oecd Observer

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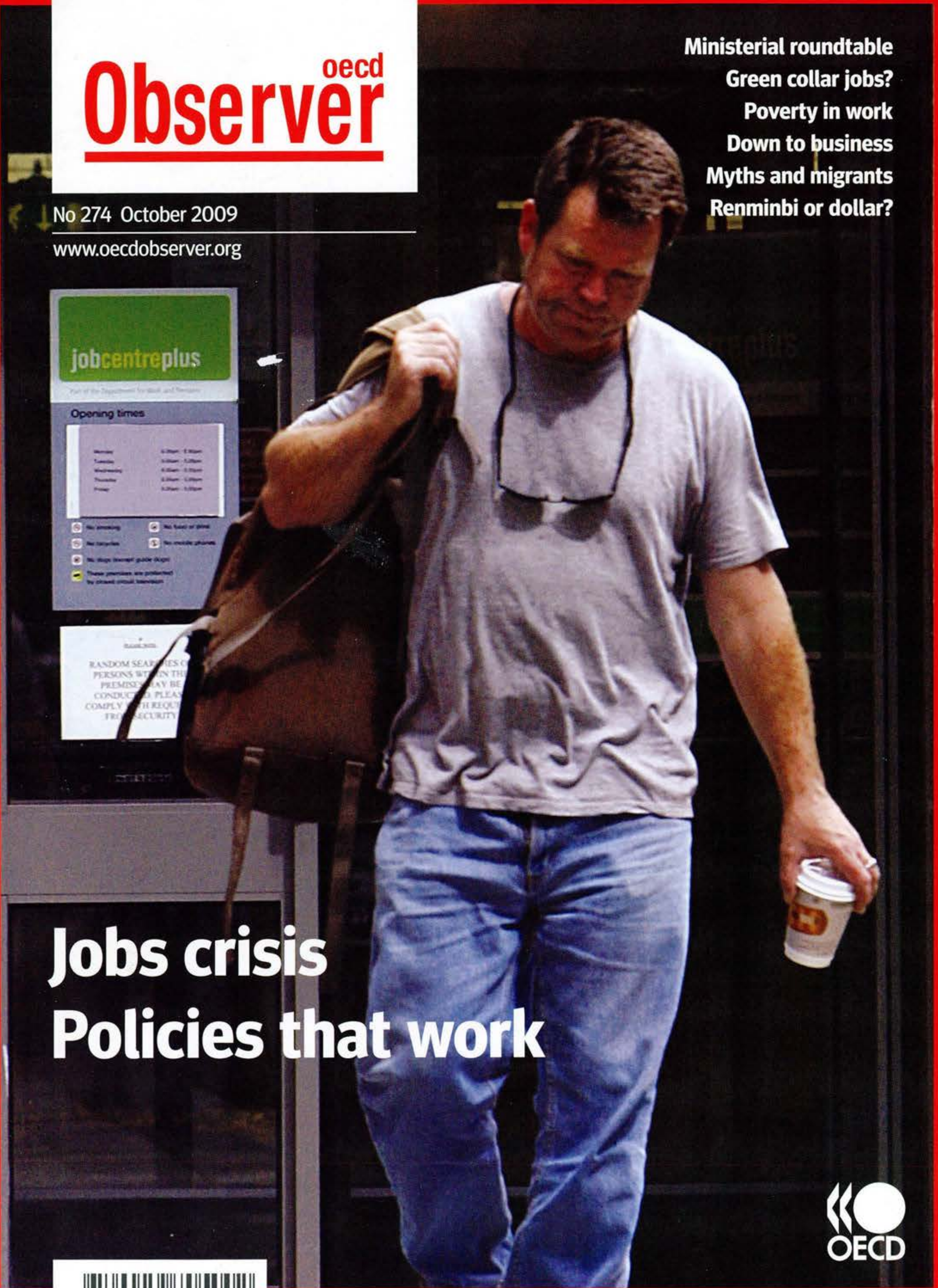
Ministerial roundtable
Green collar jobs?
Poverty in work
Down to business
Myths and migrants
Renminbi or dollar?



Jobs crisis
Policies that work

OECD

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Readers' views

We welcome your feedback. Send your letters to observer@oecd.org or post your comments at www.oecdobserver.org

Letters

Web passport

You say that "in the UK, the Home Office estimates that ID fraud costs £1.7 billion (US$330 billion) to the UK economy, nearly 50% up on 2002." ("Online identity theft", in No 268, June 2008)

If everyone is given a "place" on the net where people can be contacted, that also creates an opportunity for people to protect themselves. But this "place" must be made safe, and therefore must be seen by governments as part of their country's normal infrastructure. Integrity is the key word.

I have a basic security system on my site, but who am I? Can I be trusted on the web? A simple site, maybe in combination with some kind of "digital signature", would provide people with at least some degree of protection by making it possible for them to prove their identity. Just like issuing a passport, it should be fairly easy to do, although it may never entirely stop fraud on the net. But like a passport, your web identity should be protected by your country.

If nothing has been done so far, it is simply because governments do not recognise their citizens' identities on the web.

Identity security is no longer an issue only to be addressed by "the net" itself. Countries should stop talking about web security and do something to make the Internet a part of their infrastructure.

Thomas Hansen
Denmark
http://th.direct-mail.me

Your comments

The following extracts are from posts at www.oecdobserver.org and www.oecd.org

On jobs –

"I realise that as ministers of sitting governments, the folks commenting above are pretty much on the spot and have no choice but to portray the actions of their governments as effective. The reality is that governments around the world are dropping the ball on unemployment and they're just hoping that it won't get too bad and will go away before people get too fed up. That's not going to happen. The old paradigm is utterly bankrupt. Bailouts, stimulus and 'active labour market policies' are not going to solve the jobs crisis."

Sandwichman, on a ministers' roundtable online

–the crisis–

"The president only helps people in the countryside, not the cities. Been that way for years. Countryfolk get land titles while the middle class is intimidated and attacked by banks, who take their stuff away. Do something urgently."

Manolo Córdova in Guatamala, posted in Spanish

–and green growth

"Private profits, publicly subsidised, while productivity and people's living standards go through the floor as cheap energy is outlawed. This is truly terrifying."

Dr Terence Dwyer, on an article about green growth

Comments on a "global standard" known as the Lecce Framework, posted on a special OECD/Italian government blog set up to coincide with the G8 in Italy in July 2009.

"The Lecce Framework recognises that in today's world there is no alternative to globalisation as a motor for growth and employment worldwide. It also considers that the interests of individual market players can coincide with those of the world community. This would demand that all actors live up to fundamental norms of propriety, integrity and transparency in economic relations. The Netherlands fully endorses the philosophy behind the Lecce Framework."

René Van Hell,
Ministry of Economic Affairs, the Netherlands

"We are all living in the same condominium and we must all realise that we are strictly interconnected... what I am concerned about...is that not every person and every country on this planet has the same possibility to immediately and unlimitedly make the globalised step that global standards are proposing."

Tomaso Ferrando,
International University College of Turin

"It is also important that zeal for change does not cause us to lose sight of how important legal risk is for the financial markets."

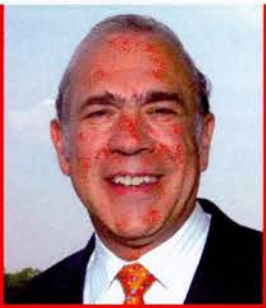
Roger McCormick,
London School of Economics

"We need to make management a profession. True professions, like medicine or law, have codes of conduct and the importance of adhering to these codes is taught as part of the formal education required of their members."

Rakesh Khurana,
Harvard Business School, US

More at www.oecd.org/globalstandard

Jobs are the bottom line of the global crisis



Angel Gurría, Secretary-General of the OECD

Some 15 million people have joined the ranks of the unemployed in OECD countries since the end of 2007. Unemployment has already reached a record high of 8.5% as a result.

Without the right policies and if the recovery fails to gain momentum, OECD unemployment could approach 10% next year. That would mean 57 million people out of work–roughly equivalent to the population of some G8 countries!

The financial and economic crisis has developed into an unemployment crisis, with untenably high economic and social costs. Employment always take time to recover after recessions, but the lag could be longer this time. Many firms have been wiped out and livelihoods destroyed because of the financial crisis. These are the challenges ministers from around the world will confront when they gather at the OECD Labour and Employment Ministerial Meeting on 28-29 September 2009. Despite stretched budgets and burgeoning debt, they must act decisively to end the jobs crisis.

Job losses have affected all social groups, but as usual, disadvantaged groups–youth, low-skilled, immigrants, ethnic minorities and those on temporary contracts–have borne the brunt. Indeed, youth unemployment has risen sharply in several countries including France, Spain, the UK and the US, to around twice the average for the OECD overall.

Policymakers must work to prevent these vulnerable unemployed from being trapped in long-term unemployment or dropping out of the labour force altogether. Governments must act now to stop the vicious circle whereby job hunters become demoralised, lose confidence and become less employable. They must act now to prevent persistent unemployment from casting a long dark shadow over people's welfare and from damaging the social fabric of our countries. And they must act now to prevent it from dragging down the recovery and, with it, the prospects of an entire young generation.

The good news is that governments are taking action, as ministers writing in this edition of *OECD Observer* testify. In fact, jobs feature strongly in many governments' fiscal stimulus recovery plans. This is because active labour market policies help people maintain their skills or acquire new ones, and provide an opportunity to prepare workers for green growth. They help people find work, for even in today's deep crisis, millions of new jobs are being filled. A recent OECD survey of 19 countries suggests that such additional spending could save up to 5 million jobs by 2010.

Many governments have acted to limit layoffs, with programmes such as the German *Kurzarbeit* that has kept some 1.5 million workers in their jobs.

Extending coverage and the duration of unemployment benefits has been another vital option, which governments have widely used to support incomes.

But more must be done, particularly by providing more resources to assist job losers with training and active job search in return for benefits. Policymakers will get more "bang for their buck" using this approach, which boosts morale and skills, and keeps people in the labour market.

Worryingly, in most countries public spending on active labour market measures has not kept pace with the rise in unemployment. Spending per unemployed person has declined by over 40% in Ireland, Spain and the US since the crisis started. This looks like a missed opportunity. Employment offices must be able to deal properly with job-seekers' needs and make full use of the opportunities, which effective active labour market programmes provide.

What matters is finding policies that work. We know one size does not fit all. For instance labour market systems in some Nordic countries which combine generous social safety nets, relatively flexible labour and product markets and a tradition of social dialogue, cannot simply be transposed to countries where taxes are lower or where employment institutions are less sophisticated. Such differences must be taken into account when designing and implementing effective policies. Our ministerial discussions will help countries identify good practices to suit their circumstances, while avoiding the costly mistakes of the past.

But governments should not be left to struggle with the unemployment problem on their own. In the past year we have witnessed an unprecedented global effort dedicated to address the financial crisis. It is starting to bear fruit. A similar effort must now be afforded to beating the jobs crisis across developed and developing countries alike. Social protection and a decisive fight against informal employment should be a priority in ensuring decent work, a sustainable and just recovery and social progress in developing countries. Leaders of the G20 are fully committed to supporting global growth to achieve a recovery strong enough to create the jobs needed all over the world. Though governments can lead the way, they will need support not only from international organisations such as the ILO and the OECD, and in fora such as the G20, but also from business.

The gloom in the global financial sector may be lifting, but a full recovery will only come when we have solved the jobs crisis together. Employment is the bottom line of the global crisis. ■

www.oecd.org/secretarygeneral
www.oecdobserver.org/angelgurria

News brief

Outlook brightens

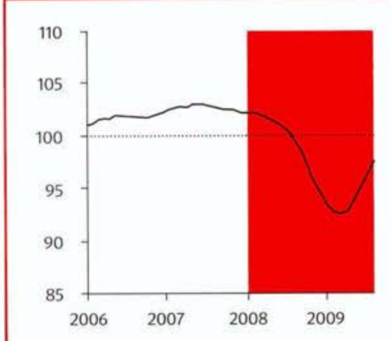
Hopes for a faster-than-expected global economic recovery have received a fillip from recent positive data on leading indicators. OECD composite leading indicators, which reflect the likes of order books, building permits, sentiment surveys and long-term interest rates in a bid to spot turning points six months ahead in business cycles, point to clear signals of a recovery in all major seven economies, particularly in France and Italy, as well as in China, India and Russia. The indicator for the OECD area rose by 1.5 points in July 2009, though it was 1.9 points lower than in July 2008. For the US it increased by 1.6 points in July, but stood 4.3 points lower than a year earlier. The leading indicator for Japan was up 1.4 points on the previous month, but down 6.6 points on a year earlier. The euro area saw its indicator rise both on the previous month, by 1.9 points, and on a year earlier, by 1.4 points.

OECD leading indicators have a good track record, and forewarned of the weakening trend in the run-up to the crisis as long ago as August 2007 (see *OECD Observer* No 263, October 2007).

