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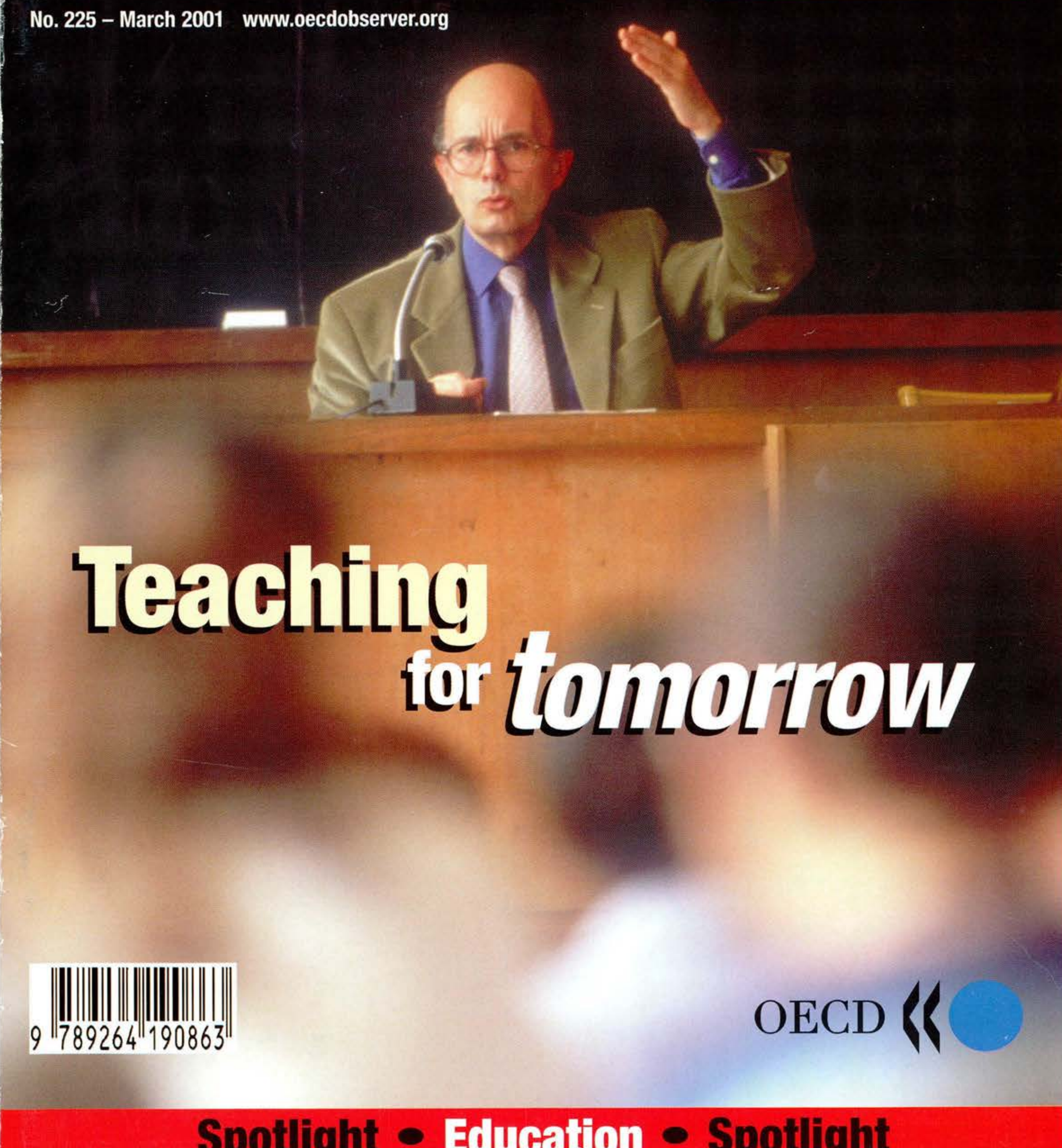

# Teaching for tomorrow

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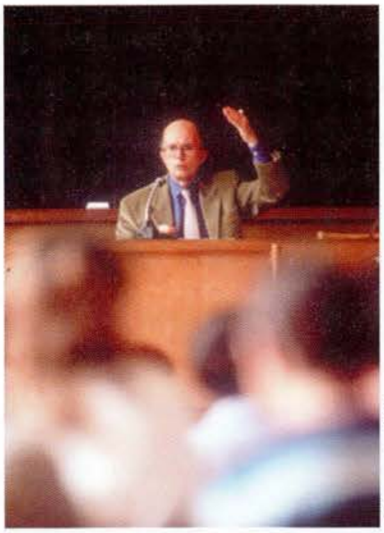

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*In our information-filled age, we still need guidance on what is worth learning. This is especially true of the young, and all parents want to be sure their children have good teachers. They should be entitled to find this in our public systems. It is therefore time for countries to invest.*



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## On innovation and ancient Greece

Sir, Armand D'Angour's article "What's new? Some answers from Ancient Greece" in your summer issue (Observer 221/222) provides a refreshing perspective on the role of innovation in Western society then and now. I can only agree that the classical principles of innovation – that it is dynamic; that there are different levels of innovation; that context matters in defining innovation – remain valid, especially for today's policymakers. But the author's conclusion that there is perhaps "nothing new under the sun" seems to dismiss some important differences between innovation in Athens and in Silicon Valley. There are epistemological differences between innovations in culture and thought and those in science and technology. The progress of thought does not necessarily follow the laws of scientific knowledge and technological evolution. For example, to what extent is the invention of democracy, if we consider it to have arisen out of a long evolution of human civilisation, comparable to a technological innovation that results from empirical experience or an active search for efficiency?

Perhaps the most significant difference is that in a competitive global economy, modern innovation has become more rapid, more market driven and characterised by extensive networks of both public and private actors and a greater reliance on scientific research than in the past. So if for Plato innovation relied on rearranging existing knowledge, modern innovation requires not only creativity, but also new knowledge based on discovery and empirical experience. Fostering innovation thus extends beyond setting the conditions for freedom of thought and expression and requires incentives to invest in research and learning. Mr D'Angour rightly observes the principle that innovation in one area can foster or impede innovation in another. The current focus on innovation in a few technological areas should not come at the expense of serendipity and experimentation – many of the innovations that emerged in modern times have been the by-products of unrelated and even unsuccessful quests for knowledge.

**Mario Cervantes,**
**Paris, France**

## On health systems

Sir, Your piece on France's economy (Observer 223) makes the point that the French probably enjoy the best health system in the world. Costly, but very good nonetheless. Your article mentions the World Health Organisation's study on which this claim is based, a study which ranks Italy, San Marino, Andorra, Malta and Singapore immediately behind France. But on what grounds was this ranking made? Was it the absence of (or the success rate of curing) certain serious diseases? Or the low incidence of suicide, fatal accidents or alcoholism? No, none of these criteria were used for the study. Rather, apart from some notion of the equitable availability of health services, the WHO study leaned on mortality rates at birth and in old age, and a survey of user satisfaction. It is astonishing that such a basic criterion as old-age mortality should have been used, at least for a developed country. Is absence of death the best indicator of a health system's quality? It is certainly a difficult one to measure. But as for user satisfaction, well, this indicator tells us very little in the end. For France, for instance, 66% of respondents were satisfied; for second-place Italy just 20% were satisfied. Are the Italians likely to be more objective than the French on matters concerning their health?

Surely we need a more rigorous study than this, one that compared expenditure with real results. Incidence of cancer, liver disorders from excessive drinking, heart disease, road casualties, mental illness, stress-related disorders, even the by now infamous hospital bug – surely measuring criteria such as these would be the right way to decide how good or bad a health system really is.

**Ariel Alexandre,**
**Vence, France**

# Teaching for lifelong learning

DONALD J. JOHNSTON, SECRETARY-GENERAL OF OECD

Since I arrived at the OECD in 1996, I have participated in more conferences on more issues than I would have imagined possible. These many and varied meetings focused on almost every area of public policy. Without exaggeration, I can report that in all cases a common thread of consensus was education as the fundamental building block of social and economic progress. Would this have been the case, say, 100 or even 50 years ago? I doubt it.

The OECD's report on the causes of growth in the "new economy", which will be delivered to our Ministerial Council in May, will assign an important role to human capital. Another driver of growth in the new economy is technology, particularly information and communication technologies (ICT). What matters is how they work together: countries can be awash with technology, but it takes human skills and talent both to operate it and to undertake the reorganisation of work and commercial relationships that can improve productivity and lift growth potential.

The new skills required to use technology are becoming more important, both in the workplace and as a means of participating fully in today's knowledge-based society. At the same time, basic competencies, like writing, reading and arithmetic, continue to be vital. And educators are also beginning to wonder about how to teach "creativity". Altogether, these are formidable challenges for our policymakers, educators and teachers.

Today many more young people complete and go beyond secondary education than a few decades ago. Yet the *International Adult Literacy Survey 2000* showed that at least a quarter of adults in the 20 countries surveyed – and as many as three-quarters in a few of them – lack the minimum literacy skills necessary for modern life and work. These people will have difficulty getting jobs and run the risk of being locked into low-paid work or becoming unemployed as skill demands rise. Providing good initial schooling for all, including those most at risk, is an important part of the solution.

But initial education will not be enough and adults have to renew their knowledge and skills to cope with a lifetime of constant change. Nevertheless, it is the adults who did well in their early formal schooling who are most likely to take up further education or training in later life.

The OECD's 2001 Education Ministerial in April will no doubt emphasise the priority we must give to lifelong learning for everyone. This requires clear incentives on both the demand and the supply side of the system. Individuals, companies and countries must see clear benefits from investing in the acquisition of new skills. Adult training has to be stepped up too, but it must succeed more in drawing in those who have missed out when young. The OECD's work shows that this can be done.

But this is "catching up". We need to do a better job of transmitting competencies at the outset. We need to invest in formal schooling, starting at the earliest stages, and also raise school completion rates. Recent advances in ICT have enabled policymakers to look more seriously at how education might flourish outside the formal classroom and in the myriad circumstances of work and leisure. ICT is more commonplace than it was five years ago, even routine to many students and adults. This is a reflection of how useful it is. Computers are a great self-learning tool, whose basics most people, young or old, seem to master quickly. Even the disabled can find computers empowering. Distance learning, workplace training, home-based course cycles: investing in all of these could help to improve everyone's competencies.

But there is no magic formula. The Education Ministerial will be an opportunity for policymakers to share experiences about what has worked and what has not. I wonder if it is not time to focus more attention on teachers.

This once esteemed vocation appears to be in some difficulty. The profession is ageing in a number of OECD countries, as it fails to attract qualified young people. Reversing this will be difficult unless teachers' pay becomes more competitive with that of other careers. Moreover, formal requirements for entry to school teaching often restrict movement in and out of the profession. This can stifle the career prospects of teachers and, in today's mobile job market, may affect their status as well as performance.

More fundamentally, I ask whether governments, communities and parents should not make creative efforts to restore the prestige of this critical occupation. After all, in our information-filled age, we still need guidance on what is worth learning. This is especially true of the young, and all parents want to be sure their children have good teachers. They should be entitled to find this in our public systems. It is therefore time for countries to invest. And that means in teaching, as well as in learning. ■

• News brief •

## Seychelles joins harmful tax battle

The Seychelles has joined OECD member countries and eight non-member jurisdictions pledging to eliminate harmful tax practices by the end of 2005, ensuring that it will not figure on a list of non-cooperative tax havens to be issued at the end of July this year.

The Seychelles was among 35 countries identified by the OECD in June 2000 as meeting the technical criteria for being tax havens and is the ninth to pledge to eliminate its harmful tax practices. The other eight are Bermuda, the Cayman Islands, Cyprus, the Isle of Man, Malta, Mauritius, the Netherlands Antilles and San Marino.

The OECD is also pursuing its dialogue with other jurisdictions interested in co-operating to address the issues raised by harmful tax practices. The OECD's secretary-general, Donald Johnston, reminded participants in an OECD-Commonwealth joint working group in early March that the fight against harmful tax practices aims to ensure fairness and transparency and to get at the taxpayers that "cheat".

The joint working group was set up in January after high-level consultations in Barbados. It aims to find ways to turn the principles of transparency, non-discrimination and the effective exchange of information into commitments by participating countries and jurisdictions.

Harmful tax practices were also on the agenda at a meeting of ministers and senior policy makers from the OECD and the Pacific Island Forum in Tokyo in February. ■

• Learn more about the OECD's work on harmful tax practices at: http://www.oecd.org/daf/fa/harm_tax/harmtax.htm

## Money laundering online

Internet casinos are proving an attractive bet for criminals needing to launder their ill-gotten gains because of the difficulties encountered by the authorities in tracking such cyber transactions, the Financial Action Task Force on money laundering (FATF) says. Some criminals are already using online gambling as a cover for money laundering over the Internet, the FATF said in its annual report on money laundering methods. Internet gambling not only makes it difficult to track money movements, but also to decide which jurisdiction has authority over a case.

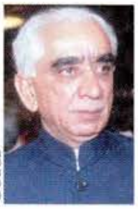
But if such hi-tech methods are proving attractive, old-fashioned hard cash still accounts for a large proportion of money laundering activity. Terrorist groups, for instance, frequently resort to drug trafficking, robbery and extortion to raise their funds, but they also receive money from legitimate donations and from the sale of publications. The FATF members have not yet agreed on whether their anti-money laundering efforts should target terrorists.

Separately, an FATF meeting in Paris in February welcomed the "significant additional progress" made by seven of the list of 15 jurisdictions it had identified in June 2000 as non-cooperative in the global fight against money laundering. But as no country had yet enacted and implemented all the necessary reforms, none was taken off the list immediately. The situation will be monitored closely.

The FATF is a 31-member independent international body whose secretariat is based at the OECD in Paris. ■

• For the full report on money laundering, visit the FATF website at http://www.oecd.org/fatf/

## India joins Development Centre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India became the 27th member of the OECD's Development Centre in February, joining other non-OECD members Argentina, Brazil and Chile. India has had a co-operation programme with the OECD since 1997. India's external affairs minister, Jaswant Singh (see photo), said his country's membership of the Development Centre would strengthen this dialogue.

The Development Centre's president, Jorge Braga de Macedo, said the arrival of India, the world's largest democracy and second most populous nation, as a member demonstrated the Centre's inclusive approach to development.

The Development Centre, established in 1962, is a semi-independent body within the 30-member OECD; 22 OECD countries as well as the EU are also members of the Development Centre.

The centre works to foster policy dialogue and understanding between OECD countries and the developing world, notably through international meetings and publishing. The results and recommendations of its work are made freely available to OECD member countries and developing nations. ■

• Visit the Development Centre website at http://www.oecd.org/dev/

**• News brief •**

## Making farming more eco-friendly

How much environmental damage is caused by agriculture? Quite a lot, though there has been improvement in some areas. The OECD's first international study of the state and trends of environmental conditions in agriculture since the mid-1980s gives a comprehensive picture*.

On the one hand, there has been a reduction in the nitrogen and pesticide loadings in rivers, lakes and groundwater, and a decrease in the level of agricultural greenhouse gas emissions in the past 15 years. But the report also warns that farming is having harmful effects on biodiversity, habitats and landscape features in some regions, while risks of further soil degradation and depletion of water resources persist.

While agriculture may be a small (and contracting) part of most national economies in OECD countries, it nevertheless accounts for around 40% of total OECD land use and 45% of water use. Its environmental implications are therefore considerable. Interestingly, organic farming has risen in many countries, particularly in Austria (where it accounted for about 10% of the total farming area in 1998), Sweden and Switzerland. Germany and Italy are the only G7 economies to show a marked increase in this type of farming; organic farming remains negligible (albeit growing) in the United States.

The report, which uses data that allows cross-country comparisons, shows that where agricultural and trade policies have lowered input costs, such as water charges, and raised crop and livestock output prices for farmers, this has tended to lead to environmental damage. Policy reform to phase out the most distorting forms of support would help improve farming's environmental performance, the report says. ■

- *Environmental Indicators for Agriculture – Volume 3: Methods and Results*, OECD, 2001.
- For data and graphs and an executive summary of the report, as well as further information on the OECD's work on agri-environmental indicators, visit: http://www.oecd.org/agr/env/publications.htm
- *OECD Environmental Outlook*, forthcoming, April 2001.

## Two more countries ratify anti-bribery convention

Argentina and the Netherlands have ratified the OECD anti-bribery convention, taking to 30 the total number of countries that at the time of writing have ratified the agreement. The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions went into effect on 15 February 1999. It commits 34 signatory countries – all 30 OECD members and four non-members (Argentina, Brazil, Bulgaria and Chile) – to adopt common rules to punish companies and individuals who engage in bribery transactions.

The convention makes it a crime to offer, promise or give a bribe to a foreign public official in order to obtain or retain international business deals. A related text effectively puts an end to the practice of according tax deductibility for bribe payments made to foreign officials. The Netherlands deposited its instrument of ratification on 12 January 2001 and Argentina on 8 February 2001. So far 21 countries have been subjected to close monitoring to determine the adequacy of their implementing legislation and the Working Group on Bribery has issued a report and evaluation for each country, which is available to the public.

The 30 countries to have ratified the agreement are: Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Japan, Korea, Mexico, Netherlands, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States. ■


- For more information, consult the OECD Anti-Corruption Ring online or read the working group country reports on implementation at: http://www.oecd.org/subject/bribery/
- Also see *Observer* 220, April 2000, for a Spotlight on Corruption.
- *No Longer Business as Usual: Fighting Bribery and Corruption*, OECD, 2000.

# Turkey's crisis

ALEXANDRA BIBBEE, PRINCIPAL ECONOMIST FOR TURKEY, ECONOMICS DEPARTMENT, OECD

**Turkey plunged back into financial crisis less than halfway through a three-year programme to end decades of high inflation. What went wrong, and where should the government go from here?**

©AP Photo/Burhan Ozbilici

**All eyes on Turkey: media members surround economy minister, Recep Onal**

Another exchange rate-based stabilisation has been tried and failed in Turkey. Just 14 months into a three-year programme to end decades of high inflation, the government was forced in February to abandon the currency peg that had been the anchor of its strategy, sparking an immediate devaluation of its currency, the lira, by around 30%. The programme had started out with unprecedented political backing, achieved impressive initial results and was widely believed to have a far better chance of success than many previous internationally supported programmes for Turkey. So what went wrong?

In retrospect, a weak banking system and an over-reliance on inflows of hot money made the country highly vulnerable to crises of confidence, so that when the inevitable tensions of a rapid adjustment emerged, the currency peg could not hold. The devaluation shock will delay the achievement of single-digit inflation, and with a simultaneous interest rate shock, implies large bank balance sheet losses and severe fiscal stress.

The authorities now have no choice but to try to limit the damage with judicious macro-economic policies, find a solution for banking system problems, and re-establish market confidence by continued implementation of the structural

**The main challenge will be to contain domestic fallout from the collapse of monetary credibility and ensure an equitable adjustment process.**

reform and privatisation programmes. But the main challenge will be to contain the domestic fallout from the collapse of monetary credibility and to ensure that the adjustment process is equitable. As has been the case elsewhere, the push to join the European Union could perhaps serve as a focal point for new social cohesion and a renewed political commitment to reform.

The tensions that culminated in a crisis in late November 2000 were deeply rooted in Turkey's economic system, but the immediate cause was a combination of portfolio losses and liquidity problems in a few banks, which sparked a loss of confidence in the entire banking system. When the central bank decided to inject massive liquidity into the system in violation of its own quasi-currency board rules, it created fears that the programme and currency peg were no longer sustainable, and the extra liquidity merely flowed out via the capital account and drained reserves. The panic was arrested only with a $7.5 billion IMF emergency funding package (over and above an original $4 billion stand-by loan). The government then reaffirmed its commitment to the previous inflation targets, pledged to speed up privatisation and banking reforms, took over a major bank that had been at the origin of the liquidity problems, and announced a guarantee of all bank liabilities.

