

**Remarks Prepared for Delivery by
U.S. Secretary of Labor Elaine L. Chao
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“Globalization and Structural Change”

Thank you Minister Clement.

I am pleased to speak today on Globalization and Structural Change, a topic that is important to developed and developing nations alike. How we deal with change and how we prepare workers for change is one of the key challenges of the 21st century.

That’s why, when I became U.S. Secretary of Labor, one of my first actions was to create an office of the 21st century workforce. President George W. Bush also appointed a Council on the 21st Century Workforce—comprised of leaders from business, academia, nonprofits and labor—to make recommendations on how our workforce can remain safe, skilled and competitive in a rapidly changing world economy.

The United States believes that flexible labor markets have been—and will remain—critical to raising the standard of living for our workers and keeping our economy strong. Flexible labor markets that react quickly to change are the reason why the United States’ economy is so resilient. It’s the reason why we have been able to offer unprecedented opportunities to so many, especially women, minorities, the disabled and immigrants. And it’s the reason why last year approximately 50 million Americans left their jobs—either voluntarily or involuntarily out of a workforce of 146 million—and approximately 50 million found new jobs.

I would like to commend Minister Clement for your government’s reform efforts here in Germany. Modernizing your employment services and benefits will help workers adapt to change more quickly and learn the new skills that are in demand today. We have had some success in the United States in modernizing our employment services system, which I will touch on later on in these remarks.

Before I do, I want to comment on the upcoming G-8 Summit that the United States will host next year. All of us have a stake in increasing international economic growth, so we can create more jobs and improve the standard of living for workers. Since the relationship between economic growth and employment growth varies across countries, it is beneficial to share our experiences. I look forward to this exchange later on in this discussion.

As all of you know, the United States supports free and fair trade as a foundation for sustainable economic growth. But we must ensure that the benefits of trade are widely shared. Internationally recognized core labor standards can help developing countries achieve this goal. Our governments can help developing countries strengthen the rule of

law and enhance the capacity of their Labor Ministries. In fact, after this meeting I will be traveling to West Africa, where I will launch cooperative projects with governments there to combat some of the worst forms of child labor and to launch workplace education and prevention programs related to the HIV/AIDS pandemic.

The importance of being proactive in addressing these and other challenges of the 21st century workforce cannot be overestimated. Recently, I added a new goal to the Labor Department's Strategic Plan. In addition to our emphasis on a prepared work force, a secure workforce and safe workplaces, we have added "a competitive workforce" to our priorities. That means doing everything possible to help workers gain the skills and training they need to prepare for change.

President George W. Bush is deeply committed to the task of helping workers gain the skills they need to find new jobs. He has spoken out forcefully on this issue many times and strongly supports Labor Department efforts to reform the public workforce training system in the United States. We are transforming this system into a demand-driven, proactive one that identifies where new jobs are being created, which skills are in demand and then provides workers with access to training programs to acquire these skills.

A key part of this effort is working closely with private sector employers experiencing job growth, so we can connect workers with these opportunities. In each phase of our country's economic history, different growth industries have led the way. This decade's prospective job-growth leaders include biotechnology, which is forecast to add 3 million jobs; health services, which is forecast to add 1.3 million jobs; and high-tech manufacturing, which is projected to grow by more than 800,000 jobs. Our goal is to create a job training system that is responsive to changing economic conditions, especially at the local level, so we can successfully match available job candidates with available jobs. To do this, the Labor Department is building collaborations between employers, business associations and training providers—including community colleges, the skilled trades programs sponsored by organized labor and others.

In addition, the United States believes that workers deserve help in managing the uncertainties that accompany change. That's why we have developed a special program, called Trade Adjustment Assistance, which provides workers dislocated by trade with up to 104 weeks of income support, job training, supportive services such as childcare and transportation expenses to workers adversely impacted by trade. In addition, for workers over 50, if their new jobs pay below his or her previous salary, the government will pay up to 50% of the wage differential. This is one of the many job-training programs administered through the Labor Department's nationwide network of more than 3,800 One-Stop Career Centers.