Despite the brighter outlook, experts still urge caution. OECD countries have witnessed record drops in real GDP in 2009 and the latest update on the economic outlook on 3 September warns of continuing headwinds, emphasising that growth would be weak in 2010. Indeed, for OECD Secretary-General Angel Gurría the crisis was not yet over, warning ahead of the G20 summit that "we cannot claim victory simply because we see indicators of recovery picking up." The next *OECD Economic Outlook* will be released in late November.

Visit www.oecd.org/statistics

Leading up?
Composite leading indicators, OECD area



Soundbites

"The fundamental question is, how much sovereignty are you willing to give up for the global economic good? The answer, right now, is zero."

Raghuram Rajan, a former IMF chief economist, in *The Economist* print edition, 1 October 2009.

"There is the risk of enormous knock-on effects on trade and food supply, with the food price volatility of the last year looking like a vicar's tea party."

Andrew Sims, head of policy at the New Economics Foundation think tank, quoted in *The Observer* newspaper, 4 October 2009.

"Out of 1,000 euros, it would only generate 5 cents. But applied to a world scale, it could contribute some 20-30 billion euros, depending on the type of transaction."

French foreign minister, Bernard Kouchner, on how taxing international financial transactions (popularly known as a Tobin tax) might work, quoted in *Les Echos* newspaper, 17 September 2009.

Progressive measures

Joseph Stiglitz

The OECD is backing efforts to find new measures of economic performance and social progress. In remarks prepared for a September meeting on the findings of the Commission on the Measurement of Economic Performance and Social Progress, set up by French President Nicolas Sarkozy, Secretary-General Angel Gurría welcomed moves away from indicators based on production to ones based on people's well-being. The French president's commission, which includes five Nobel prize-winning economists–Joseph Stiglitz (our photo), Amartya Sen, Kenneth Arrow, James Heckman and Daniel Kahneman–proposes new indicators to measure subjective aspects of social progress such as freedom, security and contentment as well as objective features including economic and ecological resources. The OECD is ready to help lead international co-operation on harmonising concepts and methodologies, Mr Gurría noted. The OECD World Forum on 27-30 October 2009 will provide a major international opportunity to advance the Commission's recommendations. See also "Progress, what progress?" by Joseph Stiglitz, in *OECD Observer* No 272, April 2009.

Available at www.oecdobserver.org

Warning for EU–

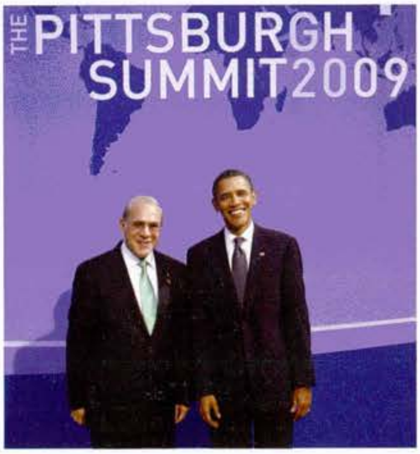
Strengthening innovation, deepening the single market and moving to a low carbon economy are among the areas where reform needs to be accelerated to strengthen long-term growth in the EU, the latest economic survey of the European Union, released this September, says.

See www.oecd.org/eu

–and protectionism

The OECD, World Trade Organization and the UN's Conference of Trade and Development have called on the leaders of the G20 countries to resist protectionism in trade and investment.

See www.oecd.org/investment



©Getty Images/OECD

US President Barack Obama greets Angel Gurría

New sources of jobs and growth needed for a sustained global recovery will only emerge if the right structural policies are adopted by the world's leading global economies, OECD Secretary-General Angel Gurría said at the G20 summit in Pittsburgh in September. Welcoming the adoption of the G20's Framework for Strong, Sustainable and Balanced Growth, Mr Gurría cited the benefits to be derived from reforming education, and labour and product markets. He called for the need to agree on common targets in areas such as innovation and green growth, which "could become the overarching umbrella for the G20 Framework's structural agenda".

Several OECD work areas were reflected in the G20 communiqué, including tax (next story) climate change, employment, trade and the OECD anti-bribery convention.

See www.oecd.org/g20 and www.g20.org/pub_communiques.aspx

Tax notes

"What has happened is nothing less than a revolution." This is how OECD Secretary-General Angel Gurría summed up progress in the fight against international tax evasion in recent months. In remarks to G20 leaders in Pittsburgh in September, Mr Gurría noted that since the London summit in April there had been unprecedented action to implement the OECD-initiated and now globally-endorsed standards of transparency and exchange of information in tax matters: over 90 tax information exchange agreements have been signed and over 60 tax treaties negotiated or renegotiated to incorporate the standards. All major on and offshore centres have now endorsed the standards.

Leaders at the G20 in Pittsburgh confirmed their commitment "to maintain the momentum in dealing with tax havens" and welcomed the expansion of the Global Forum on Transparency and Exchange of Information at the OECD, which would now include developing countries. The changes to the forum agreed in Mexico earlier in September also involve putting in place a transparent governance and financing structure, and setting up a peer-review process. A proposal for a multilateral tax information exchange agreement was also endorsed. At Pittsburgh, G20 leaders said they were "ready to use countermeasures against tax havens from March 2010" so that countries can enforce their laws and protect their tax bases. For more, see www.g20.org

Meanwhile, the OECD and the **Council of Europe** have agreed to improve international cooperation to combat tax evasion. New rules are aimed to remove obstacles to effective co-operation and exchange of information, especially those related to bank secrecy legislation.

Separately, **Switzerland** has signed a protocol to its tax treaty with the US that incorporates the internationally agreed tax information standard. This is the 11th such exchange-of-information agreement signed by Switzerland. **The British Virgin Islands** and **Cayman Islands** have also implemented the internationally agreed tax standard, signing tax information-exchange agreements with New Zealand. And **Luxembourg** also made progress in by signing a protocol to its double taxation convention with Norway over the summer.

See www.oecd.org/tax

Economy

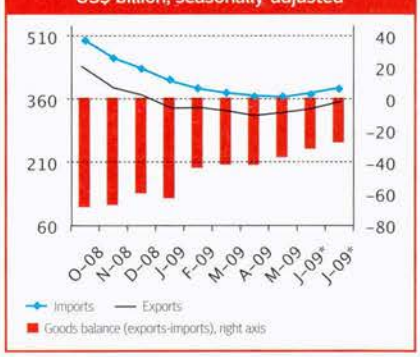
Inflation in the OECD area eased further as consumer prices fell by 0.3% in the year to August 2009, compared with a fall of 0.6% in the year to July. Consumer prices for energy were down by 14.4%, following a fall of 18.1% in July. For food, consumer prices edged up by 0.1%, instead of 0.6%.

Unemployment for the OECD area was 8.5% in July 2009. This was 2.4 percentage points higher than a year earlier. In the euro area, the unemployment rate was 9.5% in July 2009. In the US, it stood at 9.7%, and in Japan, 5.7%.

Merchandise trade showed signs of bottoming in the summer, but seasonally-adjusted monthly G7 totals for the 13 months to July 2009 also show the extent of the trade slump. Latest trends, while hopeful, do not confirm a demand recovery, as countries have been rebuilding inventories.

See www.oecd.org/statistics

Total merchandise trade
US$ billion, seasonally-adjusted



Plus ça change...

"(Unemployment) has been a matter of great concern to the US authorities not only because of the human problem it presents but because it implies the waste of one of the most important economic resources...

"Seeking a solution to US manpower problems" in No 9, April 1964

Observer

Jobs crisis

John P. Martin, Director, OECD Directorate for Employment, Labour and Social Affairs

©Mark Blinch/Reuters

Policies that work

Unemployment is rising to unprecedented high levels. There are several good policies governments can deploy to tackle it, but there are risks to avoid too.

The global economy is in the midst of the worst financial and economic crisis of the past 50 years, with severe consequences for workers and their families. Since the second half of 2008, major declines in output have occurred in countries everywhere, leading to sharp falls in employment and steep hikes in unemployment. From a 25-year low at 5.6% in 2007, the OECD unemployment rate rose to a postwar high of 8.5% in July 2009, corresponding to an increase of over 15 million in the ranks of the unemployed. In short, OECD countries are facing a jobs crisis. Though all social groups have been affected by job losses from this crisis, from blue-collars (construction) to white-collars (banking) as in previous severe economic downturns, it is the already disadvantaged groups in the labour market–youth, low-skilled, immigrants, ethnic minorities and, among them, those on temporary or atypical jobs–that are bearing most of the brunt. At the time of writing, there are growing signs that the worst of the recession may be over and that a recovery may be in sight. But the short-term employment outlook remains grim. The latest OECD projections suggest that output growth will regain positive territory only in the first half of 2010 and that growth will be mild until late in the year. In any event, job creation will lag significantly behind any pickup in output. As a result, the OECD unemployment rate is projected to continue rising through much of 2010, approaching a new postwar high of 10% in the second half of the year. That's 57 million people out of work, which is equivalent to the population of some major industrial countries!

A major risk is that much of this unemployment becomes structural in nature as many of the unemployed drift into long-term joblessness or drop out of the labour force. This unwelcome phenomenon occurred in a number of OECD countries in past recessions, and it took many years, if at all, to bring joblessness back down to the pre-crisis level. This *persistence* in unemployment arises because the long-term unemployed become less attractive hires for employers as a result of declining human capital and diminished job-search activity. Moreover, persistently high unemployment brings other major social and economic costs in its wake, from poorer health, lower living standards and less life satisfaction for the unemployed and their families to increased crime and lower growth potential for society.

Labour market and social policies have a key role to play in preventing these outcomes by helping jobseekers back into employment and enhancing their skills to enable them to move into more productive jobs when the recovery gathers speed. Most of the fiscal stimulus packages introduced by OECD and other countries to bolster demand include additional labour market and social policy measures to cushion workers and low-income households from the negative effects of the crisis.

The first line of defence is the social safety nets, such as unemployment benefits and social assistance, which provide essential income support to job losers during the economic downturn. While unemployment benefits automatically step in to stabilise the incomes of many job losers, coverage of such benefits is weak in some OECD countries, especially where part-time, temporary and other "non-standard" workers account for a large share of the workforce. Such workers are often the first to be laid off and have weaker benefit entitlements. In a number of countries, some efforts have been made to extend the coverage and, in some cases, duration of benefits to provide a more effective safety net for the crisis. Such measures can be effective, but should be carefully designed so as not to dull incentives to look for employment, thereby lengthening the jobless spell.

Apart from reinforcing safety nets, governments have also sought to scale up the resources for active labour market policies (ALMPs) to help jobseekers find work. However, compared with the overall size of the fiscal stimulus packages and the magnitude and pace of the job losses in the current crisis, the increase in spending on ALMPs has been modest in many cases. This looks like a missed opportunity. True, calls for additional public spending

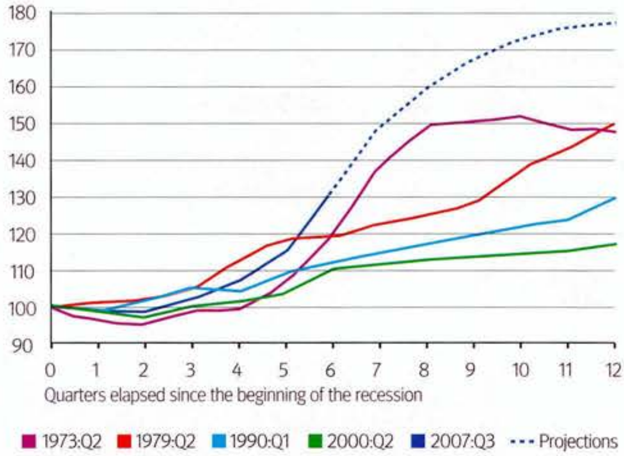
> A recovery on its own is unlikely to make swift inroads into high and persistent unemployment

Joblessness record ahead

Trajectories of unemployment rates during previous and current downturns

Index base 100 = unemployment rate at the business cycle peak, OECD area, quarterly data.

Unemployment in the current recession has followed a steeper rise than in any previous recession since the 1970s. Projections show unemployment to reach 9.9% in 2010, the OECD's highest ever rate. If March projections prove correct, the level of unemployment will be 80% above 2007 levels.



Source: OECD March 2009

on labour market policies have to bear in mind the growing fiscal constraints many countries are facing due to the crisis. However, the extra spending can be justified on cost-effectiveness grounds. We now know a lot about what works and what does not work in this area. In addition, as this year's edition of the *OECD Employment Outlook* highlights, the composition of spending on active labour market policies can be varied with the business cycle to maximise effectiveness.