The situation seemed to stabilise in early 2001, as virtually all of the $6 billion in capital that had exited in the crisis flowed back and reserves were reconstituted. However, investors were demanding much higher interest rates than before, indicating an upward shift in the country risk premium. Also, virtually all of the new capital inflow was on a very short-term (overnight) basis, suggesting residual devaluation fears. Confidence in the programme was not really restored, despite government pronouncements and the support of the IMF.

In such an atmosphere, a public row on February 19 between President Ahmet Necdet Sezer and Prime Minister Bulent Ecevit (apparently centred on the former's anti-corruption campaign) immediately translated into the perception that the ruling coalition, and hence the programme, could be unravelling. Renewed crisis followed. However, this time around the central bank stuck to the quasi-currency board rules and refused to act as lender of last resort, hoping that banks would turn in their dollars in order to obtain lira. The result was record overnight interest rates, which peaked at close to 5000% on February 21. The banking system, already greatly weakened by the first crisis, faced breakdown as the interbank payments system ceased to function altogether. The next day the government decided to float the lira, spelling the end of the exchange rate-based stabilisation programme.

Under the circumstances, floating the currency was probably the only solution available. The market confidence that would have been required to sustain the crawling peg strategy was not present.

## A history of low growth

GDP growth in Turkey has barely kept up with population growth, so that living standards have stagnated. High inflation, which has its roots in chronic fiscal deficits, has prevented the mobilisation of resources for the efficient financing of investments. A falling employment rate was another factor behind slow growth.

| 1990-99 | Turkey | OECD |
|---|---|---|
| **Annual average growth rates %** | | |
| Real GDP | 3.1 | 2.3 |
| Real GDP per capita | 1.3 | 1.4 |
| Employment rate[1] | –1.0 | –0.1 |
| **Average levels** | | |
| Inflation[2] | 78.7 | 4.0 |
| Fiscal balance[3] | –8.5 | –2.1 |

1. Employment/working population.
2. Private consumption deflator.
3. General government financial balance as percentage of GNP, 1994-1999.

Acknowledging this fact sooner rather than later has at least allowed the government to enter the floating regime with most of its reserves intact, rather than finding them depleted in a vain attempt to defend the peg. The authorities have had to start anew to design a programme in light of the new currency framework.

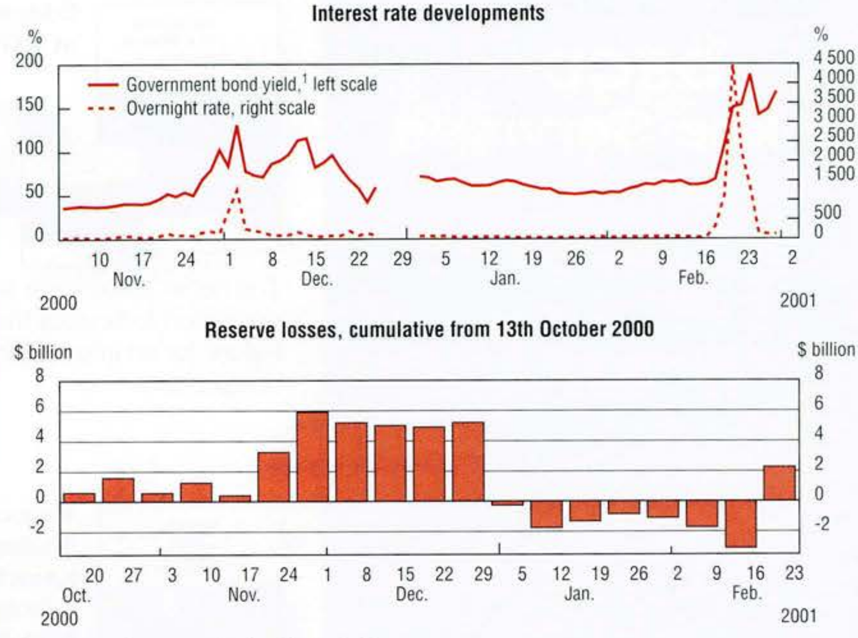
Whatever the strength of the new strategy, they will face higher costs and greater risks because of the credibility that has been lost. The major risk is prolonged weakness of the currency coupled with a high country risk premium due to an inability to re-establish confidence quickly. If the risk materialises it would be unequivocally negative for Turkey. It would imply large terms of trade and real income losses for consumers, real balance sheet losses in the bank and corporate sectors, a growing public debt as such losses are nationalised, and a renewed debt-deficit spiral due to growing interest costs on the public debt. In such an environment, rising political and social tensions could weaken the will to reform. Also, the temporary inflation spike following the currency devaluation could easily become entrenched via renewed inflation-linked wage rises, especially if the fiscal situation were perceived to be out of control. The task of the authorities will be to avoid such a scenario – essentially a repeat of the 1994 crisis – at all costs. There is little room for policy mistakes.

**Whatever the strength of the new strategy, they will face higher costs and greater risks because of the credibility that has been lost.**

Once the dust has settled and a more stable market rate for the lira has been established, the monetary authorities will need to identify a feasible disinflation path and gear monetary policy to achieving it, implying a shift to a tighter stance. But this poses an acute dilemma, as banks are likely to need low interest rates and ample liquidity before they can be returned to health. Resolving this problem will require strict adherence to privatisation goals and the structural reform programme, notably in the banking and state enterprise sectors, which would help to drive down the country risk premium and eventually attract more stable forms of foreign finance such as direct investment. Fiscal discipline must be imposed, in particular by exercising tight control over public spending.

A major challenge will be to rebuild a social consensus for adjustment given that so much hard-won monetary credibility has been squandered. Depositors, banks and businesses can claim with some justification that they are suffering precisely because they put so much faith in the programme. An equitable income policy must be worked out with the social partners, but this was never fully accepted even when the programme was credible. It will thus be hard to ask for further sacrifices, such as further real wage cuts due to devaluation or more lay-offs due to structural reforms. However, without some kind of social pact, it might be very difficult to find a new anchor for inflation. The drive to join the EU might serve as a catalyst for rallying public sentiment to the cause of reform. The need for economic stabilisation and institutional modernisation is inherent in the quest for convergence toward Europe, and remains essential for finding a solution to Turkey's problems. ■

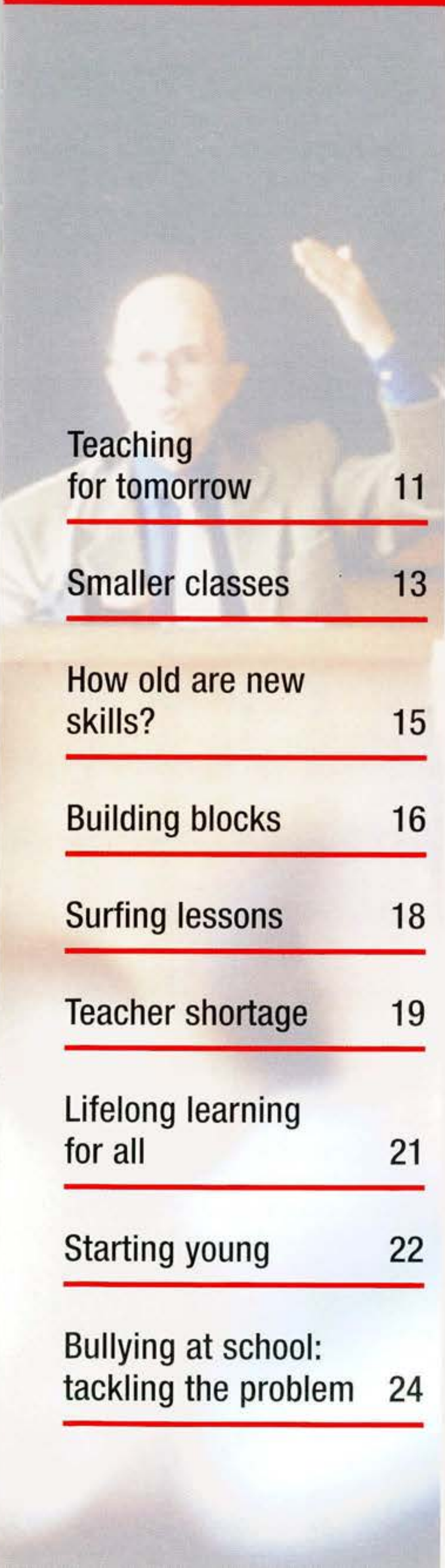
**Turkey's financial crisis**




1. Secondary market, composite of original maturity.
*Source:* Central Bank of Turkey.

### References


- You can find out more about the roots of the Turkish crisis and the government's new programme in the online version of this article at www.oecdobserver.org.
- *OECD Economic Surveys: Turkey 2000/2001.*



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# Teaching for tomorrow

MICHAEL BARBER, CHIEF ADVISER TO THE UK SECRETARY OF STATE FOR EDUCATION AND EMPLOYMENT ON SCHOOL STANDARDS

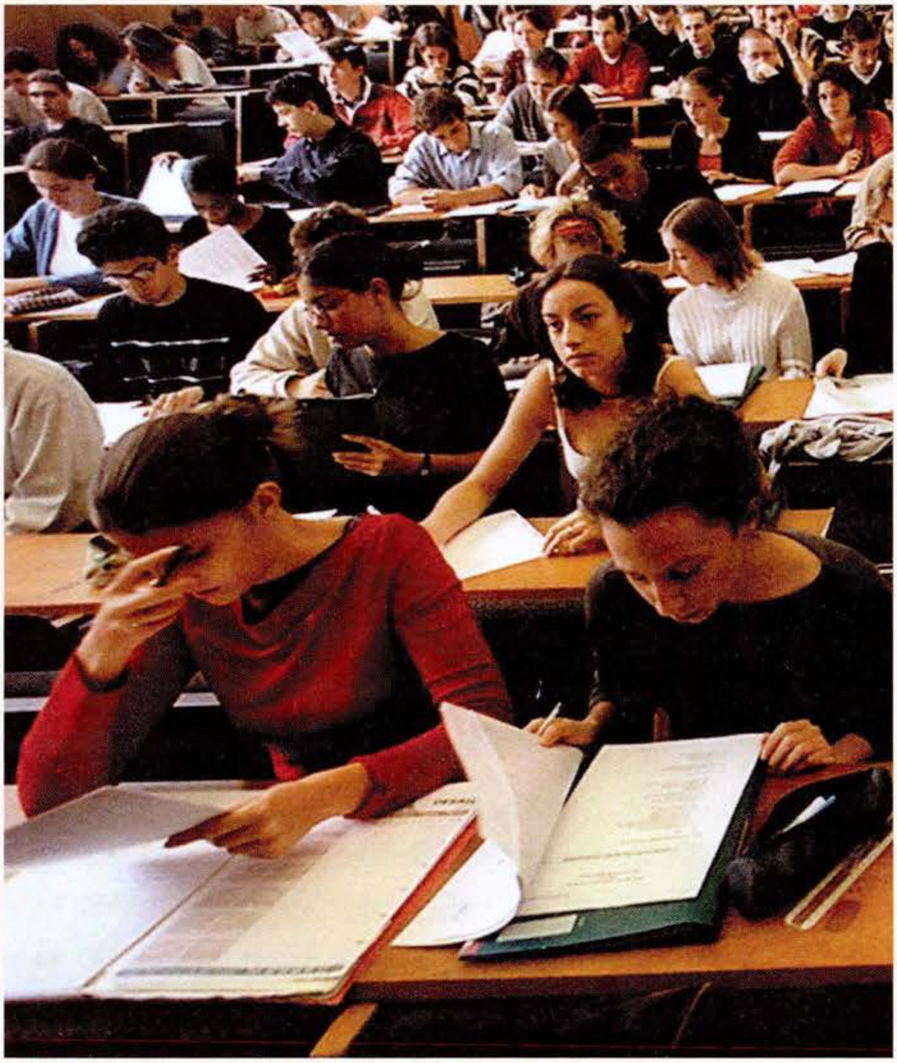
**The 21st century will demand a new kind of teaching and learning. How can we adapt a 20th century system built around industrialisation and the nation state to meet the demands of the knowledge economy?**

The public education systems woven into the fabric of 20th century welfare states prepared populations to contribute to society and shaped national identity. But the industrial society and the nation state that prompted their existence have had their day, giving way to the new economy and globalisation.

These powerful new forces could blow public education systems away unless we can develop a clear rationale for their continued existence. More and more parents have greater disposable income: might they decide they want to spend that income on their children, buying an education tailored to their view of the world? If they did, how easy would it be to persuade them to continue to pay taxes for the education of everyone else's offspring? These dilemmas are already acute in some US cities.

The case for public education cannot be assumed as it was in the 20th century. It needs to be restated as a radically new concept for both students and teachers. But a good education system is increasingly important not only for the success of a modern knowledge-based economy but also for the creation of a socially just society.

The explosion of knowledge about the brain and the nature of learning, combined with the growing power of technology, create the potential to transform even the



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**Could have read this online…!**

most fundamental unit of education: the interaction of teacher and learner. At the same time, huge social changes present educators with new and constantly evolving circumstances.

The challenge of reforming public education systems is acute. For a country such as England, the central question is whether it can maintain the flexibility and capacity for transformation that has been built into the system while simultaneously improving student outcomes. For others, such as Bavaria, the dilemma is to create the necessary flexibility for the future while continuing to deliver high standards.

The rhetoric of "success for all" was often used in the 20th century, but in reality a substantial degree of failure or under-performance was tolerated in most countries' education systems. The

**The case for public education cannot be assumed as it was in the 20th century, but needs to be restated as a radically new concept.**

challenge for the 21st century is to make success for all a reality. This demands that educators believe in the possibility of high standards for every student and that policies are designed to deliver this outcome across entire education systems.

Policymakers have hitherto concentrated on standardising the input end of the education system: the number of school places, qualifications of teachers, the content of the curriculum, class sizes, hours of teaching and provision of books and materials. Not surprisingly, given the diversity of our societies and the varying backgrounds of students, the consequence was that the standards achieved – the output – became the variable. But if the output – high standards for all – is to become the constant, then the inputs must become the variable.

Some students need more time to achieve high standards than others; some need intensive individual tuition; and as they get older some students learn better in the workplace than in school. For these needs to be met, teachers need to tailor their pedagogy.

Modern technology allows an individualisation that was previously unachievable. Dell does not sell you a computer off the shelf, it builds precisely the computer you order to your specification. Only with this kind of thinking will education systems become responsive enough to remove the barriers to learning which prevent some young people from achieving high standards.

But if schools are to meet such individual needs, teaching needs to adapt and that means a wholly new mindset for teachers. For a start, they will have to really believe that all students can achieve high standards. This is a matter of faith as much as hard evidence and no one should underestimate the difficulty of achieving this shift, day to day, classroom to classroom across a country. It means teachers asking not "what's wrong with the student?" but "what do I need to do differently to ensure the student succeeds next time?"

This implies teachers who are constantly searching out best practice and refining and developing what they do. It means teachers who work in professional learning teams, not just within their schools but also outside. It means teachers who accept the need to be monitored and welcome opportunities to see best practice modelled by their peers. This is already happening in some places. The Japanese approach to professional development is a good example. Known as "lesson study", a small group of teachers designs, delivers and refines a particular lesson to ensure it is the best it can be.

But accountability and continuous professional development are only the beginning. The technological revolution that has transformed so many sectors of the economy will shortly reach critical mass in education systems. Steady investment in hardware in many countries will increasingly be matched by investment in connectivity, system maintenance and teachers' skills in the use of information and communications technology (ICT). Business investment in educational software is also rapidly growing. Furthermore, in the last two decades, there has been huge growth in our understanding of the human brain and how people learn. This combination of new technology and new knowledge is the key to individualisation and high standards for all, but will require new teaching methods to make the best use of it.

The whole concept of the classroom is changing. Teachers in one school are able to teach pupils in others through broadband and whiteboard technology. Students are able to pursue investigations into, for example, medical ethics by contacting academic experts in the field directly by email. Interactive videoconferencing enables students to work collaboratively with their peers in other countries. Computer programmes can provide individual tuition, rapid feedback and positive reinforcement for pupils working alone. Specialist language teaching becomes economical and tests and examinations, increasingly computer-based, can become much more imaginative and provided just in time, rather than only at set times of year.

**If schools are to meet students' individual needs, teachers need to develop a wholly new mindset.**

It is not just a question of academic standards. The 21st century requirements of education involve a wider set of attributes, equipping the young with the social and organisational skills to cope with adult life inside and outside the workplace.

Some OECD countries already teach concepts such as citizenship, regarding them as a fundamental part of education. But the 21st century knowledge economy will require all of us to give greater attention to how we measure the performance of pupils, schools and the system as a whole in the area of social competence. Existing national initiatives, alongside major international projects such as the OECD Programme for International Student Assessment (PISA), will provide us with the basis to develop the sophisticated measurement systems and performance indicators for "education with character" that we will need.

It will simply not be possible for governments to provide all the necessary services for successful education systems in the next few years. New partnerships beyond the school system will be needed. The business sector, traditionally one of the main "consumers" of the "products" of the education system, will increasingly become a partner as an investor and provider of services in education. The explosion of the Internet and other new technologies demands investment in new software products. Businesses, not governments, will largely make that investment. The rate at which computers become obsolete presents a funding challenge which

## Smaller classes in question

Reducing class sizes may not necessarily lead to improved educational performance, France's advisory Haut Conseil de l'Evaluation de l'Ecole has warned, throwing doubt on a 30-year-old pillar of national education policy. The report, delivered in March to the French education minister, Jack Lang, said that smaller class sizes can have an effect in underprivileged areas, but only at primary level and only if the cut is drastic.

Pre-primary class sizes in France fell from an average 43.7 children to 25.5 between 1966 and 1999, while primary school class sizes fell from 28 to 22.3 as successive governments sought to cut sizes to improve performance.

Primary classes would have to go well below 20 pupils for significant results to show, the report claims. That would be costly, at some 300 million francs a year to achieve an average class size of 18 in underprivileged areas. The report recommended testing the success of such small classes to determine whether the results justified this kind of spending, and suggested that other methods of boosting educational success rates, such as targeted aid for individual students and more teacher training, might be more cost-effective.

governments on their own will not be able to solve. Maintaining and developing a stock of school buildings fit for the new century will demand huge capital expenditure. Moreover, in the competitive global market, access to highly educated staff will become ever more crucial. The question will not be whether there is business sector involvement but on what terms.

**Governments will not be able to provide all the necessary services for successful education systems in the next few years but outside funding cannot be a substitute for government investment.**

These extra sources of funding will not, however, be a substitute for investment by government. Indeed, if all students are to achieve high standards, governments will have to invest more in the future, not less. But turning the vision into practice also requires strategy. The history of education reform is littered with promising initiatives that were abandoned before they had time to have a deep and powerful impact on student performance. Given the pressure on education systems to change, the impatience of citizens for improved performance from public services and the limits on their willingness to pay taxes to get it, inadequate implementation is simply no longer acceptable. Just as schools need to learn from best practice wherever it is to be found, so do governments.

The choice facing teachers and their representatives is whether to ride this wave of change or sink beneath it. Much the same challenge faces public education systems as a whole. Their ability to meet it will be crucial for the success of the knowledge-based economy in all our countries. ■

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**Professor Michael Barber is also Head of the Standards and Effectiveness Unit at the UK Department of Education and Employment. He is author of* The Learning Game: Arguments for an Education Revolution *(Indigo, 1997).*

# How old are new skills?

BEATRIZ PONT AND PATRICK WERQUIN, EDUCATION AND TRAINING DIVISION, DIRECTORATE FOR EDUCATION, EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS

**The knowledge economy requires a host of new competencies, but basic skills remain an essential tool of 21st century living.**

New technologies were for a long time confined to specific occupations and sectors of the economy, but they are now in widespread use. They have become an integral part of daily life and are radically changing trade and the development of communications around the world. Individual levels of education and training are also constantly rising. If the knowledge economy is to expand, every individual – not only those in work – will have to be able to use, handle or produce information. Mastering new skills has become a necessity outside the workplace, to watch interactive television, use the Internet or simply withdraw money at a cash point.