At these centers, workers can apply for unemployment insurance benefits, receive skills assessment assistance, access job training or retraining programs, prepare résumés, interview with employers who are hiring and many more services. I was delighted to visit an employment center offering similar services in London earlier this year at the invitation of Sir Andrew Smith, who has visited some of our One-Stop Centers in the

United States. We appreciate Sir Andrew's interest. Our two countries also sponsored a joint conference on employment opportunities for disabled individuals this past Spring.

As a result of President George W. Bush's leadership on this and other economic development issues, we are seeing signs of positive growth in the U.S. economy. I am pleased to report that recent indicators note the strongest overall growth rates in the U.S. economy in 20 years! This is good news not only for the U.S. but for all of our trading partners as well.

Real U.S. Gross Domestic Product increased at an annual rate of 8.2 percent in the third quarter of 2003—a significant increase over the second quarter.

Productivity gains—which are essential to improving workers standard of living—jumped again in the third quarter of 2003 to 9.4 percent. Inflation and interest rates are at a 40-year low. Productivity gains cannot increase indefinitely and will result in job creation. Productivity gains also allow for real increases in wages and standard of living.

President Bush's jobs and growth plan lowered the rate of taxation on capital, so nonresidential business investment surged at an annual rate of 14 percent in the third quarter.

This is good news for workers because *average wages are increasing* and the U.S. economy is creating jobs.

The U.S. Labor Department's Bureau of Labor Statistics keeps track of employment data in the U.S. and reported that the U.S. unemployment rate fell to 5.9 percent in November and the economy gained 57,000 jobs. This represents *four straight months* of job growth totaling 328,000 jobs—the most robust four-month record in three years. Other key job measures show even greater gains; regardless of the survey. The Household Survey, for example, shows even larger increases in employment of approximately one half million new jobs in the last month. *Total employment is now higher than at the start of the recession.*

But as President Bush has said many times—we are optimistic, but not complacent. More needs to be done so that every American who wants a job can find one. Employment levels are traditionally a lagging indicator and have yet to fully rebound. That's why President Bush has proposed specific steps to build employer confidence and create momentum to hire new workers.

The President's Six-Point Plan for the Economy will allow employers and workers to plan for the future by making tax relief permanent. It will also free up more capital for job creation by curbing abusive lawsuits, lowering health care costs through affordable health care options and pushing additional regulatory reform.

A survey of the U.S. labor market would not be complete without noting some of the major forces that are influencing the workplace today.

First, our workforce is being shaped by changing demographic patterns, resulting in a greater diversity of age, gender and ethnicity. In the United States, as in most of your own countries, the workforce is also aging as baby boomers near retirement age. Women, I am pleased to note, now comprise more than half of the U.S. workforce. That's why my government is exploring ways of encouraging more flexible workplace policies that allow workers—especially women with children—to balance work and family needs.

A second factor influencing the workplace is the widespread use of technology, which has created new industries, new occupations and revolutionized the way we work. Technology permits non-traditional work arrangements such as telecommuting, flexible work hours, temporary contracts and self-employment. This is especially important for accommodating older workers who wish to remain in the workforce, but prefer flexible work arrangements. And it has enabled an unprecedented number of Americans to start their own small businesses, which are a powerful engine of job creation in the United States.

Third, globalization has significant implications for workers and labor markets in all of our countries. That's why the United States is committed to furthering free and fair trade in the World Trade Organization and free and fair trade agreements with our trading partners.

The globalization of trade also means that accountability and transparency are more important than ever before. As we promote free trade, we must also promote the institutions and values that support the free enterprise system.

The free enterprise system is based upon trust. For free enterprise and the institutions that support it to flourish, the public must have faith in the accuracy and accountability of free market institutions, their social partners and their leaders. That's the U.S. government believes that the promotion of accountability and transparency are crucial to promoting sustained economic development that benefits everyone.

When accountability and transparency are compromised, workers suffer—they can lose jobs, benefits and pensions. So it is up to all of us to work even harder to promote structures that support transparency and accountability. I am proud to note that the Labor Department played a role in crafting President Bush's corporate governance reforms that foster transparency and accountability in U.S. financial institutions. These reforms were enacted into law last year.

Let me conclude by noting that a safe, skilled and secure workforce is the key to economic development and growth. We are living in a time of great opportunities and challenges for our economies, for our workers, and for us as Labor Ministers. I look forward to hearing your views on the best ways to meet these challenges and to help workers meet the challenges of the 21st century.

Thank you.