A key priority is to provide effective employment services to a rapidly rising pool of jobseekers and ensure that the most vulnerable of them do not lose contact with the labour market. Many countries have made good progress in the past decade in implementing successful activation/ mutual-obligation strategies that require benefit recipients to participate in job search, training or employment programmes, or face the threat of benefit sanctions. It will be important to build on these successes and not dismiss the activation approach, even if there are fewer job vacancies to which jobseekers can be referred. Instead, the activation approach needs to be adapted to the circumstances of a deep recession. It is essential to maintain core job-search assistance throughout the downturn. Even in a deep recession, many jobs are created by firms that are able to exploit new market opportunities, and employment services can play a decisive role in helping fill these vacancies quickly.

Indeed, as OECD research suggests, the focus and resources behind activation could be shifted somewhat from the "work-first" approach, which tended to dominate prior to the crisis, to a "train-first" approach. This is likely to be particularly important now, since the global economic crisis is spurring structural changes in OECD economies, and measures to foster skills and training will help ensure that workers are well-equipped for emerging jobs.

During the recession, firms have been battered by a collapse in demand and a major credit crunch, resulting in massive lay-offs. Many OECD countries have introduced or scaled-up subsidies that encourage firms to retain or hire workers, with measures such as short-time working schemes, hiring subsidies, and cuts in social security contributions. Such measures help support labour demand in the short term, but to judge by past experience, they often lead to high deadweight costs that bear down on economic performance. To minimise these costs, such schemes should be temporary and well-targeted at firms where demand is depressed only temporarily and at those workers who are at high risk of long-term unemployment. Without these key features, these schemes will not only be less effective in preserving jobs but could also become an obstacle to the recovery by slowing the reallocation of workers from declining to expanding firms and sectors.

Likewise, public-sector job creation schemes that target the hardest-to-place jobseekers might provide a useful, temporary backstop to activation regimes during the recession. However, experience shows that these schemes are not that successful in helping the most at-risk jobseekers get back into regular jobs. It is therefore important to build incentives into such measures to ensure that participants go on to regular jobs and to unwind the schemes quickly once the recovery gathers pace.

There is now real hope that a recovery is on the horizon. When it comes, this will make tackling the jobs crisis easier. But a recovery on its own is unlikely to make swift inroads into high and persistent unemployment. Together with appropriate counter-cyclical macroeconomic policies and further structural reforms in labour and product markets, well-designed and adequately resourced labour market policies have a key role to play in preventing the crisis from casting the long shadow of persistent unemployment. ■

Adapted from *OECD Employment Outlook 2009: Tackling the Jobs Crisis*, Paris, September 2009

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Giving youth a hand

© POOL New/Reuters

France's President Nicolas Sarkozy shakes hands with a construction student during a visit to an environmental training centre.

Could today's jobs crisis end up scarring the hopes of an entire generation? Even in the best of times, many young people have a hard time getting a foothold in the labour market, with youth unemployment often two to three times higher than for adults. In recessions, finding work gets tougher still. Moreover, many of those young people who have work are on short-term contracts and commonly find themselves first in line when it comes to lay offs–some 35% of workers aged 15-24 in the OECD area held temporary contracts in 2008. In this recession, there is extra cause for concern.

Across the OECD area, youth unemployment rose by 4.3 percentage points over the year to June 2009, to 17.6%, which is about twice the overall average rise for all age groups. Youth unemployment is highest in Spain, with over a third of young workers now out of work there, compared with a national average of 15.8% for workers aged 25 and over. Several other countries with different kinds of labour markets, from Italy through Sweden to the US, also have youth unemployment approaching (or exceeding) 20%. Even in countries where well-established apprenticeship systems have traditionally promoted a smooth transition from school to work, such as Germany, Austria and Switzerland, youth unemployment has climbed sharply too.

One reason is that the nature of apprenticeships has evolved during the crisis, and firms are reluctant nowadays to offer them to youth who don't have educational qualifications, or who come from immigrant backgrounds. To make matters worse, many of the youth laid off from temporary or part-time jobs do not qualify for unemployment benefits. With the severity of this downturn and the danger of a jobless recovery, these young people run a serious risk of falling into poverty.

In short, an entire generation of recent school-leavers could soon find themselves out of work for months or possibly years, and may never recoup the losses in income, career prospects, and job and life satisfaction that early and prolonged unemployment can entail.

Some governments have responded quickly with comprehensive youth-targeted packages. In April, the UK government announced that from January 2010, all people under the age of 25 who have been unemployed for over a year will have a job offer, training or a paid work-experience place. The US government announced that it would expand unemployment benefits to many more jobless people, including youth, and expand its existing programme of tax credits to employers hiring 16 to 24-year-olds. All municipalities in the Netherlands are now obliged to offer work, training or a combination of the two to all 18 to 27-year-olds who apply for social assistance benefits. And France has recently announced a comprehensive €500 million plan to assist young people in either continuing their studies or entering the labour market.

Many other countries are making efforts to provide easier access to active labour market programmes, including job-search assistance and training, for both new entrants and youth who have encountered difficulties in entering the labour market. Many are also providing extra funding for apprenticeships for unskilled youth, while some are discussing ways to reform the education system so as provide youth with sufficient opportunities to earn a recognised and valued professional qualification.

It's becoming clear that in many countries, the traditional "first school, then work" model no longer applies: work is becoming part of a student's core curriculum. But the main lesson in an increasingly knowledge-based global economy is that it pays for students to stay longer in school, since unemployment among young people, even during good economic times, is solidly linked with low levels of education. Governments would be smart to revise some of their basic education, training, employment and social policies so that when a recovery does take hold, young people will be ready and able to work. ■ *MA*

For more, visit www.oecd.org/employment/youth and www.oecd.org/employment/ministerial

Roundtable on the jobs crisis

What governments are doing

Ministers responsible for employment from around the world gathered at the OECD on 28-29 September to discuss the jobs crisis. In our eighth *OECD Observer* ministers' roundtable, we asked six representatives, from Canada (co-Chair), Italy (co-Chair), Sweden (vice-Chair), France, New Zealand, and Chile, which is a candidate for OECD accession: What new policy actions are you taking to improve the jobs situation in your country?

Canada
Working from a solid base

Diane Finley, Minister of Human Resources and Skills Development, and co-Chair of the 2009 OECD Labour and Employment Ministerial Meeting

The OECD Employment Ministerial meeting is occurring at an important juncture. There are encouraging signs of an economic recovery on the horizon, but we still have work to do. We must continue to address our current labour market challenges, while not losing sight of our longer term labour market policy goals.

Canada has been fortunate. We were the last G8 country to feel the impact of the recession. We had, and still have, a solid banking system and low and stable inflation. We confronted the recession with a sound fiscal framework. We benefit from a diverse, highly-educated, skilled and mobile workforce. Nevertheless, many communities, businesses and workers have been seriously affected by the slowdown.

The government of Canada reacted quickly. In January, we introduced Canada's Economic Action Plan, a plan to protect Canadian jobs through an unprecedented stimulus to the economy. Consistent with the OECD Reassessed Jobs Strategy, the plan includes the right mix of short-term measures that respond to workers' needs, while advancing longer term economic goals. Specifically, the Skills and Transition Strategy provided a major financial injection in initiatives to both help Canadian workers and their families weather the economic storm, and provide them with the income support, training and skills development to prosper in the future.

Workers who found themselves laid off after being in one type of job for a long time are being provided with skills upgrading to get new jobs. Older workers are getting the support they need to remain in the workforce. New investments are also helping newcomers to Canada get their credentials recognised faster to get them into the workforce more quickly. And we're providing incentives for workers to complete their skilled-trades apprenticeship training. Targeted assistance and skills development are being provided to vulnerable and under-represented groups to increase their labour market participation. To help youth, we increased summer job funding to offer more jobs for students and we created new youth internship opportunities. To provide economic stimulus, the rate of Employment Insurance premiums, paid by employers and workers, has been frozen for 2010 at the same rate as 2009.

Our action plan supports Canada's G20 commitments and the OECD's recommendation for timely, targeted and temporary interventions, to get the economy back on track. ■

Visit www.actionplan.gc.ca

Italy
Towards a cohesive, dynamic society

Maurizio Sacconi, Minister of Labour, and co-Chair of the 2009 OECD Labour and Employment Ministerial Meeting

"People First" are the key words for all Italian policies and the mainstreaming of the international actions identified during the "G8+" Social Summit of Rome to prevent the waste of human capital and save jobs. The Italian government has adopted three main guidelines to tackle the economic crisis, to reduce its impact on the labour market and to restore trust: keep stable and sound public finances; avoid any credit crunch to firms; and guarantee workers' income and maintain people's employability.

To save jobs and preserve social cohesion we strengthened all measures aimed at preventing redundancies and workers dismissals, supporting both employees and companies. The main pillar of these measures is the Cassa Integrazione Guadagni (Redundancy Fund). This instrument helps firms in financial difficulties by relieving them of the costs of laying off workers, and by supporting those workers who might lose part of their income. This pillar of the Italian social security system has been reinforced and extended to all types of workers and to all sectors, particularly to SMEs.

An important agreement was signed by the government and the regions in spring 2009 to tackle the jobs crisis. The agreement assigns a key role to the combined interventions of training actions and unemployment benefits. This is a clear example of passive–active measures connected to a welfare-to-work approach. Some €9 billion were mobilised for 2009-10. The results show that these measures have succeeded in containing the negative impact of the economic crisis. The increased use of the enlarged Cassa Integrazione, the adoption of flexible hours within companies, a more adaptable use of labour contracts helped to cushion the effects of the crisis on employment. At the end of July, some 800,000 workers had benefited from these measures and remained employed.

Although the "green shoots" of economic upturn are already evident, and the turning point has been reached in the global labour market, it is essential to preserve human capital and support a sustainable economic recovery. Italian commitment continues to be "People First" to improve the jobs situation and restore confidence in the future.

This summer the Italian government issued a White Paper on the future of the welfare system. The goal is to build a new welfare system based on financial sustainability but also on new opportunities for the development of a happy, active and dynamic society. A society built around the value of life is key to achieving social cohesion and economic growth. ■

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Sweden

Boosting active policies


©Swedish Employment Ministry

Sven Otto Littorin, Minister for Employment, and vice-Chair of the 2009 OECD Labour and Employment Ministerial Meeting

The Swedish government initiated a huge structural reform agenda when it came into power in 2006. This agenda remains, despite the recent economic downturn. The government considers it particularly important to continue its labour demand and supply-increasing policies; its reduction of individual and corporate taxes; its aim to facilitate labour-market entrance, and to increase educational opportunities. The aim of this agenda is to provide better conditions for high and sustainable growth and employment, given that this is essential in order to deal with the challenges due to the ageing population.

> In particular, the public employment service has been instructed to increase its coaching activities and the number of places available in work placement schemes

However, like many other countries, Sweden has also been hit hard by the recent economic downturn. Employment prospects are weak and unemployment is rapidly increasing. In order to prevent persistent unemployment and to sustain labour-force participation, it is of huge importance that those who now lose their jobs remain attached to the labour market. The government has therefore increased the resources available for active labour-market policy. In particular, the public employment service has been instructed to increase its coaching activities and the number of places available in work placement schemes, i.e. slots that include practical skills development.

In order to help the long-term unemployed to re-enter the labour market, the government has recently doubled an already existing social security deduction targeted at those unemployed people who have been living on benefits for an extended period.

The budget bill for 2010, which the government presented on 21 September, includes further measures in line with those mentioned above. ■

Visit www.sweden.gov.se

France

Pillars for youth


©French govt

Martin Hirsch, High Commissioner for Youth

France often ranks close to the average in the OECD's comparative tables. The employment rate of young people under the age of 25 is an exception, as on this score, France is one of the lowest ranked countries, at well below the average. This reflects a deep-seated problem. It is as though France knew how to give adults enough confidence to have children, but did not have enough confidence in itself to find a proper place for each young person in the world of work.

The French government has embarked on a radical course of action to remedy this situation, by drawing up a cross-cutting strategy in favour of young people, with the input of a special commission, made up of all the relevant players in the field.

The first pillar of this strategy is forging closer links between the educational system and firms, and between training and entry into the workplace, by: taking account of all skills, including those acquired outside the educational system; reforming students' learning paths; stepping up training courses that alternate with periods of work in firms; and creating a pre-hiring mechanism.

The second pillar is the support young people receive preparing for work. This will involve raising the current school-leaving age from 16 to 18 and creating platforms designed to prevent students from dropping out and to offer young people in difficulty a second chance or an alternative career path.

The third pillar relates to incentives and resources for young people, i.e. better support for students and increased resources for helping young people in difficulty. Income-support mechanisms, based on the experience of other countries, will be introduced on a trial basis.

Roundtable on the jobs crisis - continued

The fourth pillar involves granting young people, once they reach adult age, all the rights of full citizenship, and creating a voluntary, paid civic service that will enhance the value of working for a cause in the public interest.