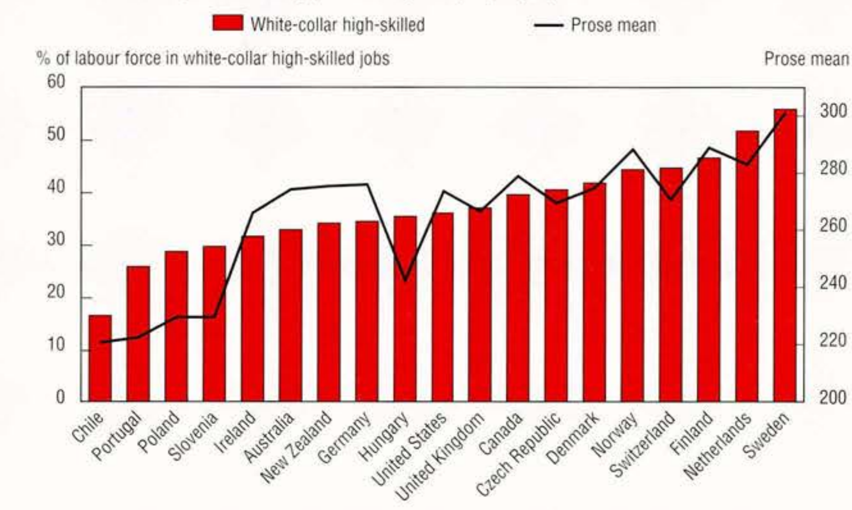
Yet the importance of traditional skills has not declined. Moreover, people do not master them as well as one might think. As the International Adult Literacy Survey (IALS) showed, more than a quarter of all adults in OECD countries do not have adequate skills to function in today's complex society. While the survey focused on people's ability to understand and use texts and illustrated documents, it revealed that far more was at stake. The massive influx of electronic tools onto the market has made writing and reading the most important skills anyone should possess. Paradoxically, the Internet revolution, electronic mail and global information flows are turning reading and writing into skills that no-one can do without, be it to search an Internet site or to apply for a job by e-mail. The range of absolutely essential core skills has broadened from cognitive skills, whether developed in initial education or elsewhere, the ability to handle information and to use a computer, and knowledge of one or more foreign languages.

In addition to these basic skills, there are others that are sometimes described as new and that give people control over their future in society and in the workplace. But these new competencies do not replace traditional skills; they complement and extend them, well beyond the world of work. Team-working, problem-solving and ICT (information and communication technology) skills are helping people to play a full role in society and exercise their rights and duties as citizens. The IALS showed a worrying correlation between economic inequality and different levels of literacy. Promoting basic skills has always been key to individual and collective success, and the odds are that this applies to the new competencies too.

There is no consensus, however, on how to define these new competencies. Many authors have confined their

**Employment and literacy**

Percentage of workers in white-collar high-skilled occupational category[1] and mean prose literacy proficiency, employed population 16-65, 1994-1998




Countries are ranked according to the percentage of the labour force in white-collar high-skilled occupations.

1. According to ISCO 1998, includes legislators, senior officials and managers, professionals, technicians and associate professionals.

*Source:* International Adult Literacy Survey, 1994-1998.

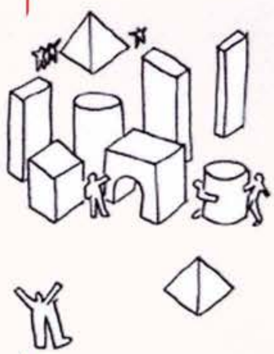
## Building blocks

Well-designed schools and campuses may have a role to play in improving educational quality. A new OECD publication* looks at 55 establishments in OECD countries selected by an international jury for the way they have adapted to a constantly changing teaching and learning environment. The schools were selected from 90 schools and universities in 21 countries offered to illustrate themes such as schools for a communications society, school buildings and the environment, libraries and educational resources or establishments for higher education.

The jury of architects, education and school building specialists chose the 55 establishments on the basis of their ability to respond to the identifiable needs of education today and adapt to changes in the future, while encouraging learning, offering value for money and respecting the environment.

Those selected range from the 100-pupil Remicourt pre-school and primary school in Belgium, with flexible, semi-open polyvalent areas to allow work in small groups and mixed class levels, to the Tomaree Education Centre in New South Wales, Australia, with 1,600 pupils aged right through from 5 to 18 plus. This complex serves as an education centre for the whole Tomaree peninsula, with primary, secondary and professional training available. Pupils at all levels can use facilities such as the library and computer rooms, while the sports grounds are available for use by the local community.

The book offers a detailed profile of each establishment and why it was chosen.



- Find out more about the OECD's Programme on Educational Building at: http://www.oecd.org/els/education/peb/

* *Designs for Learning: 55 Exemplary Educational Facilities*, OECD, Forthcoming. Available in French: *Architecture et apprentissage : 55 établissements d'enseignement exemplaires.*

research to the economic dimension, probably because these skills play a key role in determining access to employment. There are other explanations behind this focus on the economic dimension. Growth has recently been much stronger in knowledge sectors, which use the new competencies more intensively, than the rest of the economy. It is therefore not surprising that the clearest evidence relates to the labour market, employment and economic growth, whereas it is society as a whole that is involved.

Most studies agree on a set of core skills. Leadership figures highly on this list, as do other relational skills, such as the ability to work in teams and aim towards a common goal. It also includes personal skills, such as motivation and a predisposition to work, the ability to learn and to solve problems, the capacity to communicate effectively with colleagues or clients, and the ability to analyse. Not forgetting, of course, technological skills, like mastering new information and communication techniques.

That these competencies are required in the knowledge economy is hardly surprising. But they are not necessarily new. With the exception of ICT skills, they are hardly cutting edge. Why should these relatively traditional skills have come to the fore on the employment scene now?

A large part of the answer is the fact that employers were the first to recognise such skills as key factors in dynamism and flexibility. A labour force with these skills can continuously adapt to constantly changing demand and means of production. What is more, production in OECD countries tends to focus on high-value-added goods requiring high-tech production methods and a labour force able to use them. New technologies in business have also generated higher demand for skilled workers. The ability to communicate and work in a team, vital even in the days when fields were ploughed by hand, has become more essential now. New work practices, with flatter hierarchies and greater worker involvement at lower levels of responsibility, go hand in hand with the competencies demanded today.

The clear improvement in levels of education is also making employers more demanding. The OECD economies have always operated on the basis of qualifications rather than skills, which are by their very nature harder to assess. Even today, formal knowledge and paper-based qualification are important criteria for employment selection. But the new competencies provide additional criteria when recruiting people and matching jobs to skill profiles. In other words, and this is crucial, new competencies are not replacing, but complementing initial education and training. Further research is required to gain a broader picture of the knowledge and

**The ability to communicate and work in a team, vital even in the days when fields were ploughed by hand, has become more essential now.**

know-how individuals actually possess. The IALS survey and the new survey on Adult Literacy and Life Skills (ALL) are steps in that direction.

There is clear evidence from every sector of the economy that the labour-force mix is made up of workers who are better educated and/or possess broader skills. However, the link between the new competencies and the knowledge economy is not a direct one, with the possible exception of ICT skills. There is, on the other hand, a much clearer link between the new workplace practices and competencies such as communication, problem-solving and teamwork.

While some of these competencies are not necessarily new, the adjective is still relevant in that greater efforts have been made to formalise them. These new competencies are quite distinct from basic skills like literacy and those acquired in the formal education and training system. Some are clearly associated with the knowledge economy, such as ICT, and an even greater number relate to new workplace practices. Sooner or later, every sector will be affected by new technologies, even the occupations traditionally viewed as low-skilled. It is the combination of these new competencies and basic skills together that will provide a more comprehensive response to the demands of the knowledge economy and to the challenge of more global skill requirements. ■

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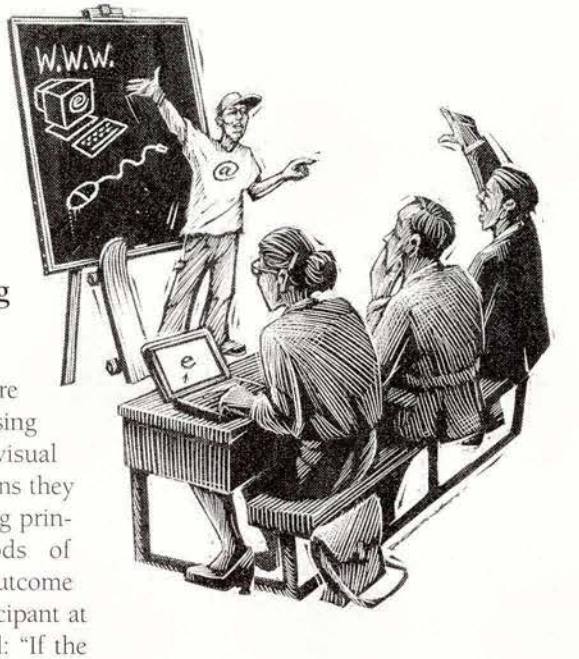
# Surfing lessons

ROMAIN REIX, STUDENT AT THE UNIVERSITÉ DE PROVENCE, FRANCE

**Students from OECD countries find that their teachers rarely have the skills required to navigate the Internet in the classroom, let alone teach it or use it as a learning device.**




Teachers in OECD countries generally do not have sufficient command of information and communications technology (ICT) for educational purposes, particularly when they are using the Internet. That at least was the verdict of 29 students from OECD countries who met with OECD policymakers and experts in Aix-en-Provence, France last December.

The students argue that their teachers have not been trained to work on the Internet and generally have only the minimum technical skills needed to get by. More importantly, they have virtually no training in the educational use of the Internet to achieve the learning objectives they set themselves. As a result teachers have no command of the learning process on the Internet, do not know how to avoid pitfalls and are unable to help students in difficulty.

One of the problems most frequently encountered by students is in selecting information on the World Wide Web. Several students said they have gone to the Internet for information only to find out subsequently that what they had unearthed was out-of-date or inaccurate. Another common complaint is that teachers do not have the expertise to direct their students to the most useful websites. Yet, they argue, basic training in Internet search techniques should be a minimum requirement for teachers.

Moreover, when teachers want to use the Internet as a teaching aid in the classroom, they tend to prepare as if it was simply a matter of using another medium like audiovisual technology or videos. This means they are applying traditional teaching principles to innovative methods of knowledge transmission. The outcome is often mediocre. As one participant at the Aix roundtable commented: "If the teacher is prepared to settle for using the Internet in an impromptu manner, it can be very frustrating." The students concluded that extra time needs to be factored in for a lesson using ICT. The time spent in settling students in front of their screens, fruitless searches for information on the Web, and the various technical problems that regularly arise can use up as much as 20-30% of the lesson (and not all of this can be explained by bugs in the technology).

### Share that knowledge

It is therefore vital for teachers to define beforehand the objectives to be achieved in a lesson using the Internet and to give thought to the assistance that CD-ROMs and the Internet can really offer together.

Use of the Internet poses another challenge: that of sharing knowledge. First of all, there is the need to share between students and teachers; given that many students often have more of an in-depth understanding of ICT – particularly of the Internet – than their teachers, cooperation between skilled students and teachers would help ensure a successful lesson. But co-operation among students is also needed, to put a student who is familiar with the Internet to work alongside one who is less skilled. The students at the roundtable said that well organised group work was particularly important in helping to bridge the digital divide between those with and without access to personal computers at home.

The solution to this alarming training gap for teachers might seem obvious – devote more resources to teachers' technical and pedagogical training in ICT. But how can you persuade trained teachers to question their classroom practices or skills and start using ICT differently? Not easy, but one thing seems certain: willing or not, teachers will have to follow employees in other sectors of society and accept that this new technological tool is as basic and universal as pen and paper. ■

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# Teacher shortage

PAULO SANTIAGO, DIRECTORATE FOR EDUCATION, EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS, OECD

**Education is the cornerstone of the knowledge-based society. But will quality teachers be available to provide it, or is the profession cracking under the strain of low salaries, an ageing workforce and demand for ever more complex teaching abilities?**

The teaching workforce is ageing. A considerable number of countries already have an old teaching force, with 49% of teachers in upper secondary education in Sweden aged 50 and over. Moreover, recent signs point to a worsening of the situation in several other countries, such as Germany and New Zealand.

Already the teaching profession must compete for a shrinking pool of young talent, at a time when the attractiveness of school-level teaching as a career is declining. Teachers are typically being asked to do more work for less reward. Salaries are falling compared with other professions while our knowledge-based societies are placing new demands on teachers' abilities, such as mastering information and communications technology (ICT) as part of their core teaching requirements. Faced with these problems, ensuring that there will be enough skilled teachers to educate all children becomes an issue of major importance to policymakers.

**Teachers are being asked to do more for less at a time when the profession must compete for a shrinking pool of young talent.**

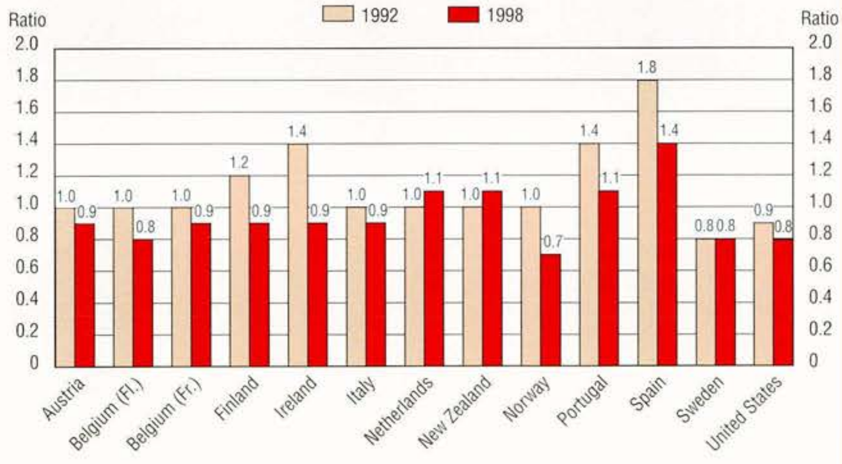
Ageing of the teaching workforce has several effects. First, it raises costs without resolving the problem of low entry salaries as, with incremental salary scales, a higher average age for teachers leads to a greater overall wage bill. Second, the need to adapt current teachers to meet the new challenges is likely to require more resources. Finally, and most importantly, the future teacher supply is likely to be affected as proportionately more teachers retire in any given year.

The worst-case scenario of severe teacher shortages in the near future is laid out in "Teacher Exodus – The Meltdown scenario" in the OECD's *Education Policy Analysis 2001*. It posits widespread public dissatisfaction with the state of education in the face of a deep teacher-recruitment crisis and a growing sense of declining standards, especially in the worst affected areas. But the immediate effect of a shortage is more likely to be a lower quality of teachers and teaching than a dramatic tale of classrooms full of uninstructed pupils. In the short term, the main mechanism used to balance supply and demand is to relax qualification requirements. Alternatively, demand can be reduced and brought into line with available supply by increasing teachers' workloads or class sizes. In either case, quality suffers.

Ageing is not the only problem. Many of those who do decide to join the

**Starting salaries**

Ratio of starting teachers' salary to per capita GDP, public institutions, primary level of education




*Note:* All countries for which data are available are represented in chart.
*Source:* OECD Education Database.

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**Would you be in my shoes?**

teaching profession leave for other jobs long before reaching retirement age. There are strong suggestions (Ingersoll, 2001, see references) that while retirement is still not a prominent factor behind teacher turnover, keeping teachers in the profession is a grave problem.

Governments need to act now to make the profession more attractive. Specific policies affecting financial incentives, working conditions and professional

**Governments need to act now if serious teacher shortages are to be avoided.**

development are needed if serious shortages are to be avoided. It would be unfortunate if the demand for quality in today's school systems and indeed the pressing demands of knowledge-based economies were to be subverted by teacher shortages.

Gender is also an issue here. Women still dominate the profession in primary and lower secondary schools, with 88% of the primary teaching force in New Zealand being female. In no country is the proportion of women decreasing, and if anything the overall trend is upward. The pattern is reversed in upper secondary schools in many countries, with women in Korea, for example accounting for only 27% of the teaching force. But the overall gender imbalance in the profession translates into what many educators consider an inadequate presence of male role models. This is compounded by the fact that recruitment practices are limited in their scope, perpetuating the predominant presence of women. Improving the status of the profession would attract more men back into education. In fact, this would have the added benefit of encouraging a flow of talent – men and women – from other professions into teaching, reversing the outflow we see now. ■

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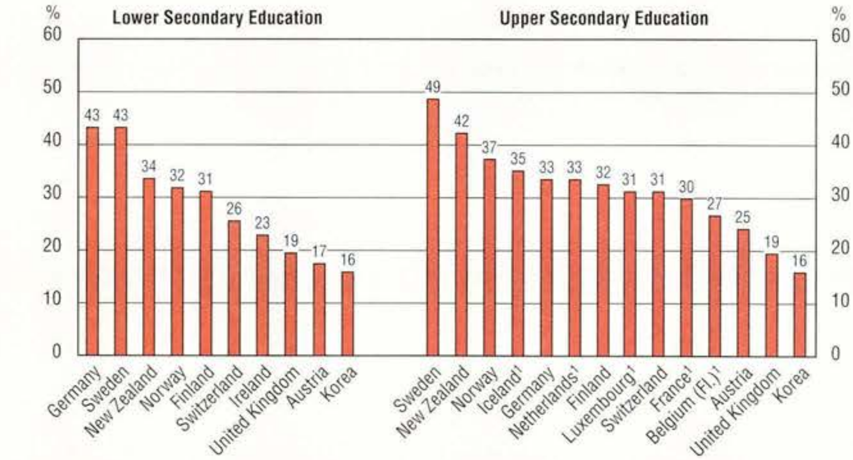
**Ageing teachers**

Percentage of teachers 50 years old and over, public and private sectors, 1998




1. Figure corresponds to both upper and lower secondary.
*Source:* OECD Education Database.

# Lifelong learning for all

KURT LARSEN AND DAVID ISTANCE, CENTRE FOR EDUCATIONAL RESEARCH AND INNOVATION, OECD

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**Innovative classroom**

The role of education in contributing to a fairer society has always been double-edged. When successful in widening participation in learning, its contribution is powerful and positive. But too often, it can have the opposite effect of being socially selective, even divisive. Policy strategies need to work with this dual focus – reinforcing inclusion and participation while tackling out-dated forms of selection. In 21st century society, this longstanding equity goal for education takes on new urgency.

First, as economies and societies are increasingly knowledge-based, the price paid for missing out on learning becomes a high one. This is made worse by the decline in low-skill jobs, which have traditionally employed those with few qualifications. Second, as information and communication technologies (ICT) spread into all aspects of our lives a new dimension of exclusion has been created: the so-called "digital divide". Third, fragmenting families and communities too often mean weaker social bonds and identity. This emphasises a critical mission for education that goes well beyond skills development – cementing social identity, networks and community involvement, otherwise known as "social capital". Fourth, in our rapidly changing world, educational equity can no longer be addressed only in terms of what happens in schools and colleges but throughout our lives. The scope is now much more ambitious as countries aim to make lifelong learning available to all. The major problem remains that lifelong learners tend to be those who have already done well in initial education, although those who did not stand most to gain.

**The major problem is that lifelong learners tend to be those who have already done well in education, although those who did not stand most to gain.**

### Inequalities remain

*Gender:* The rise in educational attainment at both upper-secondary and tertiary levels has been greater for women than men over the past three decades, a rapid and universal trend in OECD countries. Female average educational attainment has now overtaken that of males in many, though not all, countries for which data are available (see chart). So important has been the shift that worries are now being expressed about male under-achievement, especially among disaffected adolescent men. Nevertheless, clear gender differences remain in subject choice: women are more likely to enrol in tertiary education fields related to the health professions, education and the social and behavioural sciences, and less in the natural sciences, industrial and engineering fields.

*Socio-economic background:* This is one of the most decisive dimensions shaping educational outcomes. Comparable data on these relationships are scarce, but what exists shows little sign that the social gaps are narrowing. Trends over the 1990s indicate that expansion of tertiary education has not, in general, reduced access disparities based on social background: the extra places have been taken up at least as much by children from more privileged socio-economic groups as by others. Another source is the International Adult Literacy Survey, permitting the measured achievements of young adults to be compared in terms of their parents' educational attainments (OECD and Statistics Canada, 2000). The general pattern is clear – more advanced education among parents means better literacy for their offspring. The strength of the link does, however, vary. In the Nordic countries, for example, where literacy levels are very high, the extent of parents' education is a less determining factor than in most other countries.

