measures in public sectors. This resulted in downward pressure on both private and public consumption and investment, dragging down aggregate demand and growth, with devastating effect on developing economies, especially those with high poverty levels and large employment in the informal sector.

As a result, in 2013, the International Labour Organization estimated the global youth unemployment rate at 12.6 percent, implying unemployment of 73.8 million young people. In developed economies, youth unemployment increased by 24.9 percent since 2008, while some large economies, like Spain and Greece, have registered rates over 50 percent.

During the same period, youth unemployment rates in developing economies were highest in the Middle East and North Africa, at 28.3 percent and 23.7 percent, respectively, and, in sub-Saharan Africa, ignoring the extremely high level of vulnerably employed, at 11.8 percent – up from 6 percent three years before. This high youth unemployment is attributed to a missing pool of skilled labor, as well as insufficient growth to absorb a growing labor force. Consequently, surplus workers face vulnerabilities, as they are pushed into the informal sector where they lack regular income, benefits, job security, and pensions.

Moreover, structural unemployment affects most vulnerable young people, who comprise large numbers of economic migrants, particularly from Africa, that continue to seek refuge in Europe, risking their lives in perilous voyages to pursue a livelihood, with resulting racial tensions in host countries.

The effect of unemployment on women is similar. The global financial crisis of 2008 intensified the economic barriers faced by young people in developing economies, often disproportionately affecting young women. The African Development Bank found that in most countries in sub-Saharan Africa and in all of North Africa, it is easier for men to get jobs than it is for women, even if they have equivalent skills and experience. In North Africa, for example, female youth unemployment increased by more than 9 percentage points compared to 3 percentage points for young males. GDP per capita losses attributable to the gender gap in the labor market are estimated at nearly 27 percent. Additionally, although significant progress has been made to close the gap, gender disparity in the labor market is still hugely disproportionate worldwide, especially among young people.

Moreover, fragile States such as Liberia, where the education and vocational skill sets of entire generations have been casualties to violence, tend to be more seriously affected by the unemployment crisis. In these countries, unemployment could be the tipping point for political instability. Furthermore, the pool of unemployed tends to migrate to the cities, exacerbating urbanization pressures through a growing concentration of urban labor supply.

Liberia is a case in point. Despite average annual growth of 7 percent since 2006, unemployment, especially youth unemployment, remains high and is a major challenge to the achievement of development goals. The Labor Force Survey 2010 indicates vulnerable and informal employment for ages 15 and above accounted for an average of 74 percent with higher levels in rural areas. Females are more seriously affected, compared with males, at 65 percent.

To address unemployment in one of the country’s most economically deprived areas where the most vulnerable and food insecure population live, we launched a pilot cash transfer program. The targeted households were typically headed by the elderly, people living with disabilities and chronic illnesses, and youth or single mothers with dependents. By providing a relatively small amount of money – about US$20 a month – on a regular and predictable basis, there was marked improvement in the lives of the beneficiaries. An independent evaluation showed compelling evidence that the cash transfer program improved food security, education, access to health, and the economic condition of beneficiary households. It also showed that school attendance increased, and 66 percent of children in the target area had improved marks. More importantly, the program showed great potential in stemming the inheritance of intergenerational poverty.

The problem of unemployment requires multiple response strategies. First, substantial investment is required in national educational systems, including technical and vocational training. Second, continuing effort must be made by governments to improve the business environment for foreign and domestic firms. Equally, as emphasized by the G8 countries, at their 39th Summit, businesses must recognize the importance of taxes, trade and transparency as critical for growth, prosperity and economic development. Third, using the success stories of other countries, special economic zones should be established to promote profitable job-creating manufacturing opportunities. Fourth, better allocation is required in the use of revenues from natural resources, thereby reducing the costs of doing business in the tradable sectors to foster job creation. Fifth, more effort to invest in systems that enhance production and productivity in the subsistence and informal sectors to reduce unemployment, particularly among the young people. Sixth, investment in social protection programs, such as social cash transfers which target vulnerable groups – women, young people, and the elderly.

Finally, let us all accept that there is no easy fix for youth unemployment. However, partnerships between the public and private sectors can make a difference. Large corporations which have been able to obtain concessions in developing countries should be prepared to address the unemployment problem through training, through social benefits to communities, improvement in infrastructure in the communities, and through better relations and knowledge exchange with people in the communities. There must also be urgent response to the call for linkages between the activities of large corporations and the economy at large. The evidence is clear that significant employment is not created by the large concessions and corporations, which are largely capital intensive in their operations, but by the small and medium-sized enterprises which lead to the development of a middle class, the most sustainable driver of employment.

Let me close with this sobering thought: Unless we find a solution to youth unemployment, the consequences for society, politics and business are likely to be civil upheaval, political instability and economic disruption.