This ambitious programme will have to be pursued over several years and will require far-reaching reforms. And we shall monitor France's ranking in the OECD tables, in the hope of rejoining those countries that have made their young people a policy priority. Perhaps from 2010 onwards France will offer lessons that the OECD and other countries will find useful. ■

Visit www.jeunesse-vie-associative.gouv.fr/

New Zealand
Cutting costs for business

Paula Bennett, Minister for Social Development and Employment

New Zealand entered the economic downturn with a healthy economy and a record low rate of unemployment, but with an underlying problem of long-term welfare dependency. The new government was sworn in late last year, just as the economic recession started to bite. Our immediate concern was to blunt the impact of job losses while putting in place longer-term measures to increase work readiness and productivity.

> Our "Job Support Scheme" allows businesses facing temporary difficulties to reduce redundancies by putting staff on a nine-day fortnight

Because New Zealand has a problem with welfare dependency, our concern was that the recession would put people back onto welfare and their link to the labour market would be broken. So we have adopted a strong "work first" approach, getting people into work instead of onto benefits wherever possible and supporting businesses to retain and create jobs.

We chose not to use the public service for job creation; instead, we focused on creating employment growth through fiscal stimulation and wage subsidies. One of the first steps was a package of measures designed to cut costs for business by reducing compliance and regulation.

We held a "Job Summit" with business, union and community leaders to gather ideas on what could be done to stem the rising tide of job losses. Among other ideas, this led to a "Job Support Scheme" that allows businesses facing temporary difficulties to reduce redundancies by putting staff on a nine-day fortnight. We provide financial support to employees who agree to reduce their working hours in order to prevent their co-workers from being made redundant.

For those who do lose their jobs, the "Restart" package helps with up to 16 weeks of additional housing and family income support while they search for work. Our focus is now shifting to 16 to 24-year-olds because we believe they are most at risk of long-term disadvantage if not engaged in education or work. Our most recent initiative offers employers subsidised workers drawn from those receiving unemployment benefits to give young people six months of work experience, coupled with increased training and education places. ■

Visit www.dol.govt.nz

Chile
Structural focus

Claudia Serrano Madrid, Minister of Labour and Social Security

Economic activity has been seriously damaged by the global crisis, resulting in severe outcomes, including unemployment. We must overcome this problem by applying a wider view, by dealing with the immediate situation but, above all, by promoting permanent measures that address the structural problems in the labour market, encourage "employability"–especially for youth and women–and strengthen unemployment assistance.

To address these issues, a fiscal stimulus plan of US$4 billion, equivalent to 2.8% of our GDP, was put in place. That, combined with a countercyclical currency policy, and historically low interest rates and inflation, should trigger economic activity through investment, consumption and easier access to loans.

Likewise, a national agreement between government, workers and employers, was signed this past July to protect employment and promote job training. The

> A national agreement between government, workers and employers, was signed this past July to protect employment and promote job training

plan, valid for one year, provides innovative measures, such as a job-training programme that allows workers to keep their jobs during training for a period of five months, or a tax incentive for those employers who keep their workers in work during training periods.

Long-term measures include the Youth Employment Subsidy that was put in place in July. The subsidy encourages entry into the labour market for those workers between 18 and 24 years, improving their earnings and future employability, and encouraging employers to hire them. Two thirds of the benefit is given to the worker and one third is given to the employer.

More workers are covered by unemployment insurance, and a Labour Skills Certification System has also been set up.

Our main challenge is to develop agreed policies that deal effectively with the global economic crisis and foster improvement in our labour market ■

Visit www.mintrab.gob.cl

Fighting poverty at work

With the crisis and sharp rise in unemployment, you might think anyone with a job these days should consider themselves lucky. Well, that depends.

Jobless families face three times the risk of falling into poverty than do working households, but having a job doesn't guarantee an adequate standard of living. In the US, more than 10% of the working population is poor. The same goes for Japan, Mexico, Poland, Portugal and Turkey. Even before the economic crisis hit, most people of working age in the OECD area living in poverty were part of a household in which at least one person worked. In fact, some 7% of people living in households with at least one breadwinner are poor–meaning the household's disposable income is below half the national median.

While it may be tempting to assume in-work poverty is mainly caused by low wages, evidence shows otherwise. Most people working for low wages are not poor: on average, fewer than one in 10 low-wage workers in 21 European countries lives in a poor household. Rather, *under*employment is the main culprit. Among all adults living in a poor household, only slightly more than 20% have a full-time job, and almost 70% of those work six months or less, on average, during the course of one year. In contrast, slightly more than half of adults living above the poverty line work full-time, and only a quarter work an average of six months or less during the year.

These statistics are particularly troubling in this economic downturn. In an attempt to save jobs during this recession, some employers have opted to reduce working hours. That could cause in-work poverty rates to soar over the coming months.

So, what can governments do to help the working poor? Social welfare and tax transfers to households can nearly halve the poverty rate among the entire working-age population. In some countries, like Denmark, France and Sweden, the reduction is even greater. However, social transfers tend to be less effective in reducing poverty among families with children than among childless households. The income support given to jobless parents–which reaches, on average, 40% of the median income in OECD countries–considerably reduces the depth of poverty, even if the recipients still live below the poverty line. The trouble is that the net amount of these transfers declines rapidly once people become employed, so it often makes financial sense for unemployed people not to accept a low-paying job. On average, full-time employment in a low-paid job brings two-earner couples with children to only 65% of the national median income. In this recession, it would be difficult for these families to stay above the poverty line if both spouses worked fewer hours, even if it meant holding onto their jobs.

To counter this, more than half of OECD countries already offer benefits that top-up the earnings of low-income workers. These in-work schemes have a major advantage over normal social transfers: they make employment more attractive for workers with low earnings potentials, since they are conditional on having a job. There are two kinds of in-work benefits: those targeting low-paid individuals, which provide stronger incentives to work, and those targeting low-income families, which focus more on income redistribution.

> In-work benefit schemes and minimum wages can boost the earnings of low-wage workers

Given the constraints on national budgets during this economic downturn, these benefit programmes need to be carefully targeted to have any real impact on the working poor. It is easier to reach only low-income families if, for example, in-work benefits are means-tested, based on their income. The downside is that these types of benefits tend to undermine any incentive for other people in the household to work. While benefits for the individual worker get around this problem, both types of schemes may reduce financial incentives to climb the wage ladder, work more or invest in further training or education.

Minimum wages seem the perfect vehicle to lift workers out of poverty. After all, earnings from work make up the bulk of a family's income. But minimum wages offer little support to the large majority of the working poor who cannot find a full-time job. In addition, high minimum wages tend to reduce employment among low-skilled workers, since employers are generally not inclined to spend more for workers who produce less.

Still, if minimum wages are set at reasonable levels so as not to undermine job creation, they could help the working poor in several ways. Setting a wage floor prevents employers from lowering wages and thus "pocketing" the value of any in-work benefits that are provided to individual workers. When combined with in-work benefit schemes, minimum wages can boost the earnings of low-wage workers. As a result, spending on benefits could be reduced–as could the taxes required to finance them. In-work poverty would fall too. ■ *MA*

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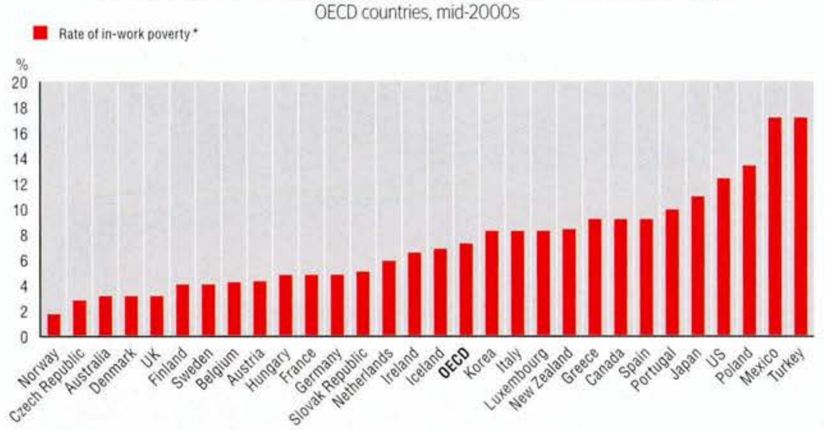
Poverty at work

In-work poverty rates among all individuals living in households with a head of working age
OECD countries, mid-2000s



* Percentage of individuals living in households with disposable income below 50% of the median income, among all individuals living in a given type of household with a head of working age and at least one worker.

Source: *OECD Employment Outlook 2009*

Any collar you want

When the OECD was mandated to develop a Green Growth Strategy this June, ministers specifically referred to the "green jobs" that such a strategy would support. But what exactly are "green jobs"?

The definition of a green job is squishy. Is someone who works in a plant that manufactures solar panels a "green-collar" worker or a blue-collar worker? What about a Ford worker producing low-emission cars? Does a banker who lends for environmental projects wear a green or white collar? Is a job "green" because of its effect on the environment or on growth, or both? Perhaps green jobs require new types of training. But would shifting to a green economy ultimately result in a net gain or a net loss of jobs? So far, no one has come up with satisfactory answers.

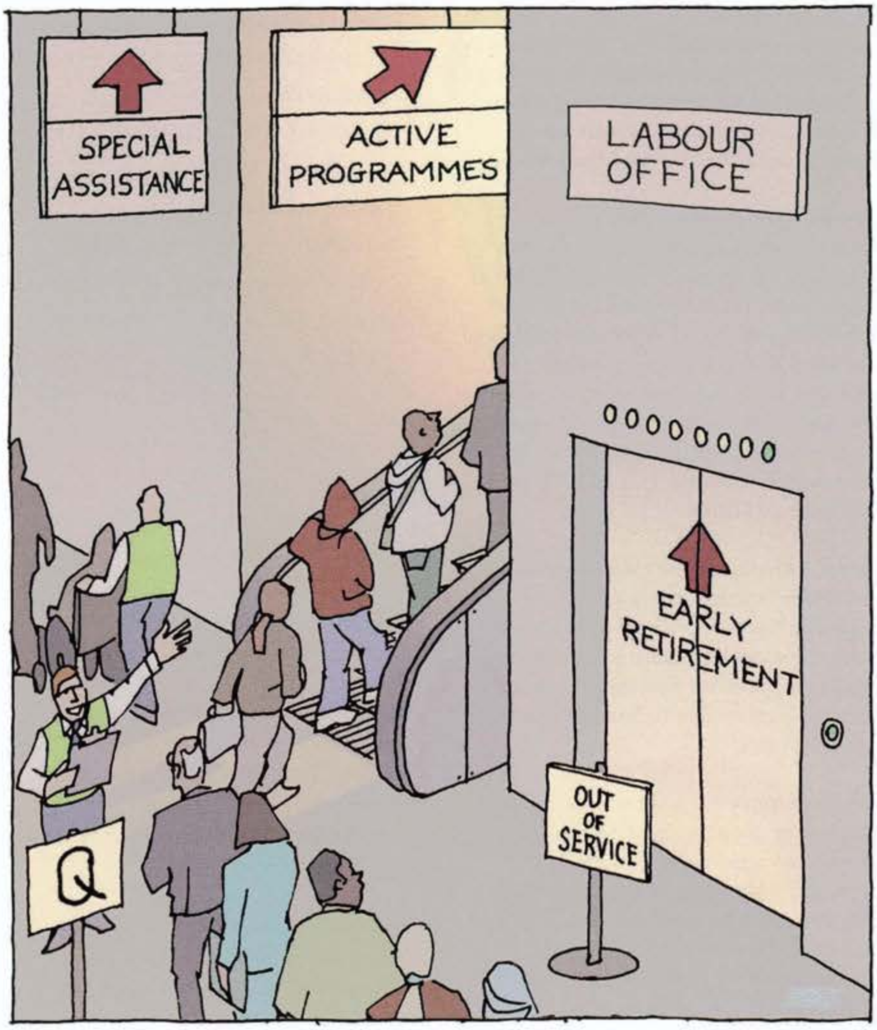
One recent analysis, co-authored by Sir Nicholas Stern* and published in *Climate Policy*, suggests that in the short term, switching to low-carbon technologies will lead to net job creation, because renewable energy sources are more labour-intensive than conventionally produced energy. But the study also suggests that workers laid-off from the "old" energy sector will probably not be able to find work quickly in the new sector, as they will need to upgrade, or maybe change, their skills. Over the medium term, jobs will be created in the construction sector, to retrofit old housing stock for instance, and there will be new markets for carbon traders and wind-power repair workers. Long-term, jobs in technological research and innovation will thrive.

A shift to a green economy will impose fundamental changes in the way we live, and that means in the way we work and train as well. To reinvent that old Ford expression, workers will be able to choose any collar they like, as long as it's green. *RJC/MA* ■

*Fankhauser, Samuel, Friedel Sehlleier, and Nicholas Stern (2008), "Climate change, innovation and jobs", in Climate Policy No 8, available at www.climatepolicy.com

Invest in employability

Jenny Ross, Ingeus Centre for Policy and Research*



Respond to the needs of the newly unemployed while continuing to engage with people who are disadvantaged within the labour market: this is the major challenge facing employment ministers today.