***Minorities:*** In many cases, minority groups have lacked equal access to learning resources to the point sometimes, of being denied basic human rights. Countries have taken numerous policy initiatives to address linguistic and cultural diversity, and the lack of material and social resources ("cultural capital") that too often compounds the problems faced by minority populations. As this is not the case for all ethnic minorities, and indeed some perform well above the average, equity policies need to be sharply focused. These policies should start as early as possible, continue through school, further and higher education, and into the labour market.

***Special needs:*** Across OECD countries, substantial efforts have been made to integrate those with disabilities into the mainstream system. But providing inclusive forms of education within an accessible environment can be taken further still. This is not just because it is fairer and widens participation in learning, but because, per student, the inclusive approach is less expensive than separate special provision. Very many students are involved; approximately 15-20% will

## Starting young

Lifelong learning has to start at a young age and so it does in many OECD countries, with universal enrolment (more than 90%) at five or six years of age in the majority of OECD members. And in some countries virtually all three to four-year-olds are already enrolled in pre-primary or primary programmes.

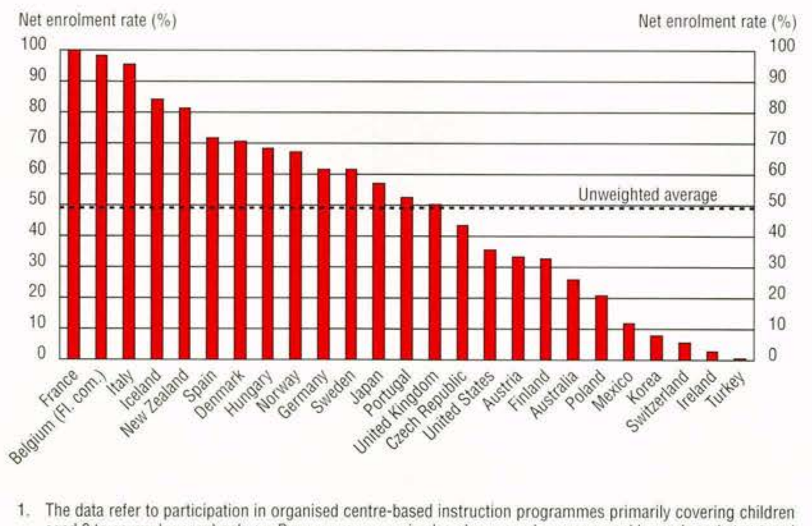
There is a wide gap across countries in this age range, however, with less than 15% of three-year-olds in school in Canada, Korea, Turkey and Switzerland, while more than 75% of children in France, the Flemish Community of Belgium and Iceland are already in full-time education. In France parents are encouraged to enrol their children at age three, with a guaranteed free place in a local school.

Once they are in school, pupils are in for a long haul. Children in most OECD countries can expect to spend at least 15 years in education on average, and in a third of OECD countries the time span is more than 17 years – and that is initial full-time studies, without taking into account any further studies or training later in life. Adults in almost all OECD countries spend the equivalent of just over a year in full-time continuing education and training, although this may take the form of part-time or short courses spread out over several years.

- Full details of the education profiles of OECD countries are available in *Education at a Glance*, OECD, 2000.
- Consult education statistics online at http://www.oecd.org/els/education/ei/

**Early learning**

Pre-primary education[1] for children aged 3, 1998




1. The data refer to participation in organised centre-based instruction programmes primarily covering children aged 3 to compulsory school age. Programmes organised as day care, play groups and home-based structured and developmental activities are not included, and participation in programmes organised through health or social welfare ministries or privately are not, in all countries, reported.

*Source:* OECD, *Education at a Glance*, 2000.

have call for additional "special needs" services at some stage of their school career. Even with the progress made, serious problems remain. Disabled students, even the well qualified, can find major hurdles before them in advancing to the higher stages of education and in gaining access to good jobs.

***The digital divide:*** So critical is technological competence now to social and economic life that there is now a new dimension to exclusion, that of the digital divide. Studies show that better access to computers and the Internet is linked to social advantage, ethnic and educational background, and even where someone lives. Access is important but there is a risk of the digital divide being over-simplified. Instead of being narrowly technological, to be bridged primarily through investing in more computers and Internet connectivity, it has deep social and educational roots calling for a broad range of policies. Wider access to ICT is needed in libraries and community centres as well as schools. Developing expertise in ICT use among all students and (especially) teachers is also critical. Partnerships have to be built with the telecommunications companies. An ICT dimension should be integrated into broad social and educational equity strategies.

***The life cycle:*** Inequalities persist past basic schooling. Participation in adult education tends to follow closely the patterns of success in initial education, with the alarming result that inequalities among young people grow even wider. The same holds true for participation in job-related training. Employers devote on average significantly more resources for training high-skilled, well-educated employees than others, reinforcing skill differences. The International Adult Literacy Survey also found after controlling for other factors – hours worked, company size, professional grade – that those making greatest use of their skills at work are six to eight times more likely to receive company training than the low-skilled.

Clearly, equity strategies for education must continue well after people have left school and college. Public strategies for adults should be targeted to those who missed out early on. And tax incentives can encourage investment in training by small- and medium-sized enterprises, including for older workers.

## General lessons

Beyond targeted approaches, a number of general lessons can be highlighted for educational policy. First, it is important to set clear goals, targets and priorities, and to monitor progress on equity at all levels of education systems. Equity should be an integral aspect of all education policy and practice, not treated as a matter apart. To this end, much improved pertinent information is needed at all levels, from the local to the international.

Much more than good data is needed, of course. The education system, especially upper secondary and tertiary education, should be diversified, flexible and open to new forms of teaching and learning. Co-operative programmes between young people, teachers, parents and community-based partners, including employers, should be fostered. These positive features can be enhanced through distance learning and if ample recognition is given in study programmes to informal learning, such as work experience.

Resources need to be deployed strategically. Equity policies often call for additional resources, but their quality and use are just as important for effective change as the quantities involved. Education policies alone will not suffice. Progress depends on more coherent, co-ordinated public policy, embracing employment, welfare, health and housing, in partnership with education and training. ■

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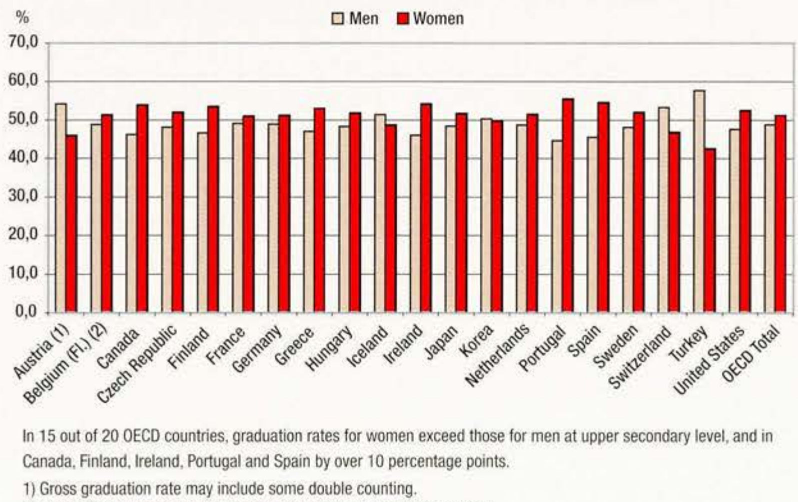
**Women generally do better than men**

Gender differences in graduation rates at upper secondary level, % of total




In 15 out of 20 OECD countries, graduation rates for women exceed those for men at upper secondary level, and in Canada, Finland, Ireland, Portugal and Spain by over 10 percentage points.

1) Gross graduation rate may include some double counting.

2) Short 3C programmes excluded from the total due to double counting.

*Source:* OECD Education Database.

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# Bullying at school: tackling the problem

DAN OLWEUS, RESEARCH CENTRE FOR HEALTH PROMOTION, UNIVERSITY OF BERGEN, NORWAY

"For two years, Johnny, a quiet 13-year-old, was a human plaything for some of his classmates. The teenagers badgered Johnny for money, forced him to swallow weeds and drink milk mixed with detergent, beat him up in the restroom and tied a string around his neck, leading him around as a 'pet'. When Johnny's torturers were interrogated about the bullying, they said they pursued their victim because it was fun." (Excerpt from a Norwegian newspaper article cited in Olweus, 1993.)

Bullying among schoolchildren is certainly a very old phenomenon, though it was not until the early 1970s that it was made the object of systematic research. Though this research originally focused on Scandinavia, by the 1980s bullying among schoolchildren had attracted wider attention in countries such as Australia, Canada, Japan, the Netherlands, the United Kingdom and the United States.

A broad definition of bullying is when a student is repeatedly exposed to negative actions on the part of one or more other students. These negative actions can take the form of physical contact, verbal abuse, or making faces and rude gestures. Spreading rumours and excluding the victim from a group are also common forms. Bullying also entails an imbalance in strength between the bullies and the victim, what experts call an asymmetric power relationship.

Our surveys of more than 150,000 students show that some 15% of pupils in elementary and lower secondary/junior high schools (roughly corresponding to ages 7 to 16) in Scandinavia are involved in bully/victim problems with some regularity – either as bullies, victims or both. Approximately 9% are victims, and 7% bully other students with some regularity. A relatively small proportion (15-20%) of the victims are themselves bullies of other pupils.

**In one British study, more than a quarter of primary school students reported being bullied with some regularity.**

These figures probably underestimate the problem, and there are indications that the level of bullying has risen over the last 10-15 years. More worrying, it is the more frequent and severe forms of bullying that have increased most.

Scandinavia is clearly not the stable rock of peace and calm it is often portrayed to be. Still, bullying may be more prevalent in other countries. For example, one British study of over 6,700 students shows that more than a quarter (27%) of primary school students reported being bullied with some regularity; this figure was 10% for secondary school students. With regard to bullying other students, corresponding figures were 12% for primary and 6% for secondary school students (Smith & Sharp, 1994).

These are the raw data, but what about the background? There is considerable research literature on the characteristics, family backgrounds, long-term outcomes for victims and bullies, mechanisms and group processes involved, and some of the key titles are included in the reference section of this article (for more, see this article on www.oecdobserver.org). Fundamentally, bullying has to be seen as a component of more generally antisocial and rule-breaking behaviour. In my follow-up studies, some 35% to 40% of boys who were characterised as bullies in Grades 6 to 9 (ages 13 to 16) had been convicted of at least three officially registered crimes by the age of 24. In contrast, this was true of only 10% of boys who were not classified as bullies. In other words, former school bullies were four times more likely than other pupils to engage in relatively serious crime.

### Some myths

There are several common assumptions about the causes of bullying for which there is no supporting evidence. They include claims that bullying is a consequence of large class or school sizes, or of the competition for grades and other pressures that school generates. Another common assumption is that under a tough surface bullies, in fact, suffer from poor self-esteem and insecurity. These views are no more accurate than the stereotype that students who are fat, red-haired and wear glasses are particularly likely to become victims of bullying.

In reality, other factors are more important. Certain personality characteristics and typical reaction patterns, combined with the level of physical strength or weakness in the case of boys, can help to explain the development of bullying problems in individual students. At the same time, environmental influences, such as teachers' attitudes, behaviour and supervisory routines play a crucial role in determining the extent to which these problems will manifest themselves in a classroom or a school.

### Fundamental human rights

Victims of bullying form a large group of students who tend to be neglected by their schools. Yet it is a fundamental human or democratic right for a child to feel safe in school and to be spared the oppression and repeated, intentional humiliation of bullying. Governments and school authorities have therefore an important role to play in assuring that these rights are honoured.

A Swedish law passed in 1994 and amended in 1997 goes some way to upholding these children's rights at school. The associated regulations also make school principals responsible for realising these goals, including the development of an explicit intervention plan against bullying. Similar legal moves, although with somewhat weaker formulations, have been made in a few other countries, notably Norway and the United Kingdom.

As bully/victim problems have gradually been placed on formal school agendas in many countries, a number of suggestions about their handling and prevention have been proposed; see Peter K. Smith *et al* (1999) for an overview of a number of such measures. Some of these suggestions and approaches seem ill-conceived or even counterproductive, such as excessive focus on changing the victims' behaviour to make them less vulnerable to bullying. Others appear meaningful and potentially useful. A key problem, however, is that most of them have either not had positive results or have not been subjected to proper evaluation. Therefore it is difficult to know which measures actually work and which do not. Yet it is the results that count, not how adults might feel about using a programme.

### Can bullying be stopped?

The situation is well illustrated by the following. Recently, a US expert committee under the leadership of a respected criminologist, Professor Delbert Elliott, systematically evaluated more than 400 violence (or problem-behaviour) prevention programmes. Only 10 of the programmes (four of which were school-based) satisfied the specified minimum criteria of the evaluation. These criteria were that they could show documented successful results, that the positive effects had lasted at least a year and that the programme had produced positive results in at least one site beyond the original one. These "Blueprint" or model programmes are now being implemented in a number of sites with financial support from the US Office of Juvenile Justice and Delinquency Prevention. A similar evaluation of 25 programmes designed to counteract or prevent "problem behaviour" was recently carried out by an officially appointed committee in Norway. Only one programme was recommended for further use without reservations.

My own Bullying Prevention Programme is one of the 10 US Blueprint programmes and was the programme selected by the Norwegian committee. In this programme, the tools themselves are quite straightforward, ranging from adult awareness and parent meetings to classroom rules against bullying, followed up by regular classroom meetings with the students; these elements are summarised in the box.

The first evaluation of the use of the intervention programme was based on data from approximately 2,500 students (aged 11-14) in 42 primary and lower secondary/junior high schools in Bergen, Norway. The subjects of the study were followed over a period of two and a half years, from 1983 to 1985 (Olweus 1993; and Olweus & Limber, 1999).

### Key components of the Olweus bullying prevention programme

++ *core component*
\+ *highly desirable component*

**GENERAL PREREQUISITES**

++ awareness and involvement on the part of adults

**MEASURES AT SCHOOL LEVEL**

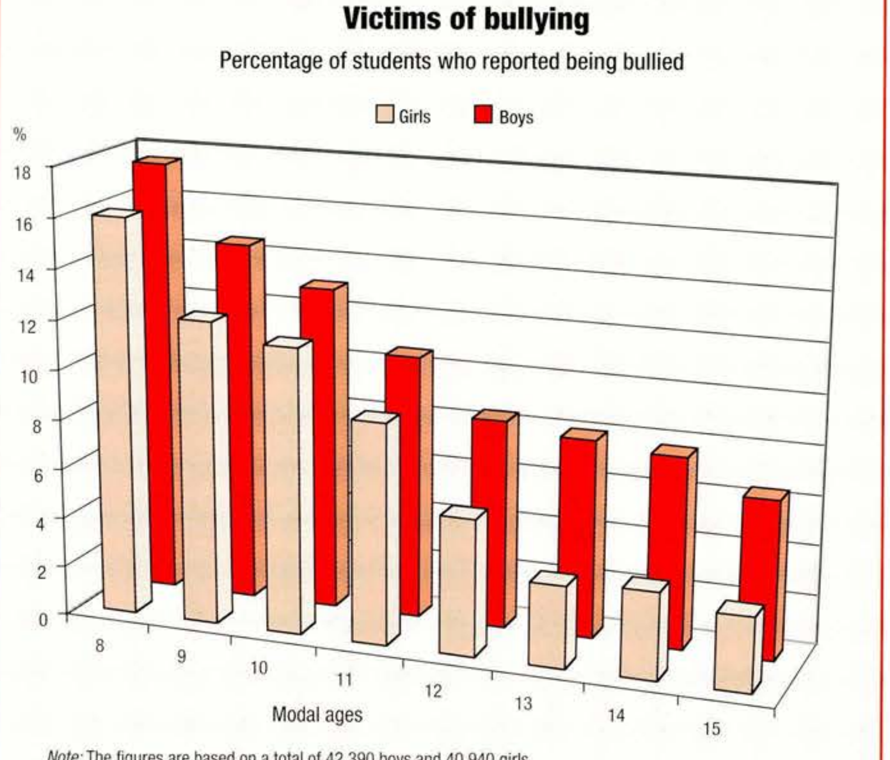
++ questionnaire survey
\+ school conference day
++ effective supervision during break times
++ educational teacher discussion groups
++ formation of coordinating group

**MEASURES AT CLASS LEVEL**

++ class rules against bullying
++ class meetings with students
\+ meetings with parents of the class

**MEASURES AT THE INDIVIDUAL LEVEL**

++ serious talks with bullies and victims
++ serious talks with parents of involved students
\+ development of individual intervention plans



*Note:* The figures are based on a total of 42 390 boys and 40 940 girls.
*Source:* Olweus

The main findings were threefold. First, there were marked reductions – by 50% or more – in bully/victim problems for the periods studied, which included 8 and 20 months of intervention. Second, clear reductions were recorded in general antisocial behaviour, such as vandalism, fighting, pilfering, drunkenness and truancy. And third, the social climate of the classroom greatly improved, while student satisfaction with school life rose too.

Similar results have been documented in a recent large-scale intervention project (1997-1999) in Bergen and in a new project (results not yet published) in 10 Oslo schools. Positive, although somewhat lesser, effects have also been reported in Germany, the United Kingdom and the United States.

The Norwegian government has now decided to offer the Bullying Prevention Programme to all comprehensive schools in Norway. A key element of the new initiative is the establishment of educational teacher discussion groups at each school. These groups will receive training and supervision from special trainer candidates, who in turn are trained and supervised by my Group for the Prevention of Bullying and Antisocial Behaviour at the University of Bergen. In this way, it will be possible to reach out to a large number of schools in a relatively short time.

The basic message is clear: bullying is a large problem in schools, but with a suitable intervention programme, it is possible to considerably reduce it. An effective anti-bullying programme can be implemented relatively easily and without major cost; it is primarily a question of changing attitudes, knowledge, behaviour and routines in school life. ■

For more detail, please contact Research Professor Dan Olweus at: Olweus@psych.uib.no.

More information can also be obtained at the same email address on the intervention "package" for the Olweus Bullying Prevention Programme. This package consists of a book by Dan Olweus called *Bullying at school – what we know and what we can do* (1993), a teacher manual, *Olweus' core program against bullying and antisocial behavior: A teacher handbook* (1999), and the *Revised Olweus Bully/Victim Questionnaire*, with its accompanying PC software programme and a 20-minute video cassette.