Unemployment is rising sharply in many countries, and with pressure growing on social assistance bodies, employment services and broader public finances, there are difficult questions for governments to answer in terms of where to invest scarce resources and how to ensure value for money. Renewed commitment to employment support underpinned by improved analysis of how this can be most effectively delivered must be central to the discussion.

Here are some key elements to help ministers build an effective response to the crisis.

First, maintain focus on the long-term goal of sustainable employment for all.
It is critical to learn the lessons of previous downturns. Mitigating the current rise in unemployment by increasing rates of early retirement or take-up of disability or health benefits will lead to dysfunctions in the labour market over the long term. With the workforce ageing and the trend towards tightening labour markets, it is important to invest in keeping older people and those with health conditions engaged with the labour market.

There has been considerable focus in recent years on increasing the conditions attached to receiving benefits and bringing those people who were previously far from the labour market, particularly single parents and those with disabilities and health conditions, closer to it. This has resulted in innovation and success in policy, better procurement and better delivery of services.

But when public finances are stretched as they are now, and with fewer job opportunities for everyone, there is a danger that the quality and comprehensiveness of employment services for these groups will suffer as priorities and resources shift to support for the newly unemployed. The effects can be both serious and long-lasting. In fact, labour market exclusion can become inter-generational.

Second, target support on those most at risk of labour-market exclusion.
Many governments are concerned about the impact of the current crisis on the employment opportunities for young people. There are fears about potentially "scarring" a whole generation. There have been a range of responses, including guaranteeing training, extending apprenticeships and subsidising employment.

Governments should monitor the impact of the downturn on other groups who may be disproportionately affected by the crisis or at risk of long-term exclusion. The tightening labour market may affect migrant workers or refugees, whose knowledge of the local language or labour market may be limited, not to mention those people with disabilities or health conditions. For all these groups, it is critical to invest in their employability and skills levels so that they can compete effectively in the labour market.

There are fears about potentially "scarring" a whole generation

Labour market monitoring and analysis will help ensure that resources are effectively targeted. For example, research commissioned by the Department for Work and Pensions in the UK has highlighted that young people with the lowest level of qualifications and living in deprived areas are most at risk of labour market exclusion. Public employment services and social assistance bodies are trying to strengthen their analytical capacity so that they can use such evidence in deciding about resource use.

A personalised employment service should also be considered. This not only maintains a strong work focus, but, when skills-training is linked to future employment, has been shown both to help the most disadvantaged find work and be cost-effective.

In the current labour market, people with limited employment history are finding it difficult to compete with the newly unemployed, and it may be necessary to look for new tools to complement existing programmes. Work trial schemes or intermediate labour market opportunities could give participants a step up to labour market participation.

Third, governments must innovate.
Despite the current atmosphere of doom and gloom, opportunities will present themselves to innovate and develop more effective approaches to supporting those excluded from the labour market. This can already be seen in many countries, where higher demand for services has spurred innovation in delivery. In the UK, one response to the crisis was to increase the number of public employment service staff. As the new staff could not be accommodated within existing premises, they had to be located in partner organisations, including private sector and voluntary providers. This has created a more seamless service for clients and will potentially boost productivity.

Also, many countries have seen an increase in "light-touch" support provided by telephone or Internet as efficient alternatives to face-to-face contact for those who are newly unemployed or close to the labour market.

Fourth, bring in the local level.
Ministers will inevitably discuss how to maximise the return on their investment in active labour market policies and promote efficient resource use. At the local level there can often be opportunities to enhance the effectiveness of programmes by improving the alignment and targeting of employment support and complementary interventions, such as skills training. This can help scarce resources go further.

In the Netherlands, the government has decided to establish a network of local mobility centres to promote co-operation among companies, trade unions and job-finding organisations–an initiative that is strongly supported by unions and other social partners.

Bringing employers and trade unions into discussions about the local/regional labour market can help to plan for the longer term and bridge gaps between supply and demand. Local partnerships can also help to ensure that investment in skills and training for unemployed people matches local labour market needs or predictions of future skills needs.

The message is simple. In the current climate, individuals have to invest more to secure employment–they must look harder to find vacancies, apply for more jobs and secure more interviews than in better times. Governments must also invest more in employment services at a time when it is harder to support the transition into work and off social assistance. Only then will the newly unemployed not become permanently excluded from work and will those people who are further from the labour market improve their employability and move into sustainable employment. ■

Ingeus is an international provider of employment participation services aimed at assisting individuals and communities to achieve better employment outcomes. It partners with national, regional and local governments internationally, with a focus on finding innovative solutions for consistent high performance. Founded in Australia in 1989, Ingeus delivers employment programmes in France, Germany, Sweden and the UK.

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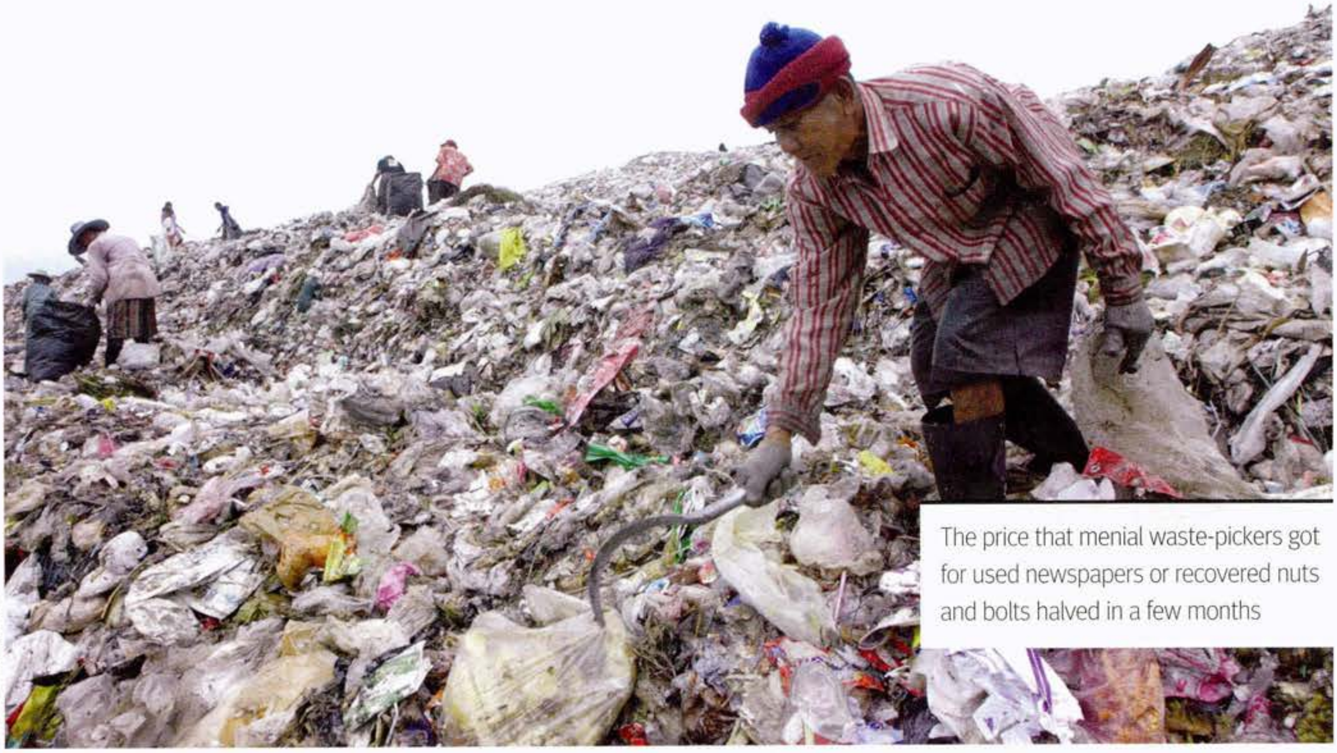
Forgotten workers?

Johannes P. Jütting and Juan R. de Laiglesia, OECD Development Centre



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The price that menial waste-pickers got for used newspapers or recovered nuts and bolts halved in a few months

Workers in informal employment have suffered greatly in the crisis, particularly in developing countries. A special focus on their needs is required.

As G20 leaders and OECD employment ministers turn their focus to solving the unemployment crisis that has gripped the world economy, they should spare more than just a thought for the particular plight of developing countries. Global unemployment has increased sharply, by 39 million workers, to judge by ILO central projections for 2009. But particularly for developing countries, unemployment is just one dimension of the challenge. Developing countries are also characterised by large numbers of informal workers who have no social or legal protection, and extremely low pay. They, their families and the wider communities to which they belong are exposed to all sorts of health and safety risks too.

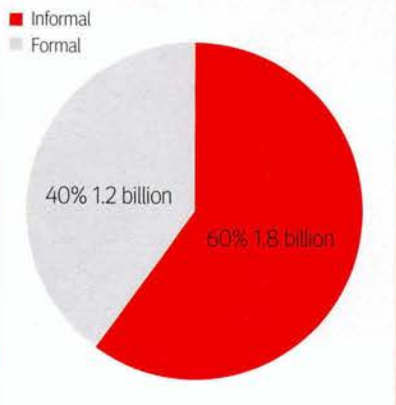
The crisis has led to a dramatic increase in informal employment and sharp drops in wages among these people. The livelihoods of hundreds of millions of workers are under threat. In developing countries particularly, a jobs crisis can quickly turn into a poverty crisis. World leaders cannot afford to look the other way.

The level of informal employment is already at record levels worldwide: 1.8 billion people, or more than half of the global labour force, are working without a proper labour contract or social security cover, according to the OECD Development Centre. Millions of informal workers live permanently at the edge of poverty too. Clearly, informal workers are particularly vulnerable to the global economic crisis. When demand falls, they are the first to be laid off or see their usually very small businesses fold. The lower down the social pyramid, the worse matters get.

For example, the price that menial waste-pickers in Ahmedabad, India got for used newspapers or recovered nuts and bolts halved between October 2008 and January 2009.

The share of informal workers worldwide is projected to grow in the years ahead. Before the crisis, projections estimated that as many as two thirds of the workforce would be in informal work by 2020. But with jobs being lost to the economic crisis and more migrants being forced into informal jobs, the picture could worsen. As with OECD countries, restoring growth in developing countries is a necessary but insufficient step to reverse this trend. Even during good times, with robust growth rates, informal employment increased in many developing countries. In India, though the economy grew by more than 5% per year throughout the last decade, approximately 370 million people–that's nine out of every

Informal employment
No. of workers worldwide, 2007



ten employees–still do not have formal social security.

What does this mean for policies? For the world's poor, working informally is often the only way to participate in the labour market. The challenge is to provide them with the necessary tools to move into better, more secure and more productive jobs. But the old approach of trying to coerce the informal economy into formalising won't work and should be given up. Rather, policies should aim to create more and better jobs throughout the formal and informal sectors together. This approach would improve the pathways from informal to formal jobs by harnessing the strengths and attributes of the informal sector, as well as tackling its weaknesses and vulnerabilities.

Consider training and skills. Though many so-called informal workers are classified as unskilled, many have in fact acquired talents in their trades. Improving the quality and availability of training in such a way as to bring those talents to bear more effectively not only helps poorer income groups, but can inject the skills and competences that will eventually be needed to expand decent work in the formal economy too. This means placing more emphasis on increasing access to training for all and upgrading apprenticeships. Countries such as Benin, Ghana and Mali are modernising traditional apprenticeship schemes and issuing certificates attesting to the skills possessed by informal sector workers.

Schemes are also being developed to enhance the entrepreneurial gifts of and provide better support to small and micro-entrepreneurs, many of whom are informal. Microcredit, for instance, is being used to encourage informal-sector workers to develop their businesses and put them on a more secure footing. Micro-lenders have blossomed from Bangladesh through Bolivia to Uganda, showing that informal micro-entrepreneurs can generate enough value-added to repay and generate income.

Apart from providing training and credit, there are simple steps governments could take to stabilise informal workers and encourage more formalisation. They could follow Singapore's example for instance by providing street-food vendors with dedicated spaces, access to tap water, some waste collection and basic services such as simplified registration systems. Of course, for formalisation to make sense, policymakers must make it an attractive option, by providing better public services, strengthening the courts, easing access to credit and reducing the cost of tax compliance for example. In short, they must make sure workers feel they will gain from switching to the formal sector.

Even without formalising, there are actions governments can take to reduce the poverty and vulnerability that afflicts such workers and their communities. In many countries where payroll tax-funded social security systems only cover a small fraction of the population, universal entitlements to basic health or old age insurance are feasible and affordable. Thailand for instance has extended health insurance coverage to an additional 14 million people within the past decade or so. Such measures can reinforce other poverty-alleviation interventions, such as public-works programmes, employment-guarantee schemes or conditional cash transfers.

A recovery will be essential to reversing the rising unemployment trend and will help keep the talents of tens of millions of workers firmly anchored in the labour market. The upturn will provide an opportunity to harness the talents of hundreds of millions of informal workers and to foster growth with more and better jobs. Policies to address informal sector challenges require a major effort on the part of governments in developing countries. Developed countries must support them in this challenge by honouring their commitments to increase aid and by boosting trade and investment. This won't be easy in a crisis, though the pay-off for rich and poor countries would be a more effective, more cohesive, and less impoverished global economy. ■

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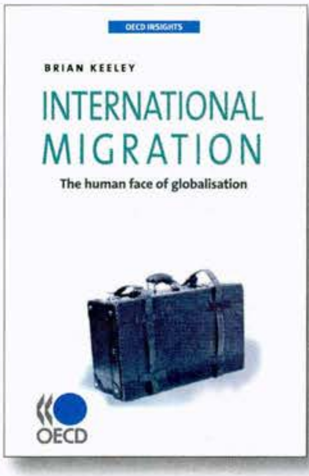
Myths and migrants



High unemployment and heated debates about migration often go hand in hand. A new book from the OECD Insights series casts a calm light on the human face of migration and on some of the more contentious issues. The following is a short extract.

One of the most widely heard accusations against immigrants is that they take jobs from locals, usually–it's claimed–because they are willing to work for less. How true are such claims, and do immigrants really harm the job prospects of natives?

As with so much else in international migration, there are no simple answers to these questions. The situation varies from country to country and from occupation to occupation–whether the immigrants and natives are low or high-skilled workers. The answers also depend on timeframes–immigrants may have a short-term, but little long-term impact–and whether we look at the state of the job market nationally or in a particular city or region.

None of this means that immigrants don't have an impact on native workers' jobs. All it is saying is that this impact isn't always easy to measure. Regrettably, in the absence of clear-cut data, rumour and anecdote may fill the gap, leading to the classic accusation against immigrants that "they're coming over here to steal our jobs".

What's the reality? Arguably, immigrants can help some local workers: For instance, if a family hires a migrant to care for children, it may allow both parents to go out to work. Or, if a restaurant hires migrants as waiting staff it may be able to expand its business, creating new jobs for managers that may well go to locals. Economists also argue that immigrants can complement native workers by doing work locals are unwilling to do, the so-called "3D jobs"–dirty, dangerous and difficult. In the United Kingdom, for instance, a BBC television programme interviewed Polish farm workers picking crops in the fields as well as some local men who were collecting social benefits. The Poles were paid £7, or a little less than $14, an hour, and seemed pleased with the work. "It's wonderful here," said one.

But at the state benefits office, locals derided the work. "No mate, I'd prefer to sign-on [for benefits] than do that," said one man, adding: "I don't want to work in like no cornfield. I don't want to work with a load of foreigners." As well as highlighting some xenophobic attitudes, the man's response hints at another accusation that's often made against immigrants, namely that their willingness to work for less drives down salaries–in some cases, to such an extent that locals just won't do the work anymore. There is some evidence that migrants do push down wages, but many economists argue that the impact is pretty small and that it doesn't last all that long. Those who are hit worst tend to be lower-skilled–and, thus, lower-paid–workers, and these usually include earlier waves of migrants.

It's also sometimes argued that an influx of immigrants is an easy solution that allows governments and employers to avoid systematically tackling deep-seated labour shortages by, for instance, raising salaries or boosting training opportunities for locals. Some argue that this situation already exists in many OECD countries when it comes to nursing and medicine. The availability of foreign nurses, especially temporary workers, means there's little pressure on salaries to rise or on hospitals to improve working conditions to encourage more locals to enter the profession. ■

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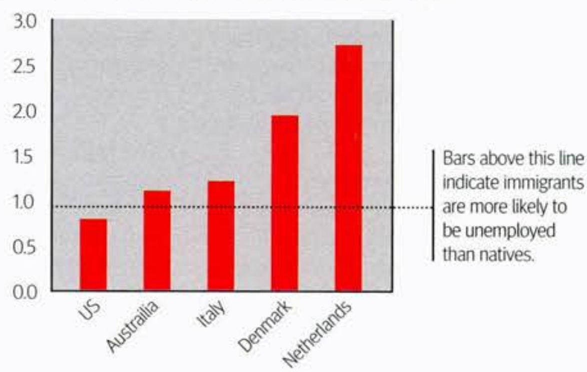
Out of work

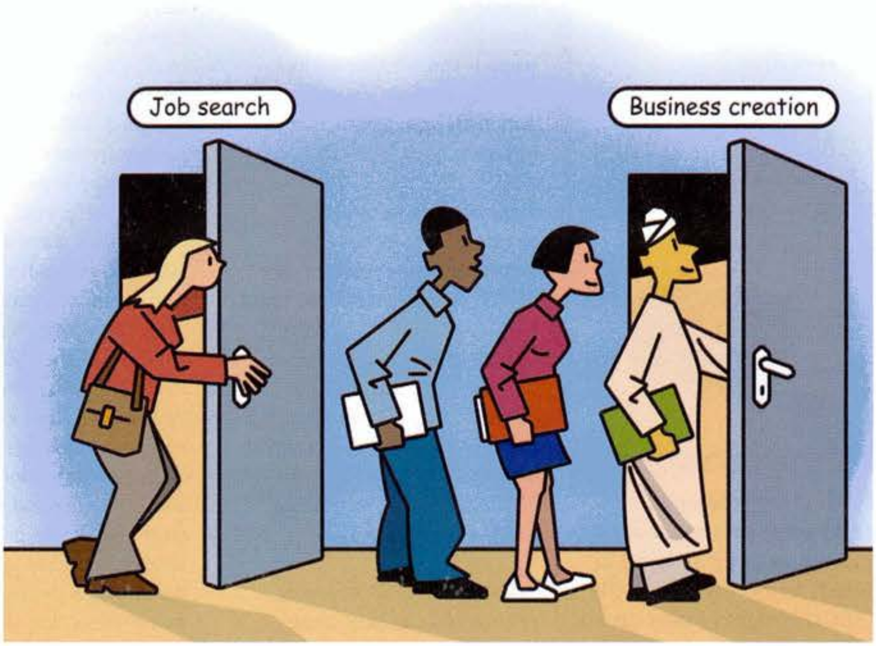
Unemployment rate of immigrants relative to native-born, 2006



Source: *International Migration Outlook: SOPEMI 2008.*
http://dx.doi.org/10.1787/427620785702 StatLink

Down to business

Adam B. Greene, Vice President, Labor Affairs and Corporate Responsibility, United States Council for International Business



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Governments must continue to adopt appropriate labour policies and structural change that will support enterprise creation, entrepreneurship and innovation

Thanks to prompt and significant government responses to the crisis, many economies are experiencing initial signs of recovery. However, there is still much uncertainty concerning what lies ahead and unemployment is still rising in many countries. The OECD unemployment rate reached a post-war high of 8.5% in July 2009, with an OECD estimated 15 million extra out of work since the start of the crisis. In contrast, unemployment across the OECD was at a 25-year low of 5.6% in 2007.

For the global recovery to take hold, governments need to undertake co-ordinated and coherent policy actions to restore confidence in financial markets and availability of capital. Governments must also ensure that labour market and social policy frameworks support business activity so that more jobs can be retained and new ones created.

In short, public policy must support enterprises. Governments must continue to adopt appropriate labour policies and structural change that will support enterprise creation, entrepreneurship and innovation–the only sustainable bases for the creation of wealth, jobs, new products and services. Importantly, government stimulus should be targeted, timely and temporary with a view towards long-term recovery.

Five key principles need to guide policies in support of job growth:

Actions must support job creation: Jobs may be created by short-term stimulus and emergency measures, including in the public sector, but policies must also continue to encourage entrepreneurial activity, innovation and enterprise creation, trade and investment. These activities are the most important source of jobs, and the only path to sustainable job creation.

Protectionism is not the answer: Despite ongoing challenges, there must be a continued commitment to keeping markets open to international trade and investment. Protectionism is a proven path to job losses in the long run.

Make doing business easier: Governments must vigorously promote regulatory environments conducive to sustainable enterprises, reduce excessive administrative costs and red tape, stimulate entrepreneurship and competitiveness, and provide access to lending facilities. In short, make it easier to do business.

Make the needs of small and medium-sized businesses a policy priority: The advantages that smaller firms gain from

Protect "employment" rather than "jobs"

dynamism and greater flexibility are often countered by weaker financial and management structures, making them particularly vulnerable in the current downturn. Providing SMEs with greater access to affordable credit, and reducing their compliance and cost burden are vital to recovery plans.

Protect "employment" rather than "jobs": Governments should ensure that labour market legislation and institutions can effectively facilitate a transition from recession to recovery. Protecting employment requires labour market institutions to provide flexibility that enables employers and employees to implement fair and creative measures to maintain employment levels.

The OECD is uniquely placed to support policy considerations and actions by governments on employment and social protection systems. The OECD also has an important role in global co-ordination on employment issues, including at the G8, G20 and with the ILO, the World Bank and the IMF. This global co-ordination has been critical in keeping the jobs crisis squarely on the agenda of governments as an issue that must be addressed in a co-ordinated manner across ministries, and this should continue.

Business is firmly committed to working with the OECD and its member governments to reinvigorate global economic growth and re-establish confidence in our financial systems based on sound and effective regulatory frameworks. This outcome is essential to addressing our employment and social policy challenges. ■

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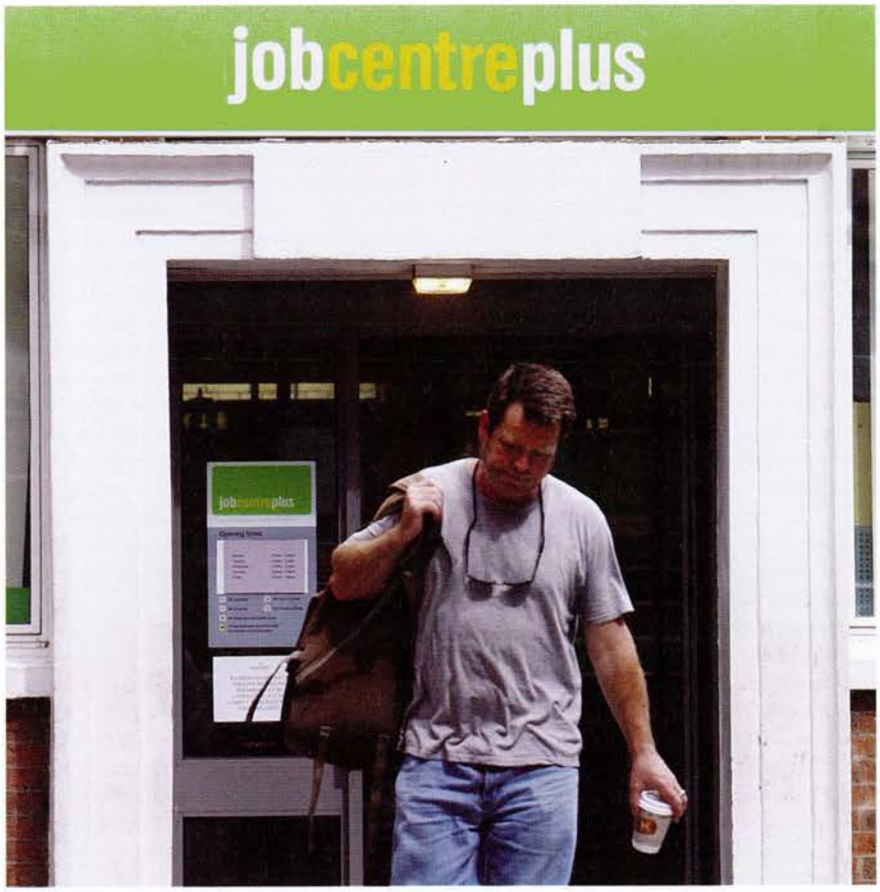
Decent work matters

Roland Schneider, Trade Union Advisory Committee to the OECD (TUAC)



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Active labour market programmes must produce more decent jobs. But will they?

In most OECD countries, unemployment protection systems don't provide adequate social security during a severe economic crisis and periods of high and persisting unemployment. Not only that, benefits can even run out within much less than a year and often before unemployed workers can find new jobs. Also, income support in many countries barely ever covers more than half a worker's previous salary, and sometimes much less.

What should governments do to fix this? The first step is for more governments to temporarily relax rules governing entitlement to unemployment benefits, increase replacement rates and extend the duration of entitlement. To provide unemployment benefits over longer periods of time in the wake of a severe recession with high unemployment makes sense on social as well as economic grounds. If the labour market is weak and demand very low, unemployed workers will need more time to find a job. Moreover, if benefit entitlements are exhausted quickly, that will weaken consumer demand and stall a recovery.