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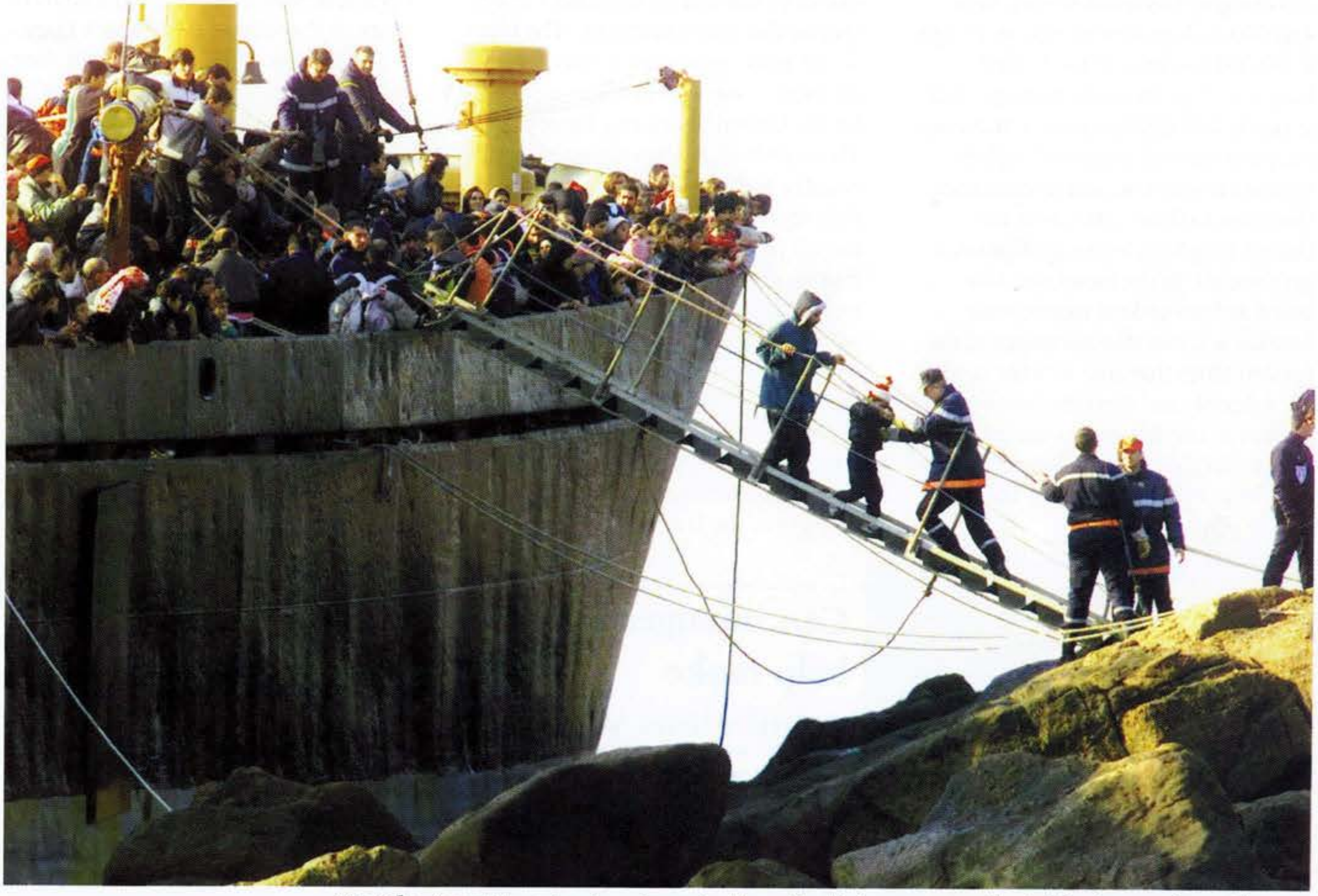
# "Zero immigration is pure fancy"



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**Not the tourist route: immigrants disembark from a wrecked ship in southern France**

**Legal immigration may be desirable, but can illegal immigration be controlled or even eliminated? Jean-Pierre Garson, OECD's expert on international migration, responded to questions from Marc Semo for the French daily, *Libération*.***

***Marc Semo:* What is the scale of illegal immigration in Western countries?**

*Jean-Pierre Garson:* By definition, it is impossible to give an exact figure, though some countries still make official estimates. The United States, for example, reckons that it has 5 to 6 million illegal immigrants. There are no comparable figures for the European Union (EU), but the number can be gauged from the results of the regularisation programmes implemented in recent years in several EU countries. In Spain, the situation of 120 000 illegal immigrants has been regularised; in Italy, 250 000 applications have been made; and in France, 80 000 people had their situations regularised in June 1997. These figures need to be weighed against the criteria adopted by different governments, but it is clear that everywhere there are far fewer illegal immigrants than some of the fanciful estimates would have it. Illegal immigrants move around a lot, some simply pass through, others stay no more than a few months. And the fact that the unemployment rate for immigrants is two to three times higher than the national average is hardly an incentive for people to come into a country, even if there are labour shortages in some sectors.

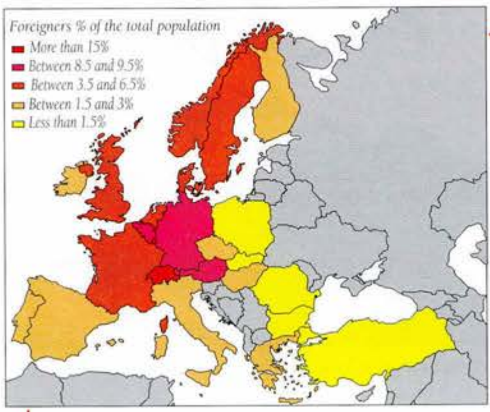
**Who are the illegal immigrants?**

Their profile varies according to where they want to go. Those choosing southern countries of the EU tend to fill unskilled jobs in agriculture and construction, or to work as domestics. Those in northern Europe are mainly asylum-seekers, as in Germany, though this category has fallen steeply, from 438 000 asylum-seekers nine years ago to 80 000 last year. In the United Kingdom, asylum applications peaked at nearly 100 000 last year. On average, the proportion of successful asylum requests is very low, and it sometimes takes two to three years, as in the United Kingdom, for an application to get through. In the meantime, UK-based asylum-seekers receive state benefits and can take advantage of the opportunities that arise in what is, after all, a flexible and dynamic economy. Moreover, immigrants do not get stopped in the street and asked to show their identity papers, as they themselves would point out.

**How do illegal immigrants get into a country ?**
The public tends to focus on heroic stories (some ending tragically) or on spectacular beach landings. The truth is that many immigrants enter legally on tourist visas. This is the case both for the United States and Europe. Those with such visas scatter about the country and are not easy to locate, but they represent a major (if not the major) part of immigration flows. Immigrants may also find themselves in illegal situations for purely administrative reasons. Some may have a residence permit but no work permit; to make a living, they have no choice but to work illegally. There are others whose residence permit has not been renewed or who are caught out by changes in the law.

**Is there a link between legal immigration and illegal immigration?**
Once a flow of emigration to a country starts, it encourages others back home to join in. These people may wait their turn patiently, but if the pressure or desire to go is strong, they may try their luck at illegal ways of getting into the country, especially if they have family or friends already there. But that apart there is no direct link between the two types of immigration.

**Is it possible to halt these flows?**
It is absurd to talk about an impenetrable "Fortress Europe", as some people do. The figures tell us that. But while it is true that the EU has not taken in as many immigrants recently as in the thirty expansionary years after World War II, it has still allowed a lot in. France, for example, has taken in 80-100 000 a year over the past decade. Germany took in 1 million a year between 1989 and 1992, although these included many ethnic Germans from the ex-Soviet bloc. In a small country like Denmark, the foreign population now represents more than 5% of the total population, compared with only 1% as little as eight years ago. The countries of southern Europe, where emigration was the norm as recently as 15 years ago, have become countries of immigration. Some politicians shy away from these issues for fear of losing votes, but the facts speak for themselves: zero immigration is just pure fancy. ■




## Can immigration help make populations younger?

In its latest annual report on international migration*, the OECD points out that the population of several OECD countries is already shrinking if immigration is excluded – the populations of Greece, Italy and Sweden only increased in 1998 and 1999 because of immigration – and population ageing will translate into labour shortages in Europe and Japan over the next 25 years.

Recruiting immigrants to offset a shortage of home-grown skilled labour has an immediate and relatively strong impact on the economically active population, as the newcomers tend to be younger and more mobile. While governments cannot rely on immigration alone to resolve the problem of an ageing population, immigration can help to prevent a decrease in population for a limited period of time. Several OECD countries have adopted policies to promote the entry of skilled workers.

Immigration flows into OECD countries have varied over the past 20 years, rising in the 1980s and through to 1992-93, then falling before heading upwards again after 1997-98. Take Europe, for instance, where immigration has risen. However, that to Germany has declined, though it remains the main receiving country in terms of numbers. The foreign population in much of Europe remains small, however, accounting for less than 3% in countries such as Spain and Italy in 1998, though as much as 9.5% in Germany (see map). The source of immigrants is also changing, with Zaire and Haiti emerging as new origin countries for France, while the number of Chinese nationals in Australia, Canada and the United States is growing.

*Trends in International Migration, SOPEMI 2000 Edition, OECD 2001

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- *Trends in International Migration 2000*, OECD 2001.
- For more work on immigration, visit www.oecd.org/els/migration

* *This article appears courtesy of* Libération *newspaper, where it originally appeared in French as "L'immigration zéro est une pure utopie", on 26 February 2001.*

# Forum: OECD Guidelines for Multinational Enterprises

**The OECD's MNE Guidelines have been in existence since the late 1970s and were revised last year. What purpose do the Guidelines serve and how do the different stakeholders see them? The following viewpoints are by representatives of government, business, labour, a non-OECD country and a non-government organisation, all of whom were involved in the 2000 revision.**



## A reinvigorated instrument for global investment

MARINUS SIKKEL, MINISTRY OF ECONOMIC AFFAIRS, THE NETHERLANDS, AND CHAIR OF THE OECD WORKING PARTY ON THE GUIDELINES

The review of the OECD Guidelines for Multinational Enterprises concluded in 2000 was two years in the making. It was a difficult challenge, but a nonetheless successful one. There are several reasons for this.

To many people, international investment by multinational enterprises (MNEs) is what globalisation is all about. The rise of service and knowledge-intensive sectors has been associated with a push by service and technology firms into the international marketplace, while a more favourable policy environment means countries now compete actively for international investment almost everywhere. MNEs have become an integral part of the international economy, bringing investment and technology as well as tax revenue to their host countries. But the rise of this corporate activity has also resulted in an increase in public concern at the effect of businesses on the people and the environment of the countries where they operate. The OECD's Guidelines for Multinational Enterprises aim to address these concerns by helping to forge a framework for responsible business conduct in a rapidly changing global economy. The review sought to ensure their continuing relevance and effectiveness in this context.

The Guidelines now comprise recommendations, to multinational corporations, from 33 governments covering areas from respect of human rights to environmental protection wherever companies operate. First issued in 1976, they have been revised in 2000 to bring them up to date in the rapidly-changing global economy.

The revised Guidelines for the first time include references to protection of human rights, combating bribery and protecting consumers. And although the Guidelines are not legally binding, the latest version strengthens signatory governments' responsibility for promoting and implementing them. The addition of recommendations relating to the elimination of child and forced labour means that the Guidelines now cover all internationally recognised core labour standards. The environment section now encourages multinational enterprises to raise their environmental performance, through such measures as improved internal environmental management, stronger disclosure of environmental information, and better contingency planning. And the chapter on disclosure and transparency has been updated to reflect the OECD Principles on Corporate Governance and to recognise and encourage progress in enhancing firms' social and environmental accountability.

Many businesses have established their own codes of conduct which are publicly available, but the Guidelines are the only multilaterally endorsed and comprehensive code that governments are committed to promoting. And the signatory governments – the 30 industrial countries in the OECD plus Argentina, Brazil and Chile – are the source of most of the world's direct investment flows and home to most multinational enterprises. The Guidelines aim to promote their positive contributions to economic, environmental and social progress. The Guidelines are part of the OECD's Declaration on International Investment and Multinational Enterprises which also contains commitments by governments to provide national treatment for foreign-controlled enterprises, to avoid conflicting requirements on enterprises and to co-operate regarding investment incentives and disincentives.

In response to increasing public concern about the impact of globalisation on society and the environment, both in MNEs' home countries and in other territories where they operate, the OECD countries ensured that the 2000 review of the Guidelines was as transparent and open as possible. To do this, the OECD consulted with the business community, labour representatives, non-governmental organisations and non-member governments. In addition, draft revisions were posted on the Internet for public comment. These sources all provided essential input to the development of the revised text and procedures to enhance implementation. This process of consultation was crucially important to building momentum for the review's success. When it comes to implementing the Guidelines, National Contact Points (NCPs) remain the key government institution responsible. But the review sharpened and clarified their role and responsibilities to ensure their effectiveness. The NCPs will continue to undertake promotional activities, handle enquiries on the Guidelines and discuss matters related to them, including implementation in specific instances.

**MNEs have become an integral part of the international economy, bringing investment and technology as well as tax revenue to their host countries.**

But they will now also hold annual meetings to share their experiences in promoting the Guidelines and to encourage full implementation of the Guidelines. Each NCP will also submit an annual report of its activities to the OECD's Committee on International Investment and Multinational Enterprises (CIME), which is responsible for overseeing implementation of the Guidelines. The CIME can provide clarifications of the meaning of the Guidelines if necessary, and can call in experts to assist.

The revised Guidelines make it clear that the recommendations represent good practice wherever enterprises operate, not just within the OECD area. But the text recognises that the particular circumstances of individual host countries need to be taken into account and that implementation procedures need to be adapted to the greater difficulties that arise for NCPs when looking into matters relating to the Guidelines in non-adhering countries.

Given the non-binding nature of the Guidelines, and the fact that they are recommendations to enterprises, co-operation from business will be particularly important in achieving the Guidelines' objectives (see next article). The continuing support of business associations, employee organisations and non-governmental organisations will also enhance the effectiveness of the Guidelines. Responsible business conduct is in everyone's interest. That is why non-signatory governments will also have an important role to play in reinforcing and complementing the co-ordinated efforts of all these players. The co-operation of all these participants in the Guidelines Review 2000, together with the constructive input of the OECD member countries, are good reasons indeed to be optimistic about the positive role the Guidelines can play in furthering social, environmental, and economic progress, wherever MNEs invest. ■

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- The full OECD Guidelines for Multinational Enterprises are available online at www.oecd.org/daf/investment/guidelines/index.htm
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# Leading from the front

BRUNO LAMBORGHINI, CHAIRMAN, OLIVETTI LEXIKON S.P.A

Since their creation in 1976, the OECD Declaration on International Investment and Guidelines for Multinational Enterprises have reflected the expectations of signatory countries and their citizens as to how international companies should operate and relate to governments. The OECD Declaration, of which the Guidelines are an integral part, aims to improve the climate for foreign direct investment. At the same time it seeks to encourage good conduct and the positive contribution that multinational enterprises can make to economic, social and environmental areas in the countries where they operate.

From the beginning, global companies have seen the Guidelines as a way of reflecting the robust management systems they have put in place over the years. It is the quality of these systems that gives legitimacy to companies' operations worldwide, and the Guidelines provide businesses with an opportunity to communicate those standards globally. That is no less true today.

In the beginning, the Guidelines were addressed to a short list of countries and relatively few multinationals. Now, there are 33 countries in the OECD and elsewhere, and thousands of companies that identify themselves with the Guidelines. Clearly, government is speaking to a broader, more diverse, more geographically dispersed audience than it imagined, and one that reflects a wider range of cultural norms.

©BOBBY YIP/Reuters

**Image building**

Fortunately, we business people deal with such complexities every day. We have a pretty good idea of what works and what doesn't. The larger, more established international firms are accustomed to striving for the leadership qualities that are the staple of a well run business. At the very centre of that effort are the considerations spelled out in the OECD Guidelines relating to management systems. These cover how the management and employees of the company interact with each other, their shareholders and creditors, their customers and suppliers, their communities and governments and the environment.

**Global companies have seen the Guidelines as a way of reflecting the robust management systems they have put in place over the years.**

During the past 25 years, the original Guidelines have come to be largely reflected in the management of leading multinational firms. However, just as the global dynamic of the marketplace has accelerated and business models are in a constant state of change, the expectations of governments and their citizens have also changed. Hence the review. The business community was an active participant in bringing the

Guidelines into line with today's world. On the whole, the management systems of leading businesses remain a match for the new Guidelines. This should not be too much of a surprise, since good conduct is a condition of sustained business growth.

The challenge for businesses is to ensure that their example shines bright enough to provide a clear path for what is now a much larger and expanding population of international traders and investors. The Guidelines are a tool to accomplish that.

The Guidelines have wide agreement, but they have always been voluntary, and with good reason. We do not live in a cookie cutter world where global commandments fit every one in every country. There are no signs that the quest for political diversity and individual human fulfilment are abating. To be a good corporate citizen, a company must adapt to local customs, as well as following the laws

**Business counts on government for a great deal, but the public should not expect business to fulfil the government's role.**

and regulations in every area the firm operates. This can mean dealing with hundreds of national, provincial and municipal governments.

That does not mean that we do not bring our management systems with us around the world. We do and we will. One important job for government is to make clear to its citizens that it has asked business to take a lead with respect to implementing the Guidelines. Implementation must go forward with full recognition of the complexities and diversity of the global marketplace. The processes and procedures put in place to accomplish this must be clear in their integrity and discipline, and not condone abuse. We will need the good faith of all parties to ensure this.

But most importantly, let us not forget that the private sector plays a fundamental role in society, for all citizens, in the creation of wealth and the spreading of prosperity. In developing countries, foreign direct investment is an essential component of growth, and a passport to join the global marketplace. It is no surprise therefore that many developing countries are rapidly liberalising their investment regimes. It is also widely recognised that right behind the very welcome influx of jobs brought in by new investment is the wholesale import of modern management systems, know-how, technologies and skills. The best Italian practices will flow to Sweden and the best of Sweden will flow to the United States or to Egypt, and so on around the globe. We have much to learn from each other and much to contribute to the global economy. These are the very issues addressed in the Guidelines.

Clearly, any negotiated or recommended improvement in a country's public policy environment, as it pertains to business, is an essential part of the growth of the world economy. Business counts on government for a great deal, but the public should not expect to see business fulfilling the government's role.

Efficient, modern investment feeds into the host country's productivity, bringing a higher standard of living. If a business, whether newly created or modernised, can think of the world as its marketplace, rather than a village, a city or even a region, it can bring welcome financial flows into the host country from customers in hitherto unexplored overseas markets.

When economists at the OECD study the dynamics of growth around the world, there is remarkable agreement that the absorption of technology into the systems, processes and operations of the economy as a whole is an essential element. This implies that, as governments grasp this fundamental change, one can expect a massive further investment in technology in developed and developing countries that will bring a further increase in global growth.

We are living more and more in a global world. The Internet economy is opening all national borders and is starting to create the same market conditions everywhere. The prospects are exciting, for government and business alike. A new wave of investments could bring wealth and jobs all over the world. It would reduce poverty, regional imbalances and unemployment. It would create a real information network among all human beings. And it would help to build a knowledge society where intelligence and skills are the strategic resource. The Guidelines should be implemented with these targets in mind. ■

**Reference**

- Visit the Business and Industry Advisory Committee to the OECD Internet site at: www.biac.org

# Putting the Guidelines to work

JOHN SWEENEY, PRESIDENT OF THE AFL-CIO AND TRADE UNION ADVISORY COMMITTEE TO THE OECD

©Darren Whiteside/Reuters

**Welcome to the global generation**

The OECD Guidelines for Multinational Enterprises have been rewritten to bring them up to date with today's world. This is a good step. Now it is time to think about where we go from here on implementation and enforcement. First, a reminder of some basic points.

The Guidelines are important, but being guidelines they are not a substitute for binding legal regimes that protect workers, the environment, and corporations that follow a high road from those who would degrade workers and despoil the environment. However, they do have an important role in establishing the OECD standard that governments have agreed should be followed wherever their multinationals operate.

The real work must begin by ensuring that their contents apply in every workplace, whether in Seattle, or Shanghai. Equally important is the need to ensure that they are enforced at home and around the world. Without that, the cynicism that grew up around the original Guidelines during the last decade or more will haunt governments anew, and further feed the popular backlash against globalisation.

The aim of the international labour movement is to use the Guidelines to start a race to the top in corporate behaviour, with socially responsible enterprises creating long-term wealth, which is equitably distributed among all stakeholders. History teaches us that multinationals earn the right to be called socially responsible when they

respect the human rights of workers, whether directly employed or in their subsidiaries and suppliers, to form and join trade unions, and bargain collectively in good faith with management. That gives workers a platform upon which to negotiate their wider terms and conditions of employment, such as family-friendly working hours, decent pension and healthcare arrangements, workplace education and training, and a working environment that is both healthy and environmentally safe. My worry is that too many among us have still to relearn those lessons of history.

Meeting that goal brings challenges for all of us which may or may not be unique. But the initial guiding principle has to be to work in a spirit of co-operation and partnership. So, what challenges do we in fact face? The main challenge facing governments is to claim individual and collective ownership of the Guidelines.

The former requires that National Contact Points (NCPs) – the government agency or agencies responsible for all Guidelines activities – work closely with trade unions, including where possible through tripartite structures, namely government, business and labour. Some governments have done that. We see this as a positive development, and would hope others will follow that path. Some governments have set up multi-agency NCPs as well, linking investment officials with their colleagues working on labour and environmental matters. That too is a positive development, which should be followed by others. Ways will also have to be found to hear the views of civil society groups on matters of importance to them, such as the environment.