Benefit coverage should also be expanded to include workers in precarious employment, such as those on temporary or part-time contracts. Most of those workers aren't eligible for unemployment benefits at all.

It is well known that a significantly under-regulated financial sector provoked this economic crisis. However, the roots of the

> Some activation policies could force the unemployed to accept low salaries and sub-standard conditions

crisis are far from being purely financial. Structural changes in income distribution, particularly declining wages and surging corporate profits, led to an inequality of income not seen for decades. A number of countries, notably the US, maintained high rates of growth by substituting credit for labour income–a process that was supported by monetary policy and the development of allegedly "innovative" financial instruments. However, the price was heavier private and public indebtedness as well as wider global imbalances.

We have been here before–in fact, each of the previous downturns caused by the banking sector was associated with a subsequent rise in income inequality. But we can't let that happen again. A bold response to the crisis must seek to reverse the growth of income inequality. However, many banks in more than one country are not only awarding bonuses again, but using about 20% of the taxpayers' money used to bail them out to do so. We are calling on members of the OECD and G20 to do more than just condemn that kind of behaviour. Action on jobs will be undermined if there is no reform of the global financial system.

Nor should governments allow the burden of the recession to be borne by those least responsible for the crisis and least able to bear it, namely workers and their families. This economic downturn is likely to tip many more individuals of working age into poverty than ever before, whether through wage cuts or job cuts, or reduced work hours. This could lead to greater anxiety and a fall in public confidence and morale. Clearly, it is of utmost importance to combat the risk of wage deflation. The way to do that is by providing a sufficient wage floor by setting a minimum "living wage", extending the coverage of collective bargaining agreements and strengthening wage-setting institutions.

Effective responses to the employment crisis clearly require interventions to delay or prevent lay-offs, promote training opportunities, and encourage firms to take on staff. Such policies need to be grounded in trust and dialogue with trade unions and employers.

However, there are risks to avoid, notably in the activation policies as recommended by the OECD, and particularly those approaches that involve pushing benefit recipients into work by tightening entitlement criteria, lowering benefit levels and shortening their duration. Activation sounds attractive, but the policy can only work if there are properly resourced and well-managed employment services, not to mention sufficient vacancies. Otherwise, some activation policies will end up forcing the unemployed to accept low salaries and sub-standard working conditions. They may even force some to quit the workforce altogether, which is the reverse of what activation proponents want.

High-road approaches of activation, which only a few governments have applied, link a broader set of active labour market policies to the concept of mutual obligation. These approaches promote and finance training in order to improve the employability of the unemployed–with the understanding that the jobless who benefit from these programmes will actively look for work.

However, evidence suggests that some workfare and activation policies have had harmful side effects, like rising wage inequality, working poverty and more precarious jobs. Moreover, in these "low-road" approaches the responsibility for protecting individuals from the financial and social risks of unemployment appears to have shifted away from governments and firms to the unemployed individuals and their families. In truth, they are welfare reforms disguised as activation policies, whose effect has, as a leader in the *Financial Times* recently emphasised, weakened the role of automatic stabilisers by keeping benefits meagre and often time-limited.

The policy simply traps the unemployed in a game of musical chairs. The quickest off the mark (the most employable) would find an empty chair (a job), while others would not. Even if employment services get more resources or if for-profit intermediaries are brought in to help manage the load, nothing would really change. These low-road activation policies would have everyone scurrying faster for a seat, but as in the game, there will never be enough chairs to go around.

In short, helping the unemployed back into work calls for new approaches, which we believe will have implications for the future directions of OECD work on employment.

First and foremost, they should improve the measurement of labour-market performance and revisit the concept of structural reform policies in light of the causes of this recession, and notably the economic and social costs that hire and fire systems clearly bring. They should also re-evaluate the real effect of activation policies, particularly of narrowly defined approaches, and confirm whether rises in employment are really attributed to them. If the upturn takes hold, it will provide a perfect opportunity to do this.

The OECD should also examine how deteriorating job quality acts as a barrier to sustainable growth, as this would strengthen their ongoing work on precarious employment, in-work poverty and growing inequality. And they should further step up co-operation with the ILO and provide support for the ILO Global Jobs Pact and its promotion of decent work.

We need policies that focus on developing the labour market through training and by creating decent work opportunities. The new emphasis on a "train-first" approach to activation programmes rather than "work-first", as suggested by the editorial of the *OECD Employment Outlook* 2009, is a welcome development. In addition to creating jobs through investment from fiscal stimulus packages, providing temporary funds for public works projects at local and regional levels would be a good way to create proper jobs for those who are desperately seeking employment. Decent jobs, not just more work, will be key to achieving a truly sustainable recovery. ■

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Out of work: A portrait

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"Being unemployed is frustrating, demeaning and, at this point, frightening." Anyone who has any doubt about the devastating effects unemployment can have will learn a lot from statements such as this one, captured in a recent survey undertaken by the John. J. Heldrich Center for Workforce Development at Rutgers University in the US. The Center polled 1,200 Americans over the age of 18 who were unemployed and looking for work at any time during the 12 months to August 2009. The result? "The Anguish of Unemployment", in at times revealing words and numbers.

53% of respondents feel that the US economy is in the midst of "fundamental and lasting changes". As one respondent puts it, "Articles in the papers say we 'baby boomers' will have to work for a few more years, especially since so many of us have lost half, if not more, in retirement 'funds'. Now, you tell me, how can I work for a few more years if I can't even get a job interview?!"

Of the 56% of respondents who said that they had not received any government unemployment benefits over the past 12 months, 48% said they were ineligible to receive unemployment benefits. 60% of those without jobs said they were given no advance warning about their layoff; 27% were told one month or less before they were laid off.

Little wonder that some 51% of respondents said that when people are laid off from work, the government should be responsible for helping them. In comparison, 17% said the employer should be responsible and 33% said the workers, themselves, should be responsible.

Importantly, 76% of respondents said that the economic situation has had "a major impact" on their families. "I do receive food stamps, but that doesn't help me get back and forth to the grocery store, or buy laundry detergent to wash clothes, or even to buy new clothes for a possible job interview," said one respondent.

Of the 43% of respondents who said they had received unemployment benefits, 83% said that they were "somewhat" or "very" concerned that those benefits would run out before they found another job.

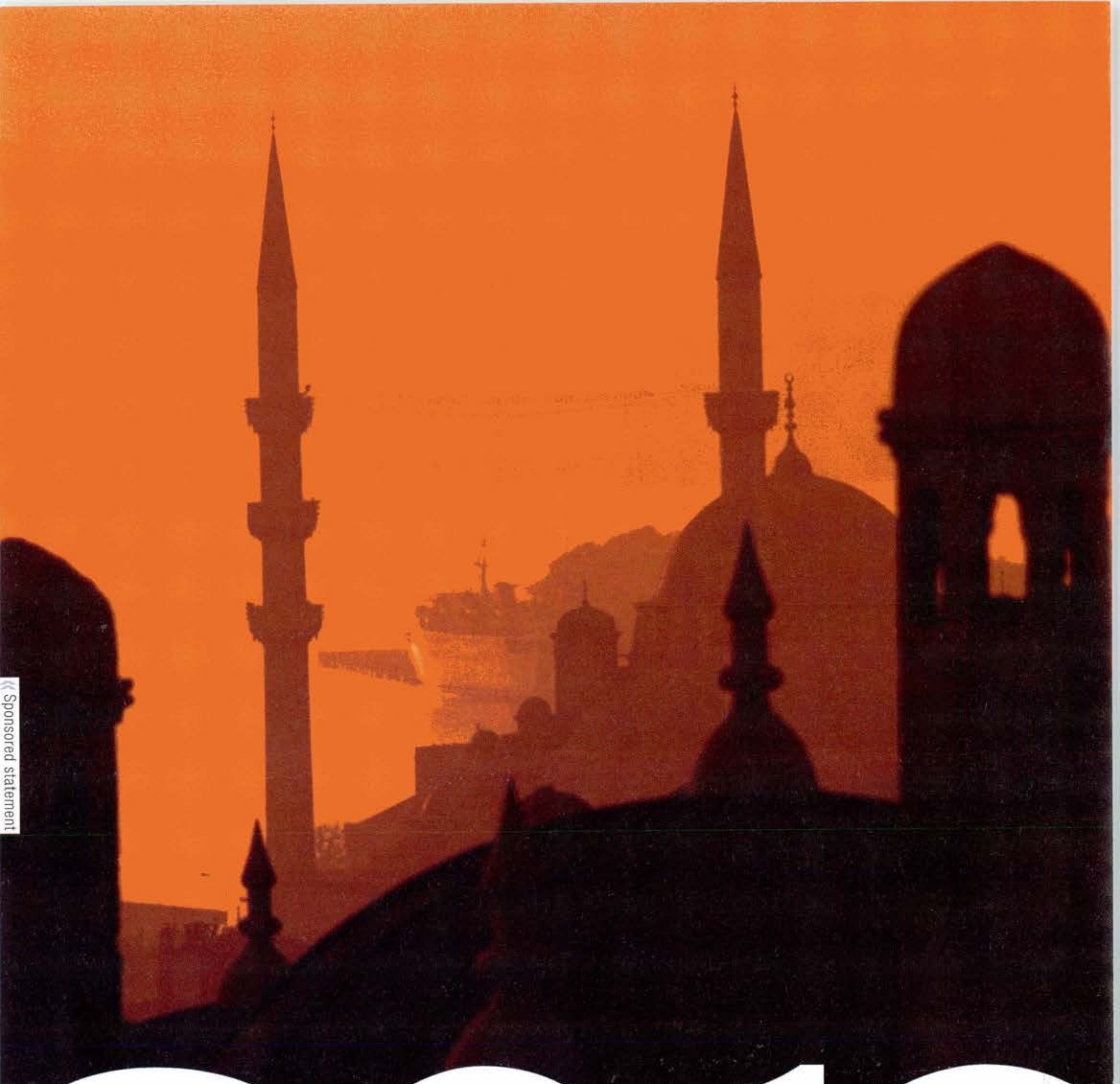
"The lack of income and loss of health benefits hurts greatly, but losing the ability to provide for my wife and myself is killing me emotionally."

Of those surveyed, 70% said that they had postponed home improvements or a vacation, 63% said they had used money from savings set aside for other things or for retirement to make ends meet, and 56% said they had borrowed money from family or friends.

More than 60% of respondents reported a change in sleeping patterns, loss of sleep, or feeling restless and uneasy. Some 58% said family relations were strained, and 52% said that they avoid social situations with friends and acquaintances.

The Rutgers poll paints a depressing picture, but not one without hope. While 77% of those surveyed said that they have felt "stressed" and 68% said that they have felt "depressed" because of their situation, 66% reported that they felt "eager for a new start". ■ *MA*

The full survey can be found at www.heldrich.rutgers.edu



Towards a new reserve currency system?

Helmut Reisen, Head of Research, OECD Development Centre

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On 7 September 2009, a report from the United Nations conference on Trade and Development (UNCTAD) blamed the "dominance of the dollar" for playing an important role in the recent build-up of global imbalances, particularly in trade and the current account, which helped lead to today's global economic crisis.

Is UNCTAD right and if so, what can be done to reduce the dollar's global dominance? The answers lie in the question of reserve currencies, how these evolve and why they exist in the first place.

Governments and institutions build up reserves for various reasons. They use reserves to help them trade and operate in global product and financial markets, or they may use them as anchors to protect their economies against turbulence on financial markets.

The US dollar has been the dominant reserve currency for several decades, accounting for about two-thirds of global reserves and 88% of daily foreign exchange trades. And though the euro now accounts for more than a quarter of reserves, the international pricing currency for oil, gold and other raw materials still tends to be in dollars. Ever since the Second World War, which saw sterling dethroned, the US has enjoyed the privileges that its reserve currency status conveys to a host country, from purchasing commodities at slightly lower rates than other countries by saving on currency exchange costs to borrowing at cheaper rates. At the same time, the US dollar has conveyed major benefits to the world economy, both officially as a reserve and anchor currency, and in trade and investment for private businesses.

Global trade is facilitated by the use of just one currency, while liquid debt markets allow central banks to intervene in foreign exchange markets to smooth currency fluctuations. Savers can escape inflationary governments by depositing in dollars. Commodities can be priced homogenously wherever traded. In short, the US dollar provides network advantages to firms and countries that use it. Meanwhile, by enlarging the scope of issuers and investors, the dollar has lowered borrowing costs and facilitated balance of payments financing–the US may have outspent its national income by an accumulated 47.3% of GDP in current account deficits since 2000, but as the world (mostly Asia and the Gulf region) reinvested the corresponding surpluses mostly in US treasury bills, US treasury rates were depressed by as many as 130 basis points up to 2005.