**Without enforcement, the cynicism that grew up around the original Guidelines during the last decade or more will haunt governments anew.**

Consciousness raising is urgently needed among company management and unions about the Guidelines, a key test of government ownership. Each needs to be made aware of their rights and responsibilities when implementing the Guidelines at the workplace. Ownership must, therefore, be expressed through widespread practices that leave no doubt that governments embrace, and expect corporations to follow the Guidelines. Effective ownership also requires that NCPs intervene at the earliest opportunity, using the instrument as a tool to change corporate behaviour. When cases are brought to the attention of NCPs, they should be dealt with speedily, and expeditiously, and not get mired in bureaucratic delays. That contributed to cynicism in the past. The annual NCP meetings will offer an opportunity to benchmark the best and worst performing business.

The aim must be to harmonise upwards the performance of all to those at the leading edge. A way must be found to allow trade unions to effectively present their views to these meetings, so as to help achieve this. Governments have a wider responsibility to familiarise their colleagues abroad with the workings of the instrument. Such an approach will help in problem solving, especially in non-adhering countries.

The Guidelines can be used in other public policy areas as well. One example of collective government action would be to link the Guidelines to other intergovernmental efforts around corporate social responsibility. The UN Global Compact, an initiative of UN Secretary General, Kofi Annan, is a process to promote a dialogue between international sectoral trade union bodies and multinationals, among other things. Where the two instruments overlap, for example on employment related issues, it would make sense to use all the procedures of the Guidelines to contribute to the implementation of the Compact. In addition, unilateral action could be taken, for example, to link the Guidelines to the granting of official export credit support to corporations.

Governments could work together to develop a common framework for this, to be administered through the OECD. The public expects that corporations based in OECD countries who receive official support, such as publicly underwritten loans and guarantees to indemnify their work in developing countries, respect labour rights and environmental standards. Access to export credits should, therefore be made conditional on multinationals proving that they respect the Guidelines. That would go some way to balancing the rights and responsibilities of recipient corporations.

This could also apply to the World Bank Public Procurement Guidelines. The OECD can play its part in this collective ownership too, by operating as an effective backstop if national action over the Guidelines fails. There will be times when, and for whatever reason, an NCP fails in its duty to correctly interpret the Guidelines where a multinational has abused their contents.

The new OECD level follow-up procedures acknowledge this possibility. When it happens, and is proven, the will of the majority must prevail to ensure that the enterprise brings its conduct into line with the Guidelines. The annual NCP meetings will also allow governments to collectively examine these cases, and make recommendations to ensure the effective implementation of the instrument. Trade unions must also be allowed to present their views on this to the meetings.

Turning to the challenges facing business, it is not for me to speak for them, but to them. The key challenge facing individual corporations and business federations is to ensure that the Guidelines are known and apply on the ground in all their operations, all the way down through the supply chain. In this they have ideal partners in the International Trade Secretariats (ITSs), and national trade union centres.

Co-operation, not confrontation, should be the watch word. The international labour movement faces challenges too. One is to work co-operatively with all concerned to equip our people on the ground with the guidance and help they need to use the Guidelines, whether as a stand-alone tool, or as part of a broader tool-box of campaigning mechanisms, including European Works Councils, and shareholder campaigns. We should use them to stimulate a dialogue between enterprises and ITSs which could lead to framework agreements, such as the one recently agreed between the Union Network International (UNI), which groups together service sector unions representing 15.5 million workers and the Spanish based telecommunications multinational, Telefonica. The UNI / Telefonica framework agreement obliges the company to respect the trade union rights (among other conditions of employment) of their 120,000 workers in the 9 countries where they operate. We will of course need to actively and carefully engage trade unions in non-adhering countries, so that the Guidelines can be mobilised to improve standards globally.

The agenda I propose may appear ambitious, and meeting the challenges will not be easy for any of us. But they must both be met fully if the Guidelines are to become a living instrument of governance for multinationals worldwide. The approach should be one of co-operation and partnerships. That may surprise those who see trade unions as preferring conflict over consensus, yet it is clearly in everyone's interest to seek a common high ground.

However, there must be no doubt that we will be vigilant in seeing that governments deliver on their commitments to implement and enforce the Guidelines. And that vigilance will extend to cover those multinationals that do not implement the Guidelines in good faith. ■

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- Further information about John Sweeney and the AFL-CIO can be found at web site: www.afl-cio.org
- Further information on TUAC and its work on multinationals can be found at www.tuac.org

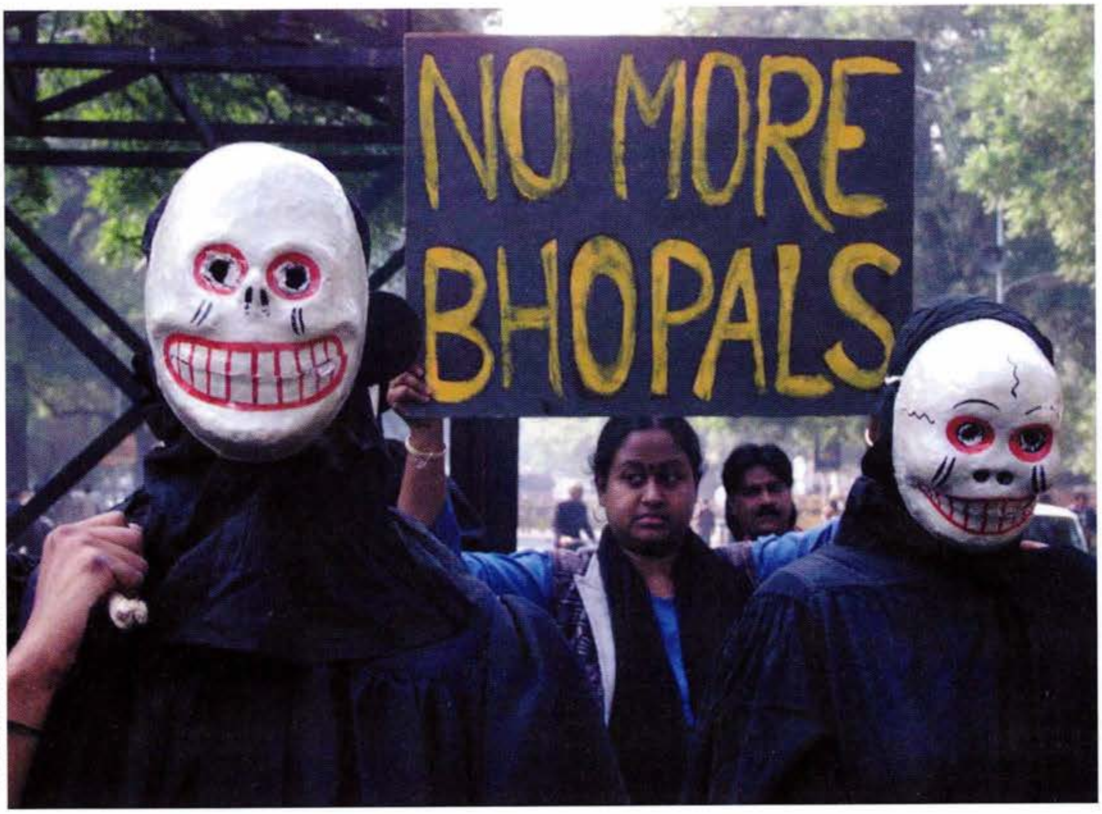
# A view from the South

LAURO EDUARDO SOUTELLO-ALVES, CHIEF NEGOTIATOR FOR BRAZIL IN THE WORKING PARTY ON THE GUIDELINES

The expanding role of corporations in general and multinational corporations in particular has helped rekindle a discussion on the social role of business. Although reminiscent of the social advocacy of the 1970s, the current debate is fundamentally different in many respects. Today the focus is more on issues of corporate responsibility, with multinational corporations increasingly seen not as mere agents of profit and technological change, but as the driving force behind globalisation itself.

Globalisation is a two-sided question. On the one hand, it holds out the prospect of a sustained cycle of economic growth and development, with great benefits for developed and developing countries alike. But on the other hand, globalisation also highlights the basic asymmetries between developed and developing countries. In fact, it is often of immediate benefit to the former more than to the latter.

Developing countries, in particular the major emerging market economies,

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have undertaken far-ranging reforms in recent years, mostly so as to be able to take advantage of globalisation. Hitherto inaccessible markets have opened up to foreign direct investment and protected industries have embraced competition as essential to a healthy, growing economy. But their efforts have often gone unrewarded, as their reforms have failed to elicit an adequate response from the developed countries in general and multinational corporations in particular.

There is a lingering mistrust of multinational corporations in several quarters, for which multinationals themselves are at least partly to blame. It would be a mistake to accept uncritically the claim that most multinational corporations tend to follow the law as written, not as enforced, and that they generally apply the same standards in host countries as they are expected to apply at home.

Many multinationals have acquired a less than sterling reputation in dealing with consumer issues or with issues of public health and safety, especially in the developing world. The catastrophe at the Union Carbide chemical plant at Bhopal, India, in 1984, is a much cited example of negligence by a powerful western company operating in a poor country. Thankfully, the tragedy is safely in the past and there has not been a recurrence of this sort of thing since, at least not on a comparable scale. Nevertheless, MNEs have all too often disregarded the need to direct their operations towards the effective promotion of sustainable social and economic development. Fortunately, this has begun to change.

Virtually all major multinationals have already adopted mission statements, codes of conduct and other management systems that seek to address issues like environmental and social standards. The aim has often been to advance the goal of corporate social responsibility in the broad sense.

No longer is it fully accepted that corporate responsibility is confined to the single goal of maximising shareholder value. Instead the maximisation of value for all stakeholders and for society as a whole has gone beyond cliché to take on proper currency in the debate. Multinationals can contribute much to our societies by improving the quality of life in host communities and empowering the local population, promoting sustainable development, raising skill levels, unlocking local scientific and technological innovation and fostering a pro-competitive, more robust, international business environment. But it would be a mistake to think that the good corporate citizens of tomorrow will emerge purely through self-regulation.

And while the OECD Guidelines for Multinational Enterprises may be voluntary and non-binding, voluntary does not necessarily mean optional.

The Guidelines are certain to contribute to strengthening the standards of corporate responsibility. Multinationals will come under increasing pressure to observe those standards. Hopefully, they will also be held accountable for any deviation from them. This should help to restore trust in multinational enterprises.

It is important that the Guidelines enjoin the active support of all relevant players, not least the developing countries as hosts to multinational corporations. But that support will not be forthcoming if the Guidelines are considered as an adjunct to investment-distorting policies, under the guise of concern for such issues as core labour standards and environmental protection.

The Guidelines acknowledge that primary responsibility for dealing with labour standards, the environment and sustainable development lies with national governments and specifically mandated international organisations. They further acknowledge that these issues fall within the competence of the OECD only to the extent that, as custodian of the Guidelines, it may oversee the implementation of their provisions.

It is fair to say that the Guidelines do not seek to prescribe a single governance framework for all countries at all levels of development. They

**It would be a mistake to accept uncritically the claim that most multinational corporations tend to follow the law as written.**

avoid the temptation to be over-prescriptive, as standards that are valid at present may no longer be so in future. They allow considerable latitude for developed and developing countries to devise equivalent and suitable standards and practices consistent with their needs and capabilities. Governance must be progressive if it is to be effective. Which is not to say that the Guidelines have failed to be aspirational.

One could mention the recommendation that multinational enterprises neither solicit nor offer bribes to foreign public officials. The OECD bribery convention does not provide for any legal sanction in the event of a company acquiescing in a demand for a bribe, even if the company originally had no intention of offering such a bribe. But the Guidelines call on enterprises neither to "offer, nor give in to demands" to pay public officials. The Guidelines have thus gone beyond what is required by the OECD bribery convention itself, in an attempt to tackle the demand as well as the supply-side of bribery. On an ecological note, one could also mention the recommendation that multinational enterprises apply the precautionary principle, hitherto the sole responsibility of governments, to their operations, with a view to avoiding potential risks to the environment.

Consumer interests is another vital issue that the Guidelines have sought to address. There is need for a prompt, efficient and transparent response by foreign multinationals in the event of serious threats to public health and safety arising out of the consumption or use of their products. There is also need for full co-operation with host country authorities in dealing in a speedy and efficient manner with such threats. Two obvious industries where the Guidelines may prove useful in this respect are food and pharmaceuticals, which have a less than sterling reputation in many home and host countries, with tales particularly in developing countries of tainted baby formula or drug mix-ups simply too common for comfort.

Research and development is another key issue that is often considered part of a corporation's core business and a key element of its competitive strategy. The involvement of foreign affiliates in R & D, however, is seldom a part of global corporate strategy and is therefore limited at best. Yet R & D figures prominently at the high value-added ends of most businesses, particularly in today's knowledge economies. The science and technology chapter of the Guidelines, while modest in scope, has the merit of highlighting the importance of research and development as a catalyst for change in host countries and as a major stimulus to sustainable development. And it draws attention to the pivotal role of multinational enterprises in promoting the transfer of technology from home to host countries.

One should bear in mind that, as its name suggests, the OECD is an organisation devoted not only to devising best practices and codes of conduct, but also to promoting policies conducive to sustainable economic and social development. From the perspective of Brazil as one of the world's very largest emerging market economies the concept of corporate responsibility is indivisible from the long-term goal of sustainable development. Multinational corporations should bear that in mind as they move forward in this increasingly competitive global economy. ■

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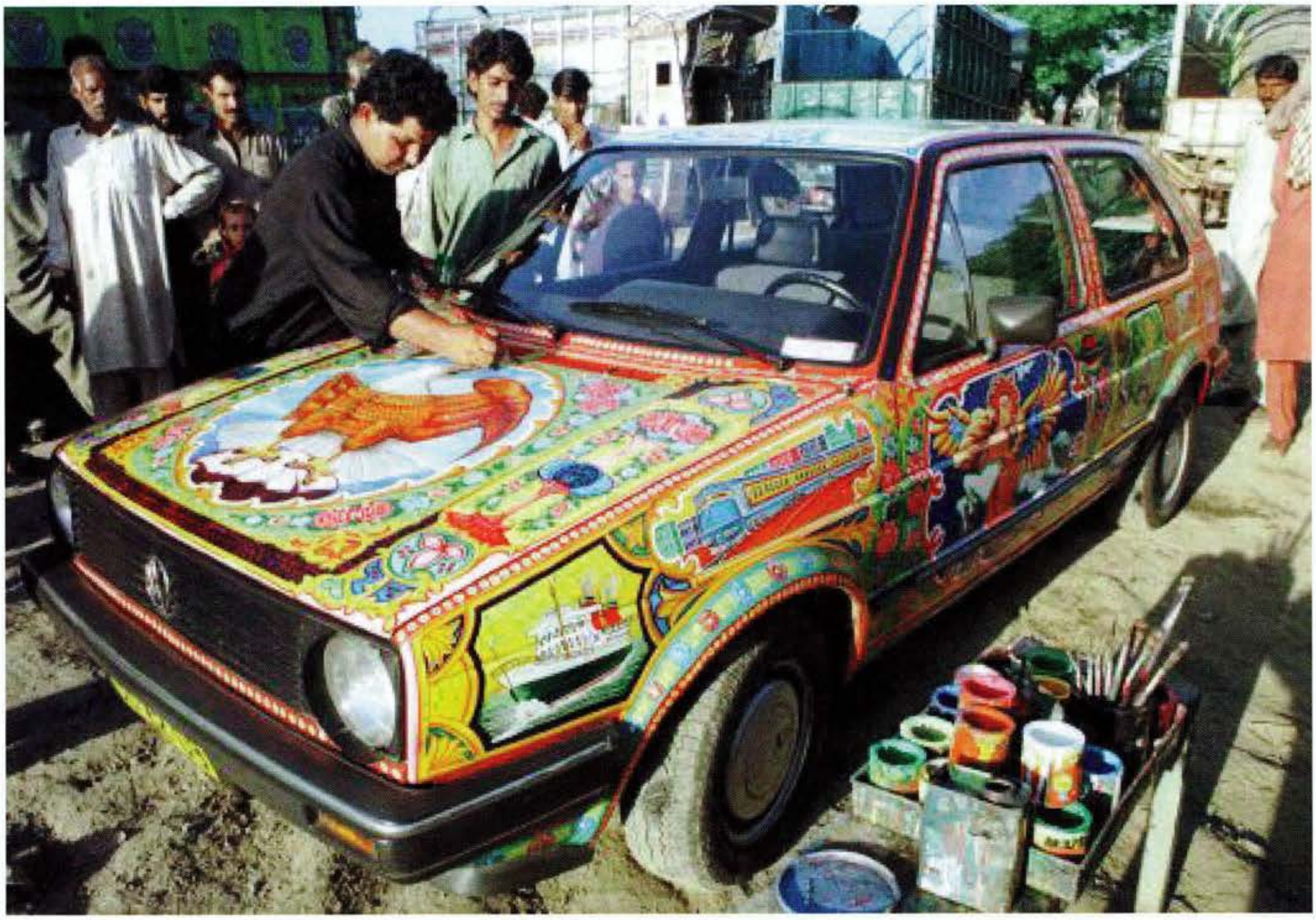
# The trust business

PATRICIA FEENEY, HUMAN RIGHTS ADVISER, OXFAM, UNITED KINGDOM



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**Local colours: a Pakistani painter puts some final touches to a German car**

The revised OECD Guidelines for Multinational Enterprises (MNEs) have a vital role to play in a world where big business and its activities are often viewed with deep-rooted suspicion by civil society organisations.

This distrust is understandable when one considers that the world's 100 largest transnational corporations between them held $1.8 trillion in foreign assets, sold products worth $2.1 trillion abroad and employed some six million people in their overseas affiliates in 1997, according to figures compiled by UNCTAD. In an integrated world economy, the Guidelines can help establish the acceptable parameters of company behaviour and go some way towards offsetting the increased margin of freedom companies enjoy.

If fully implemented, the Guidelines would help ensure that multinational enterprises bring substantial benefits to the communities and the countries in which they operate. The trouble is while many transnational corporations have played a positive development role, others have a poor human rights record.

When companies invest in countries with repressive regimes, collusion in government violations becomes possible. These violations can range from the use of slave labour to extra-judicial killings, disappearances or forced displacement of indigenous populations. Transnational corporations operating in areas where there is armed conflict can exacerbate or prolong the violence by supplying local armies with transport or weapons, or funding rebel groups directly or indirectly. Perhaps the best-known direct abuses by companies themselves have been violations of labour rights in the manufacturing industry through the use of sweat-shops in the production of clothes, sporting goods and electronics.

Some corporations also engage in restrictive business practices such as price fixing market allocation agreements and tied selling, where the parent company limits who the overseas subsidiary may deal with. The close relationship between parent and subsidiary may distort trade flows. Such measures reduce benefits to the host country.

Foreign direct investment often depends heavily on foreign loans and imported products, and operates on the basis of repatriating much of the profit and dividends to the parent country, which can cause large foreign exchange outflows. Companies may also provide little technology transfer particularly in the case of assembly based operations of global integrated business.

Long-term private capital flows, which in 1997 were estimated by the World Bank to be around $256 billion, have dominated developing countries' long-term finance. As the power of transnational corporations has grown, public expectations have increased. Despite the broad range of people affected by the operations and influence of transnational corporations, many large companies still insist that they are legally responsible only to their shareholders for their financial results and to national governments for compliance with national law. But companies are coming under increasing public pressure to take a less restrictive view of their obligations.

Over the past decade, the ILO estimates that more than 215 codes of conduct have been drawn up, most of them by multinational companies. What non-government organisations (NGOs), such as Oxfam, which works for poverty eradication worldwide, particularly like about the revised guidelines is that they set out new and explicit standards on many of these issues for MNEs to observe both within and outside the OECD area. For the first time the Guidelines include a reference to the duty of companies to "respect the human rights of those affected by their activities" in ways which are consistent with the international obligations and commitments of the host government.

This clause strips away any vestige of credibility from the specious claim frequently made by companies who maintain operations in highly oppressive societies that they can only be bound by those countries' domestic laws and regulations, even if they fail to meet international human rights standards.

There are other important additions to the new text related to freedom of information, environmental sustainability and fundamental labour rights. New clauses make explicit the role of companies in eliminating forced and child labour, and their duty to protect individuals that report misbehaviour in their companies, known as whistleblowers.

As the dangers of neglecting environmentally sound practices become ever more apparent, the Guidelines also stress the desirability of companies adopting the precautionary approach to risk assessment in their operations. Another positive step is that the revised Guidelines give greater attention to consumers' rights. The new text calls on companies to provide accurate and clear information on products and set up transparent and effective procedures to address consumer complaints. In particular, companies need to ensure that they act in accordance with fair business, marketing and advertising practices and take all reasonable steps to ensure the safety and quality of the goods or services they provide.

What gives the OECD Guidelines their significance is the fact that they represent the standard of behaviour expected of MNEs by all OECD governments and four non-member countries. This means they go beyond the self-selected and (at times) self-serving lists of vague corporate pledges that are the hallmark of many voluntary codes. The OECD Guidelines have also become a benchmark for other areas of international standard-setting. The UN's Global Compact and the European Parliament's Resolution on Multinational Corporations include references to the principles embodied in the Guidelines.

**For the first time the Guidelines include a reference to the duty of companies to "respect the human rights of those affected by their activities".**

It is perhaps ironic that the Guidelines became widely known to NGOs largely as a result of attempts by OECD governments to shore up negotiations around the ill-fated Multilateral Agreement on Investment (MAI). NGOs criticised the MAI as an example of unfair and unacceptable rules being negotiated by and for rich and powerful countries and multinational companies at the expense of the poor. Investors' interests and concern for economic growth appeared to override all other considerations such as the rights of workers and local communities, consumer protection and the goal of sustainable development.

The decision in November 1998 to revise the Guidelines and to broaden participation in the process to include NGOs was one of the positive outcomes of the failed MAI negotiations.

But do the Guidelines really offer civil society anything substantial or are they merely cosmetic, aimed more at mollifying critics than altering the behaviour of multinational enterprises? Clearly NGOs would prefer a legally binding set of regulations controlling corporate behaviour. But that is as yet a distant prospect. In the meantime the critical test of the Guidelines will be the effectiveness of the monitoring

**It is up to governments to promote and monitor the MNE Guidelines.**

mechanism. This is built around National Contact Points (NCPs) which all states adhering to the Guidelines are bound to establish. While countries have some flexibility in the arrangements they make for their contact points, they are expected to ensure that they meet the core criteria of visibility, accessibility, transparency and accountability.

It is essentially up to participating governments to revitalise the mechanisms established to promote and monitor the implementation of the Guidelines. But NGOs working closely with trade unions, progressive companies and national parliaments have a real opportunity to ensure that the NCPs radically improve the accountability of multinational corporations to the communities they serve or where they operate. We will have failed in our task if the revised Guidelines and the improved NCP mechanisms do not help to empower those whose rights they seek to uphold and whose social and environmental conditions they aim to improve. ■

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# Forum countdown

How can new technology help achieve the goal of sustainable development? This is one of the key questions that government, business, labour and civil society from around the world will strive to answer when they gather for the OECD's second annual international Forum in May. With just over a month to go before the event on May 14-16 alongside the OECD annual ministerial conference, confirmed speakers include Harvard professor E.O. Wilson, the "father of biodiversity"; French health minister, Bernard Kouchner, and Merck's CEO, Raymond Gilmartin, to lead the panel on health challenges of the 21st century; and WTO director-general, Mike Moore, who will help lead the debate on trade and development. Forum 2001 is a key event in the OECD's calendar of work with civil society (see new website below). This is a high priority of the organisation, which values the important contribution that such organisations make to its work and that of its member governments. ■

- Find out more about Forum 2001 at: http://www.oecd.org/forum2001/
- Find out more about the OECD's work with civil society at a new website, http://www.oecd.org/subject/civilsociety/


**Simon Upton**

# Full-time chair named for sustainable development round table

Simon Upton, a former New Zealand environment minister, has been named full-time chairman of the OECD Round Table on Sustainable Development, a post he has held part-time since its creation in 1998. The round table is an informal forum offering key participants in the sustainable development debate an opportunity to take stock of progress at global level and think laterally about solutions that are difficult to introduce in formal negotiating processes. It enables environment and economics ministers, representatives of the OECD, World Bank, United Nations programmes, World Trade Organisation and individuals invited from business and civil society organisations to meet twice a year to tackle some of the more intractable problems that defy negotiated solutions.

The three-year appointment of Simon Upton as full-time chairman will provide additional momentum to this work, which should contribute both to efforts to launch a new global trade round and to preparations for the Rio+10 Summit in 2002.

The OECD is currently concluding a three-year project on sustainable development and a report will be presented at the annual OECD ministerial meeting in Paris in May. ■

- Find out more about the OECD's work on Sustainable Development at http://www.oecd.org/subject/sustdev/
- OECD Forum 2001 on the theme "Sustainable Development and the New Economy" will be held in Paris in May. Find out more at http://www.oecd.org/forum2001

# Local networking

Small firms, a critical element of economic growth and job creation, are a particularly strong force when grouped into local networks, or clusters, specialising in compatible industries. Representatives of such networks from 35 countries, many outside the OECD, came together with policymakers in Paris in January for a World Congress on Local Clusters, organised by the OECD's Local Economic and Employment Development Programme (LEED) and the French Delegation for Territorial Planning and Regional Action (DATAR).

"Clusters demonstrate that every territory is different in its industries and structures. It is therefore no longer possible to deliver a simple top-down policy," OECD's secretary general, Donald Johnston, told the 1,000-plus participants. "Every territory must design its own initiatives, tailored to its own needs."

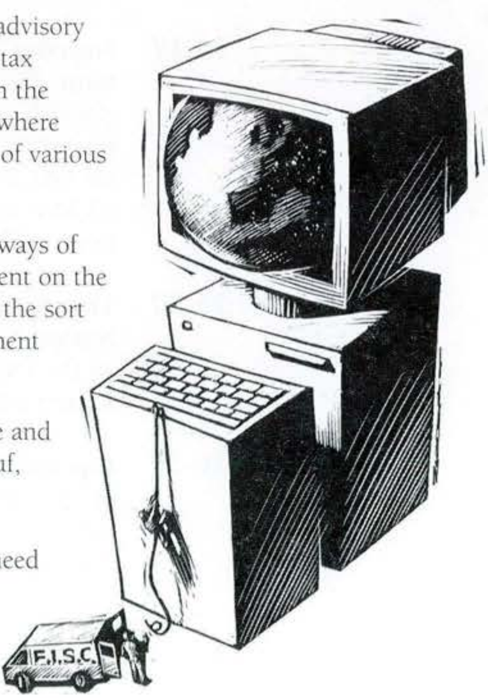
France's minister for spatial planning and environment Dominique Voynet, told the gathering that "globalisation makes it more necessary than ever to strengthen networks around a local identity, a local reality. Globalisation is a further spur to co-operate and work together locally." And clusters help boost local economies, she said, citing the example of a marine products cluster in Vendée, France, where 15 small enterprises, from fishery firms to distributors, boosted employment by 87% between 1993-98, compared with a 20% shrinking of employment in the sector nationally. ■

- Find out more about the conference and about the OECD LEED programme at: http://www.oecd.org/tds/bis/leed.htm
- For more on DATAR's work, visit http://www.datar.gouv.fr/

# Progress on taxing e-commerce

The OECD has released a set of reports and technical papers showing strong progress towards achieving international consensus on the tax treatment of electronic commerce, and is inviting public comment on several issues. The reports and recommendations are part of the OECD's work on implementing the Taxation Framework Conditions for e-commerce agreed on by OECD ministers in Ottawa in 1998. A key element of the work programme has been an international dialogue, involving not only OECD member countries but also the international business community and a number of non-member economies.

The reports from the OECD Committee on Fiscal Affairs and business/government advisory groups it has set up cover three main areas: direct taxation, consumption taxes and tax administration. On income tax, OECD countries have reached a broad consensus on the interpretation of existing permanent establishment rules, fundamental for deciding where profits on e-commerce can be taxed, and are working to clarify tax treaty treatment of various types of e-commerce payments.




OECD countries have also made significant progress towards identifying pragmatic ways of achieving effective taxation in the place of consumption. They have reached agreement on the main administrative challenges and opportunities facing tax administrations and on the sort of responses that governments need to consider. The OECD is inviting public comment on the proposals for consumption taxes and tax administration.

"There is much that tax administrations can and should do to share their experience and expertise internationally, especially in the field of taxpayer service," Gabriel Makhlouf, chairman of the Committee on Fiscal Affairs, said after a meeting in February. "It is important that we maintain our efforts to strengthen the emerging international consensus, so as to provide governments and business with the certainty that they need about how taxation rules should apply to e-commerce." ■

- You can find out more about the OECD's work on e-commerce and consult the documents available for public comment at: http://www.oecd.org/daf/fa/e_com/public_release.htm
- The OECD will be publishing a progress report on implementing the Framework Conditions in May 2001.

# Calendar of upcoming events 2001

OECD

**Please note that many of the meetings mentioned are not open to the public or the media and are listed as a guide only. All meetings are in Paris unless otherwise stated. For further information, please contact the Media Relations Division or consult the OECD website at *http://www.oecd.org/media/upcoming.htm*, which is updated weekly.**

## March – some highlights

**12-13** **Global Forum with Co-operative Jurisdictions on Exchange of Information on Harmful Tax Practices**, organised by the Directorate for Financial, Fiscal and Enterprise Affairs (DAF).

**15-17** **Fostering Democracy and Development Through E-Government**, third global forum, organised by the Italian government with the collaboration of the OECD Public Management Service (PUMA) and other multilateral organisations (UN, World Bank). Naples, Italy.

**26-27** **The Seismic Re-evaluation of All Nuclear Facilities**, workshop organised by the OECD and the Nuclear Energy Agency (NEA). Ispra, Italy.

**26-27** **Regional Integration in Africa**, second international Forum on African Perspectives, organised by the Development Centre and the African Development Bank.

**27** **Education Policy Analysis** published.

## April

**2-4** **Investing in Competencies for All**, OECD Education Ministers meeting.

**3** **Regulatory Reform in Italy** published.

**4-6** **Corporate Governance in Asia**, third Roundtable, organised by the OECD, the World Bank and the Asian Development Bank. Singapore.

**5** **OECD Environmental Outlook** published.

**9-10** **Towards Asia's Sustainable Development: The Role of Social Safety Nets**, seminar organised by the Directorate for Education, Employment, Labour and Social Affairs (ELS) and the Development Centre.

**10-11** **Towards a New World? Assessing the Prospects for a Major Socio-Economic Transition**, meeting organised by the General Secretariat Advisory Unit on Multi-Disciplinary Issues.

**11** **Review of Aid Policies of Portugal** by the Development Assistance Committee (DAC).

**23-24** **Corporate Governance in Developing Countries and Emerging Economies**, policy dialogue organised by the Development Centre.

**23-25** **Agricultural Policies in Non-Member Countries**, forum organised by AGR and CCNM.

**24** **Regulatory Reform in Ireland** published.

**25-26** **Development Assistance Committee** (DAC) high-level meeting.

**26-27** **Brain Mechanisms and Learning in Ageing**, high-level forum organised by the Centre for Educational Research and Innovation (CERI) and the RIKEN Brain Science Institute. Tokyo, Japan.

## May

**3** Publication of the **OECD Economic Outlook** No. 69, preliminary version.

**9** **Review of Aid Policies of Belgium**, by DAC.

**14-16** **OECD Forum 2001: Sustainable Development in the New Economy**.

**16** **OECD Environment Ministers** meeting.

**16** **International Energy Agency** meeting at Ministerial level.

**16-17** **Annual OECD Council Meeting at Ministerial level.**

**29** **European Conference of Ministers of Transport (ECMT)**, meeting of its Council of Ministers.

**29-30** **Informal Network on Conflict, Peace and Development Co-operation**, organised by DAC.

## June

**4-6** **Tax Administrations in an Electronic World**, global conference organised by DAF and the Canadian authorities. Montreal, Canada.

**5-6** **Transport and E-Commerce**, workshop organised by STI and the ECMT.

**5-7** **Agricultural and Environmental Statistical Applications**, conference organised by OECD, FAO, Eurostat, UN/ECE, ISI, NASS/USDA and hosted by ISTAT. Rome, Italy.

**11-12** **International Mobility of Highly Skilled Workers – From Statistical Analysis to the Formulation of Policies**, organised by STI and ELS.

**18-19** **Technology and Development**, International Forum on Asian Perspectives, organised by the Development Centre in co-operation with the Asian Development Bank.

**20-22** **Financial Action Task Force on Money Laundering** (FATF), plenary meeting.

**26-29** **Integrated Management of Safety, Health, Environment and Quality in the Context of Chemical Accidents**, workshop organised by ENV. Seoul, Korea.

## July

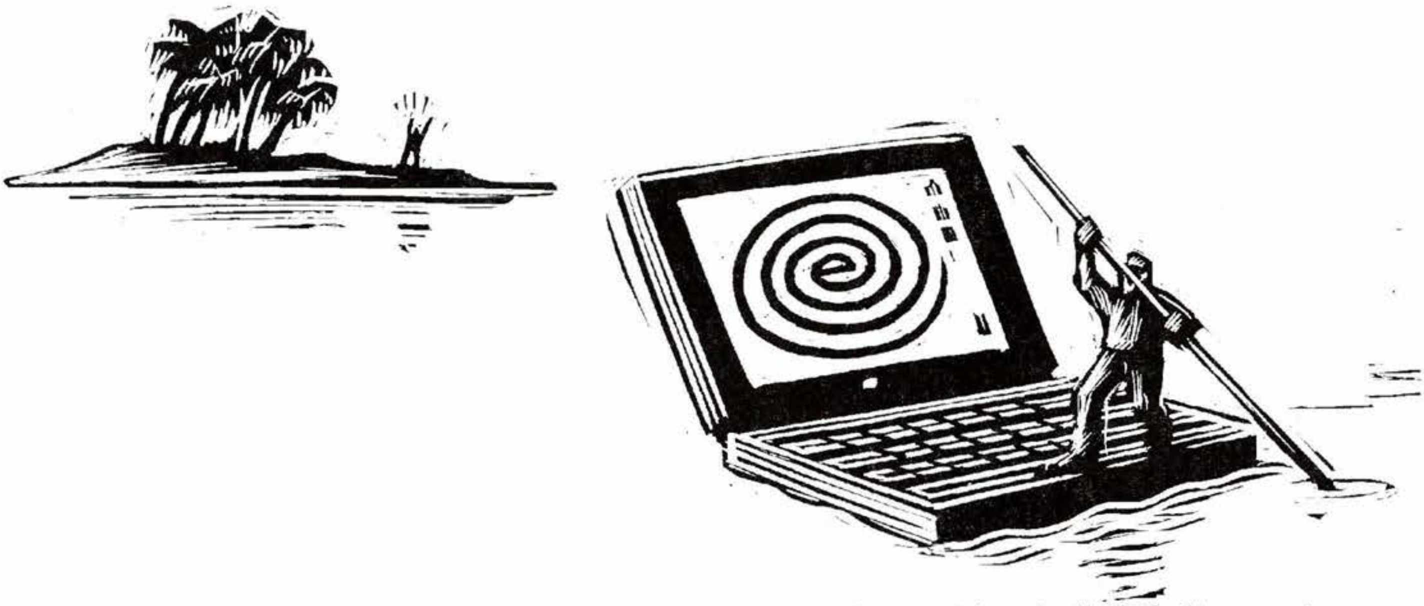
**4-5** Council Working Party on **Shipbuilding**, organised by STI.

## September

**6-7** **Financial Stability Forum**. London, UK.

**20-21** **Regulatory Reform in International Air Cargo Transportation**, workshop organised by STI.

# OECD and developing countries join Dot.force to tackle digital divide



Representatives of developing countries, OECD members and the Digital Opportunities Task Force (Dot.force) set up by the G8 in July last year, took advantage of an OECD-organised conference on electronic commerce in Dubai to talk informally about how to tackle the digital divide. The conclusion of the discussions in late January was that efforts to tackle the digital divide would succeed only if closely tied to the needs of developing countries in areas such as health, education and transport. Participants also agreed that policymakers must learn from the experience of many countries and regions in their search for solutions appropriate in their own countries.

The consultation between the OECD, the Dot.force and some 20 emerging market, transition and developing countries was organised by the OECD with the support of the Dubai government. Participants made a number of suggestions of ways to help less-favoured countries take full advantage of information and communications technology (ICT). These included awareness-building exercises involving senior government officials, government-backed venture capital funds to support ICT initiatives and tax incentives to encourage ICT companies to expand operations in less-favoured countries.

Their suggestions will form part of input for the Dot.force as it prepares to report back to G8 leaders before their next summit in Genoa in July, and will also feed into ongoing work on ICT and e-commerce at the OECD.

The Dot.force consultation took place at the end of an emerging markets economic forum co-hosted by the OECD and the Dubai authorities in Dubai, the first time the OECD has held such a meeting outside a member country. Some 300 delegates from 60 countries attended the forum, which was preceded by meetings bringing together government representatives with participants from the business sector and consumer and civil society organisations.

- Find out more about the OECD's work on e-commerce and ICT at: http://www.oecd.org/subject/e_commerce/
- Find out more about the latest developments on the Dot.force at: http://www.g8kyushu-okinawa.go.jp/e/genoa/
- For Observer articles on electronic commerce dedicated to the Dubai emerging markets forum, see www.oecdobserver.org.

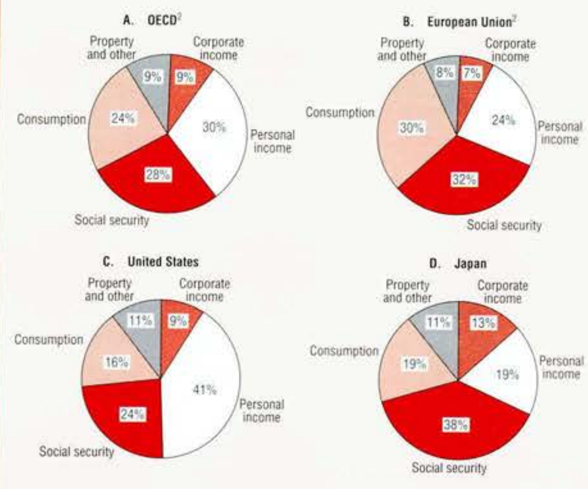
# Taxing times

Personal income tax is the single largest source of revenue in OECD countries, accounting for 30% of total tex revenue in 1998, ahead of social security at 28%. But while the US government still receives 41% of its tax revenue in personal income tax, almost double social security at 24%, in Europe and Japan social security accounts for the lion's share, at 32% and 38% respectively. Japan has the highest proportion of corporate income tax in its revenue mix, at 13%, compared with 7% in Europe and 9% in the United States, against an OECD level of 9%. The European Union leads the field in consumption tax, at 30% of the total compared with 19% in Japan, 16% in the United States and 24% for the OECD as a whole.

Social security contributions were the main source of general government revenue in seven OECD countries in 1998 – Austria, the Czech Republic, France, Germany, Japan, the Netherlands and Spain. Consumption tax was the single most important tax in Hungary, Iceland, Korea, Mexico, Norway, Poland and Turkey. Property taxes accounted for 10% or more of revenue in just five countries – Canada, Japan, Korea, the United Kingdom and the United States, against 9% for the OECD area as a whole. ■

**Tax mix by source**[1]

Per cent share of total revenue, 1998




1. The breakdown of income tax into personal and corporate tax is not comparable across countries.
2. Weighted average.

*Source:* OECD, Revenue Statistics 1965-1999.

• *OECD, Revenue Statistics : 1965/1999*, 2000.

# Greek property taxes

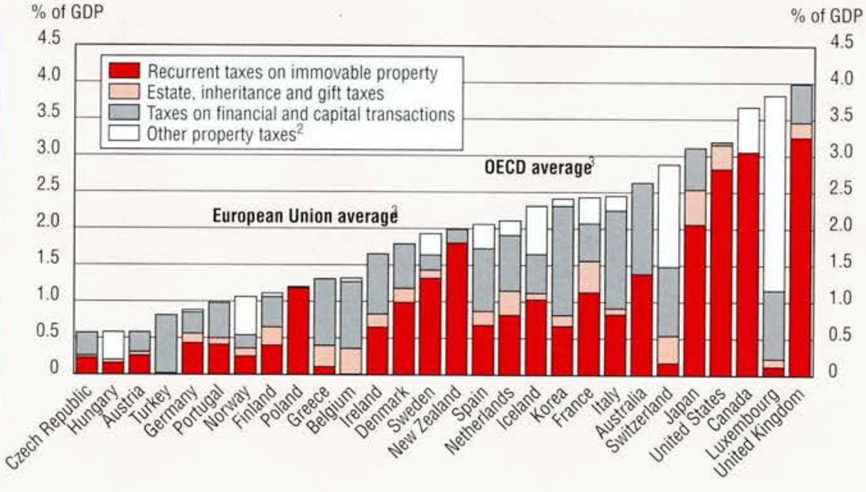
Greek property taxes are among the lowest in the OECD at just 1.3% of GDP, but are so complex that real estate owners are liable to pay up to 14 different taxes and levies related to their property, says the latest OECD survey of the Greek economy. Moreover, while property tax accounts for only 0.14% of total tax revenue, collecting it represents 1.1% of total tax administration costs. Streamlining the property tax system and implementing a national land registry would allow taxation of property based on real value of assets, the survey says. Greek property taxes are only half the OECD average level of 2.6% of GDP and well below the European Union average of 2%. Property taxes are highest in the United Kingdom, at 4% of GDP and lowest in the Czech Republic where they are 0.6% of GDP. ■

• *OECD Economic Surveys: Greece*, Paris 2001.

• *OECD Revenue Statistics*, Paris 2000.

**Property taxation in OECD countries**

1998[1]




1. 1997 data for Greece.
2. Includes recurrent taxes on net wealth and some non-recurrent taxes on property (for instance land development permission charges).
3. GDP weighted.

*Source:* OECD, *Revenue Statistics.*

# Indicators

## databank

| | | | % change from: previous period | previous year | | | level: current period | same period last year |
|---|---|---|---|---|---|---|---|---|
| Australia | Gross domestic product | Q4 00 | -0.6 | 2.1 | Current balance | Q4 00 | -2.82 | -5.28 |
| | Leading indicator | Dec. 00 | -1.5 | -7.0 | Unemployment rate | Jan. 01 | 6.7 | 6.9 |
| | Consumer price index | Q4 00 | 0.3 | 5.8 | Interest rate | Jan. 01 | 5.91 | 5.66 |
| Austria | Gross domestic product | Q3 00 | 0.3 | 1.9 | Current balance | Dec. 00 | 0.01 | 0.70 |
| | Leading indicator | Jan. 01 | -0.2 | 3.2 | Unemployment rate | Jan. 01 | 3.7 | 4.0 |
| | Consumer price index | Jan. 01 | 0.1 | 3.0 | Interest rate* | | .. | .. |
| Belgium | Gross domestic product | Q3 00 | 0.5 | 3.2 | Current balance | Q3 00 | 1.93 | 2.15 |
| | Leading indicator | Jan. 01 | 1.7 | -0.4 | Unemployment rate | Jan. 01 | 6.8 | 7.6 |
| | Consumer price index | Feb. 01 | 0.4 | 2.3 | Interest rate* | | .. | .. |
| Canada | Gross domestic product | Q4 00 | 0.3 | 4.0 | Current balance | Q4 00 | 4.52 | 0.19 |
| | Leading indicator | Jan. 01 | 0.2 | -4.1 | Unemployment rate | Jan. 01 | 6.9 | 6.8 |
| | Consumer price index | Jan. 01 | -0.3 | 3.0 | Interest rate | Feb. 01 | 5.16 | 5.25 |
| Czech Rep. | Gross domestic product | Q3 00 | .. | 2.2 | Current balance | Q3 00 | -0.51 | -0.02 |
| | Leading indicator | | .. | .. | Unemployment rate | Q3 00 | 8.7 | 9.1 |
| | Consumer price index | Jan. 01 | 2.0 | 4.2 | Interest rate | Feb. 01 | 5.27 | 5.39 |
| Denmark | Gross domestic product | Q3 00 | 0.1 | 2.7 | Current balance | Dec. 00 | 0.10 | 0.05 |
| | Leading indicator | Jan. 01 | -1.2 | -0.3 | Unemployment rate | Dec. 00 | 4.7 | 4.8 |
| | Consumer price index | Dec. 00 | -0.1 | 2.4 | Interest rate | Jan. 00 | 5.27 | 3.70 |
| Finland | Gross domestic product | Q4 00 | 0.7 | 5.5 | Current balance | Dec. 00 | 0.91 | 1.11 |
| | Leading indicator | Oct. 00 | -2.5 | -0.8 | Unemployment rate | Jan. 01 | 9.4 | 10.1 |
| | Consumer price index | Jan. 01 | -0.2 | 3.3 | Interest rate* | | .. | .. |
| France | Gross domestic product | Q4 00 | 0.9 | 2.8 | Current balance | Nov. 00 | 1.21 | 2.38 |
| | Leading indicator | Jan. 01 | -0.6 | -3.6 | Unemployment rate | Jan. 01 | 8.7 | 10.3 |
| | Consumer price index | Jan. 01 | -0.4 | 1.2 | Interest rate* | | .. | .. |
| Germany | Gross domestic product | Q4 00 | 0.2 | 2.6 | Current balance | Dec. 00 | -7.05 | -3.07 |
| | Leading indicator | Jan. 01 | -0.3 | 0.2 | Unemployment rate | Jan. 01 | 7.8 | 8.3 |
| | Consumer price index | Jan. 01 | 0.5 | 2.4 | Interest rate* | | .. | .. |
| Greece | Gross domestic product | 1999 | .. | 3.4 | Current balance | Oct. 00 | -0.68 | -0.49 |
| | Leading indicator | Dec. 00 | 0.1 | 1.1 | Unemployment rate | | .. | .. |
| | Consumer price index | Jan. 01 | -1.6 | 3.4 | Interest rate | Dec. 00 | 5.20 | 9.80 |
| Hungary | Gross domestic product | 1999 | .. | 4.4 | Current balance | Dec. 00 | -0.52 | -0.57 |
| | Leading indicator | | .. | .. | Unemployment rate | Q2 00 | 6.7 | 7.0 |
| | Consumer price index | Jan. 01 | 1.5 | 10.1 | Interest rate | Jan. 01 | 11.50 | 12.20 |
| Iceland | Gross domestic product | 1999 | .. | 4.3 | Current balance | Q3 00 | -0.15 | -0.15 |
| | Leading indicator | | .. | .. | Unemployment rate | Dec. 00 | 1.3 | 1.5 |
| | Consumer price index | Feb. 01 | 0.2 | 4.1 | Interest rate | Jan. 01 | 11.50 | 10.48 |
| Ireland | Gross domestic product | 1999 | .. | 9.8 | Current balance | Q3 00 | -0.59 | 0.11 |
| | Leading indicator | Jan. 01 | 3.9 | 4.8 | Unemployment rate | Jan. 01 | 3.8 | 4.8 |
| | Consumer price index | Jan. 01 | -0.8 | 5.2 | Interest rate* | | .. | .. |
| Italy | Gross domestic product | Q3 00 | 0.6 | 2.5 | Current balance | Nov. 00 | 0.07 | -0.77 |
| | Leading indicator | Jan. 01 | -0.4 | -1.0 | Unemployment rate | Oct. 00 | 10.1 | 11.1 |
| | Consumer price index | Feb. 01 | 0.3 | 3.0 | Interest rate* | | .. | .. |
| Japan | Gross domestic product | Q3 00 | -0.6 | 0.5 | Current balance | Dec. 00 | 6.14 | 8.46 |
| | Leading indicator | Jan. 01 | 0.1 | 1.2 | Unemployment rate | Jan. 01 | 4.9 | 4.7 |
| | Consumer price index | Jan. 01 | 0.0 | 0.1 | Interest rate | Feb. 01 | 0.42 | 0.10 |
| Korea | Gross domestic product | Q3 00 | 3.3 | 9.3 | Current balance | Dec. 00 | 1.24 | 1.63 |
| | Leading indicator | | .. | .. | Unemployment rate | Jan. 01 | 4.1 | 4.8 |
| | Consumer price index | Feb. 01 | 0.2 | 4.2 | Interest rate | Jan. 01 | 6.40 | 7.30 |

| | | | % change from: | | | | level: | |
|---|---|---|---|---|---|---|---|---|
| | | | previous period | previous year | | | current period | same period last year |
| Luxembourg | Gross domestic product | 1999 | . . | 7.5 | Current balance | | . . | . . |
| | Leading indicator | Jan. 01 | 1.1 | 0.9 | Unemployment rate | Dec. 00 | 2.1 | 2.2 |
| | Consumer price index | Jan. 01 | -1.4 | 2.9 | Interest rate* | | . . | . . |
| Mexico | Gross domestic product | Q3 00 | 1.4 | 6.9 | Current balance | Q4 00 | -5.67 | -4.38 |
| | Leading indicator | Dec. 00 | 2.5 | 4.0 | Unemployment rate | Dec. 00 | 2.1 | 2.3 |
| | Consumer price index | Jan. 01 | 0.6 | 8.1 | Interest rate | Jan. 01 | 18.50 | 17.43 |
| Netherlands | Gross domestic product | Q4 00 | 1.2 | 3.4 | Current balance | Q4 00 | 3.79 | 5.41 |
| | Leading indicator | Jan. 01 | -0.8 | -0.5 | Unemployment rate | Dec. 00 | 2.8 | 2.8 |
| | Consumer price index | Jan. 01 | 1.2 | 4.2 | Interest rate* | | . . | . . |
| New Zealand | Gross domestic product | Q2 00 | -0.9 | 4.6 | Current balance | Q3 00 | -0.94 | -1.34 |
| | Leading indicator | | . . | . . | Unemployment rate | Q3 00 | 5.9 | 6.8 |
| | Consumer price index | Q4 00 | 1.2 | 4.0 | Interest rate | Feb. 01 | 6.48 | 5.93 |
| Norway | Gross domestic product | Q3 00 | 0.3 | 1.0 | Current balance | Q4 00 | 6.59 | 3.45 |
| | Leading indicator | Dec. 00 | -0.8 | -0.9 | Unemployment rate | Q3 00 | 3.5 | 3.3 |
| | Consumer price index | Jan. 01 | 0.8 | 3.4 | Interest rate | Feb. 01 | 7.32 | 5.89 |
| Poland | Gross domestic product | 1999 | . . | 4.0 | Current balance | Nov. 00 | -0.42 | -1.02 |
| | Leading indicator | | . . | . . | Unemployment rate | Jan. 01 | 15.0 | 13.1 |
| | Consumer price index | Jan. 01 | 0.7 | 7.5 | Interest rate | Jan. 01 | 16.90 | 15.86 |
| Portugal | Gross domestic product | Q3 00 | 1.2 | 3.4 | Current balance | Q4 00 | -2.97 | -3.55 |
| | Leading indicator | Jan. 01 | -2.3 | 3.5 | Unemployment rate | Jan. 01 | 4.4 | 4.3 |
| | Consumer price index | Jan. 01 | 0.4 | 4.4 | Interest rate* | | . . | . . |
| Spain | Gross domestic product | Q4 00 | 0.7 | 3.7 | Current balance | Nov. 00 | -0.85 | -1.18 |
| | Leading indicator | Jan. 01 | -1.0 | -0.9 | Unemployment rate | Jan. 01 | 13.7 | 15.0 |
| | Consumer price index | Jan. 01 | 0.0 | 3.7 | Interest rate* | | . . | . . |
| Sweden | Gross domestic product | Q3 00 | 0.9 | 3.6 | Current balance | Dec. 00 | 0.16 | 0.42 |
| | Leading indicator | Dec. 00 | -0.5 | -1.1 | Unemployment rate | Jan. 01 | 5.4 | 6.5 |
| | Consumer price index | Jan. 01 | -0.3 | 1.6 | Interest rate | Dec. 00 | 4.07 | 3.41 |
| Switzerland | Gross domestic product | Q3 00 | 0.5 | 3.4 | Current balance | Q3 00 | 7.74 | 7.58 |
| | Leading indicator | Jan. 01 | 0.5 | 2.5 | Unemployment rate | Jan. 01 | 1.7 | 2.3 |
| | Consumer price index | Feb. 01 | -0.1 | 0.8 | Interest rate | Jan. 01 | 3.34 | 1.75 |
| Turkey | Gross domestic product | Q3 00 | . . | 7.4 | Current balance | Q3 00 | -1.24 | 0.13 |
| | Leading indicator | | . . | . . | Unemployment rate | Q4 00 | 6.3 | 7.3 |
| | Consumer price index | Jan. 01 | 2.5 | 35.9 | Interest rate | Jan. 01 | 42.70 | 36.79 |
| United Kingdom | Gross domestic product | Q4 00 | 0.3 | 2.5 | Current balance | Q3 00 | -4.68 | -4.52 |
| | Leading indicator | Jan. 01 | 0.0 | 0.8 | Unemployment rate | Nov. 00 | 5.4 | 5.9 |
| | Consumer price index | Jan. 01 | -0.6 | 2.7 | Interest rate | Feb. 01 | 5.69 | 6.15 |
| United States | Gross domestic product | Q4 00 | 0.3 | 3.4 | Current balance | Q3 00 | -113.77 | -89.65 |
| | Leading indicator | Jan. 01 | -0.2 | -2.2 | Unemployment rate | Jan. 01 | 4.2 | 4.0 |
| | Consumer price index | Jan. 01 | 0.6 | 3.5 | Interest rate | Feb. 01 | 5.26 | 6.01 |
| Euro zone | Gross domestic product | Q3 00 | 0.6 | 3.3 | Current balance | Dec. 00 | -4.32 | -3.95 |
| | Leading indicator | Jan. 01 | -0.4 | -0.8 | Unemployment rate | Jan. 01 | 8.8 | 9.6 |
| | Consumer price index | Jan. 01 | 0.0 | 2.5 | Interest rate | Feb. 01 | 4.76 | 3.54 |

Definitions and notes

***Gross domestic product:*** Volume series, seasonally adjusted except for Czech Republic and Turkey; ***Leading indicator:*** A composite indicator, based on other indicators of economic activity (employment, sales, income, etc.), which signals cyclical movements in industrial production from six to nine months in advance; ***Consumer price index:*** Measures changes in average retail prices of a fixed basket of goods and services; ***Current balance:*** $ billion; not seasonally adjusted except for Australia, the United Kingdom and the United States; ***Unemployment rate:*** % of civilian labour force – standardised unemployment rate; national definitions for Iceland, Korea, Mexico, Poland, Switzerland and Turkey; seasonally adjusted apart from Turkey; ***Interest rate:*** Three months, except for Turkey (overnight interbank rate); . . not available; *Refer to Euro zone.

Source: *Main Economic Indicators*, OECD Publications, Paris, March 2001; Quarterly National Accounts database.

# Aid levels rise

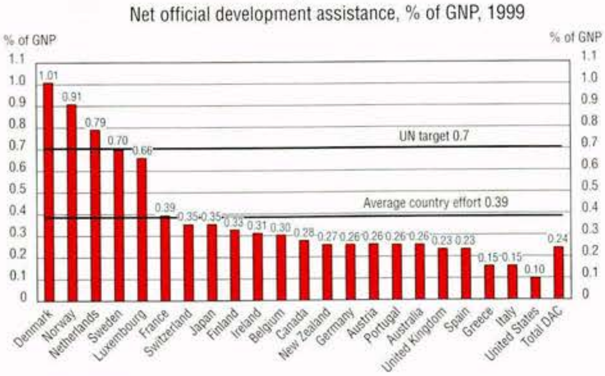
Official development assistance (ODA) from Development Assistance Committee (DAC) countries rose 5.6% in real terms to 56.4 billion US dollars, but was unchanged as a percentage of GNP at 0.24%, well below the United Nations target of 0.7% of GNP, the latest issue of the *DAC Journal* reports. Japan, the single largest donor, was responsible for the lion's share of the increase, with its ODA rising to 15.32 billion dollars in 1999 from 10.64 billion the previous year, accounting for 0.35% of GNP, up from 0.28%. Only four DAC members – Denmark, Norway, the Netherlands and Sweden – passed the 0.7% UN target. And while the four largest donors in terms of amount – Japan, the United States, France and Germany – between them contributed more than 60% of ODA in 1999, these donors also effected the largest cuts in aid in the 1990s, the report said.

US aid as a percentage of GNP has fallen by half since 1990, while that of France and Germany has dropped by around 40%. Only Japan has maintained its ODA/GNP ratio, since cuts it had planned from 1997 were outweighed by special efforts to relieve the Asian financial crisis. ■

- DAC *Journal Development Co-operation Report 2000*, Volume 2, Issue 1, OECD 2000.

**Development aid**

Net official development assistance, % of GNP, 1999

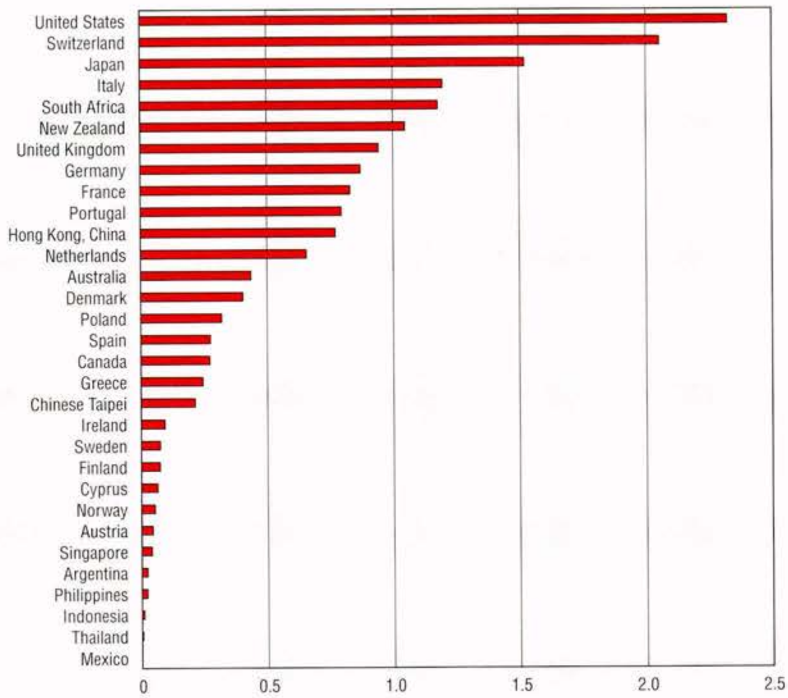



Source: OECD.

# FDI can reflect weaknesses

**Original Sin: World Comparison**

Ratio of debt in local currency to total debt, 1998 (money market instruments and bonds)




Source: BIS.

For many poorer countries, foreign direct investment (FDI) is essentially "a good market response to a bad situation" rather than a sign that the destination economy is in good shape, a new publication from the OECD Development Centre argues. This does not mean FDI is a bad thing, rather that having to rely on it may reflect a weak economy's inability to win the confidence that would enable local firms to borrow abroad. In such cases, encouraging FDI inflows may be the only way of accessing foreign capital.

The key is whether a country is suffering from what the authors of the report, *Foreign Direct Investment Versus Other Flows to Latin America*, call the "original sin". This is the inability by local companies to borrow long-term in the local currency, forcing them to borrow in international currencies like the dollar. If emerging markets and developing countries are unable to fix the currency or maturity mismatch of their debt, they are "condemned " to bring in cash through FDI.

The report says FDI has accounted for the lion's share of financial inflows into Latin America in recent years, chiefly because debt inflow has fallen to virtually nil. ■

- Visit the Development Centre website at http://www.oecd.org/dev/