The additional demand for dollars has generated "seigniorage" revenues: in 2008 the US Fed made a net interest income of $43 billion from issuing the currency, which as *The Economist* newspaper once put it, effectively makes US dollars in global circulation an interest-free loan by the public to the nation's central bank.

For many people, it is hard to imagine the global currency system any other way. They liken the dollar to English, a sort of natural language of the global economy. The trouble is, while the US dollar's dominance was all very well when OECD countries led the world economy, times have changed. New powerful markets have emerged, such as China, India and Brazil, stimulating global growth, and with it, demand for reserve currencies.

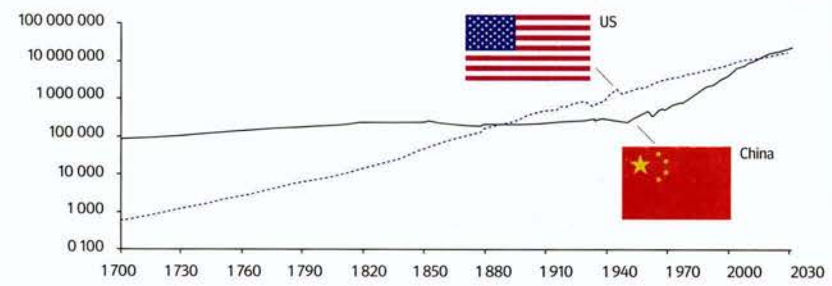
> If history is a guide to the future, then the Chinese renminbi could replace the US dollar as a reserve currency from about 2050

A rapidly rising world economy creates problems for a single-currency reserve system. These are clearly explained by the Triffin Dilemma, named after Belgian economist Robert Triffin, who famously warned Congress in 1960 that as the main supplier of the world's reserve currency the US had no choice but to run persistent current account deficits. Triffin's logic was straightforward. As the global economy expanded, demand for reserve assets–dollars–from economies around the world would increase. These could only be supplied if America ran a current account deficit and issued dollar-denominated obligations to fund it. Indeed, if the US stopped running balance of payments deficits and supplying reserves, liquidity would dry up and pull the global economy into a downward spiral.

How did these imbalances fuel the crisis? US deficits and saving surpluses in emerging East Asian economies, especially China, and oil-exporting countries have been growing since the early 2000s. Emerging market savings helped to bring down world interest rates, leading investors to search for higher-yielding but relatively low-risk assets, including real estate. Low interest rates in turn contributed to the financial excesses that finally culminated in the crisis.

Possible futures

Comparative levels of GDP, China and the US, 1700-2030, million 1990 international dollars



Source: www.ggdc.net/Maddison and Maddison (2007)

http://dx.doi.org/10.1787/085866585848

UNCTAD has not been alone in criticising the dollar's dominance, which has been behind other unsustainable distortions, too. For years, poorer developing countries have complained that the current system forces them to transfer resources–their own currencies–back to wealthier countries in what has become a form of "reverse aid". To be sure, some emerging markets have accumulated dollars not just to pay for trade or to insure themselves against panic attacks by investors, but to bolster their export competitiveness too.

Clearly, a stronger and fairer post-crisis global economy would be helped by a less distorting reserve currency system. In fact, emerging market governments are particularly keen on replacing the US dollar as the international reserve currency because as net creditors to the rest of the world and with substantial holdings of US government debt, they fear big valuation losses on these holdings. The question is: which system to adopt?

The approach attracting most attention is a new global reserve system based on an extended version of the International Monetary Fund's Special Drawing Rights (SDR), an international reserve asset set up in 1969 to supplement member countries' official reserves (see Williamson in the references). Building on the SDR, the main global reserve currency would be represented by an extended basket of significant currencies and commodities. The UN-appointed Stiglitz Commission on reforming the international monetary and financial system has suggested a gradual move from the US dollar to the SDR. Moreover, following the G20 Summit in London earlier in the year, the IMF plans to distribute to its members $250 billion in SDRs. But as this will increase the share of SDRs in total international reserves to no more than 4%, some extra steps will be needed.

To make the SDR the principal reserve asset via allocation, close to $3 trillion in SDRs would have to be created. One expert, Onno Wijnholds, has suggested a so-called SDR substitution account. This would permit countries that feel their official dollar holdings are uncomfortably large to convert dollars into SDRs. Because conversion would occur outside the market, it would not put downward pressure on the dollar. This suggestion, however, carries exchange risks because the SDR substitution account is likely to hold mostly dollars.

Another step to enhance the SDR would be to make its currency composition more neutral to global cycles and more representative of the shift in economic power witnessed over the last two decades. This implies an increase in the commodity content and the inclusion of major emerging-market currencies. Today, the SDR is constituted as a basket of four currencies: the dollar, the euro, sterling and the yen. The convertible Australian, Canadian, Chilean, Norwegian and South African currencies could be included to give the SDR a link to the raw material cycles, as these currencies reflect price developments of copper, iron ore, gold, and oil. Major emerging-country currencies would be included in the SDR mix as soon as they reach a predefined level of convertibility.

But even with such changes to the SDR, the key question is whether major economies will really buy into it. Some doubt it, saying that if the current dollar dominated system is the currency equivalent of the English language, then the alternative SDR basket of currencies would be like Esperanto: logical and clear to those who use it, but not easy for most people to adopt. If demand for the SDR approach proved insufficient, would that mean the dollar-dominated system was here to stay?

Not necessarily. As global financial expert Avinash Persaud put it in a 2004 lecture, currency empires rise and fall. International currencies in the past have included the Chinese liang and Greek drachma, the Roman denari, the Byzantine solidus, the ducato of the Renaissance, the Dutch guilder and sterling.

In 1872, the UK was overtaken by the US as the world's largest economy, and in 1915 as the world's largest exporter. As the US dollar emerged as a convertible net creditor currency, its use flourished, dethroning the pound by 1945.

Today, the US is in net-debtor position similar to the Britain of the 1940s. China is the world's largest creditor, and is on the way to becoming the world largest exporter. Its economy in purchasing parity terms is also poised, eventually to outstrip that of the US. If history is a guide to the future, then the Chinese renminbi could replace the US dollar as a reserve currency from about 2050.

The renminbi seems far from ready to make that leap. China would first have to ease restrictions on money entering and leaving the country, make its currency fully convertible for such transactions, deepen domestic financial reforms and make its bond markets more liquid. However, a renminbi-based system would still be a single-currency system, with all the shortcomings already articulated by Triffin half a century ago.

Change on international financial markets is under way. China has already set up currency swaps with several countries, including Argentina, Belarus and Indonesia, and by letting institutions in Hong Kong, China issue bonds denominated in renminbi, taken a first step toward creating a deep domestic and international market for its currency. Brazil and China are now working towards using their own currencies in trade transactions rather than the US dollar. Moreover, the IMF executive board has approved a framework to issue SDR-based bonds, while China has signaled its intention to invest up to $50 billion, and Brazil and Russia up to $10 billion each.

To avoid crisis-prone current-account imbalances and more "reverse" aid from poor to advanced countries, serious attention should be given to a multiple currency system, such as the SDR approach. For the Stiglitz commission, the new global reserve system is feasible and non-inflationary, and would contribute to global stability, economic strength, and global equity. With today's crisis and still fragile outlook, this is further reason to prepare for a new global currency reserve system sooner rather than later. ■

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Disaster lessons

The wave of natural disasters that swept the Pacific and Indian Ocean regions in recent weeks has left a heavy human and economic toll. Thousands have perished, lives and communities have been shattered. Could some of this have been avoided, or the toll reduced? We have been here before, notably following the tsunami that struck southern Asia and the east coast of Africa in 2004. The latest tsunamis, typhoons and earthquakes are tragic reminders of how vulnerable some human settlements are, and underline the importance of integrating disaster risk into development practices.

As relief efforts ramp up, learning lessons from past disaster responses is useful. Many of these lessons have been brought together at www.oecd.org/dac. The page's authors warn that damage caused by natural disasters can outweigh years of development assistance, and that even well-intentioned humanitarian assistance can also undermine previous gains. Some simple steps can avoid the pitfalls.

One is to assess real needs, in particular, focusing on issues perceived as a priority by the "aid beneficiaries" themselves rather than those that development agencies assume are important.

A second principle is to remember the power of information: "Information about aid and development plans is the starting point for people to decide for themselves how they wish to get on with their lives."

As aid and relief workers know, prevention counts too. Tsunamis and earthquakes will happen, but risk reduction and preparedness can enable communities and nations to better face future disasters and manage the aftermath. Emergency relief is one thing; enabling survivors to regain and hopefully improve their livelihoods is the aim.

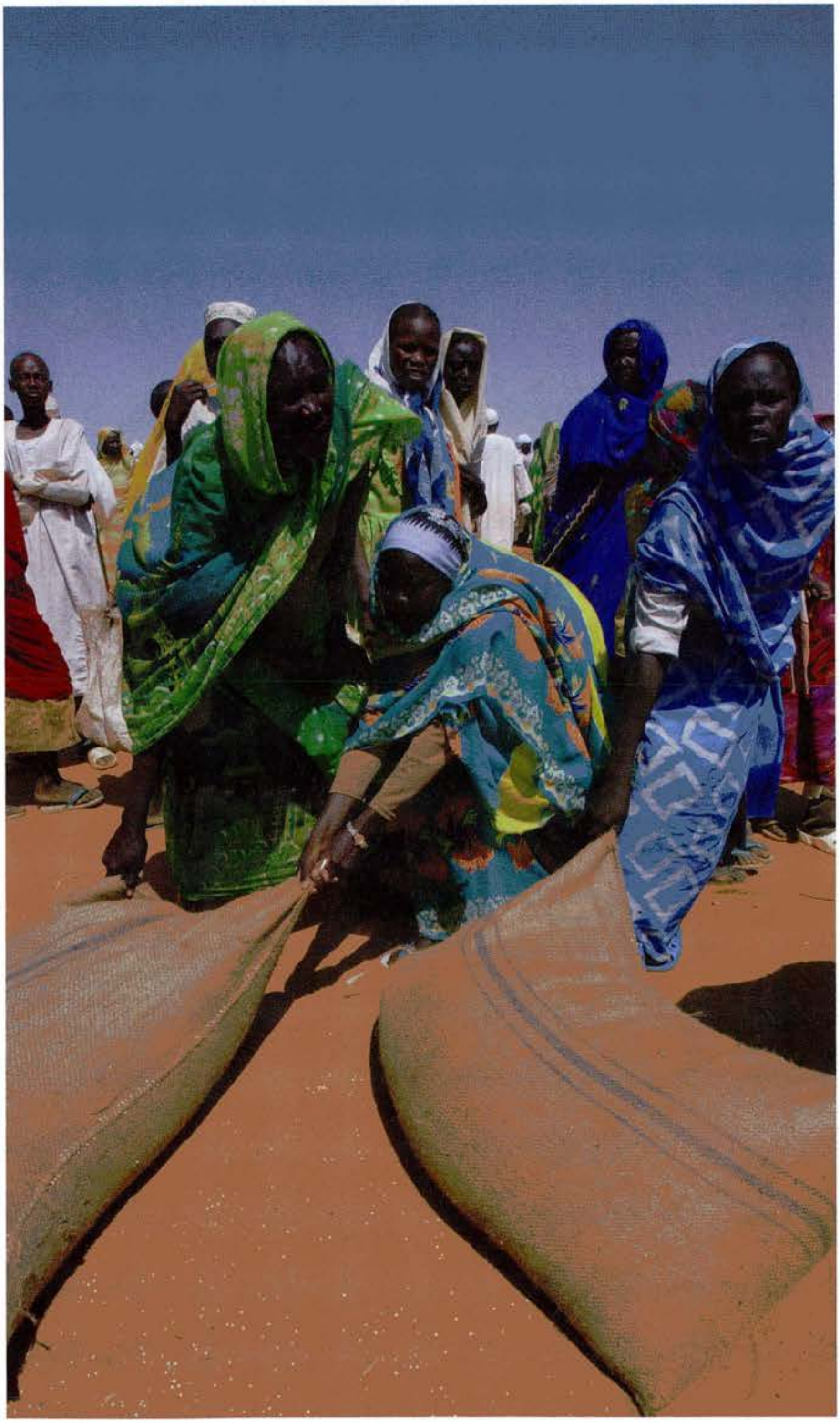
Another basic requirement is to keep learning so as to improve humanitarian and development assistance.

Of course, some lessons will be learned over and over again. As Richard Manning, a former chair of the OECD's Development Assistance Committee, wrote shortly after the 2004 tsunami, "the earthquake that launched the massive tidal wave lasted only a few moments, but...changed us all forever. It has taught us several lessons, about our own mortality, about development, about the environment. It also taught us about aid and solidarity, about working together across continents."

See also "The tsunami: Some reflections" in *OECD Observer*, No 246/247, December 2004-January 2005 and "Tsunami reflections: Turning pledges into action" in No 249, May 2005.

Grappling with grain prices

Joachim von Braun, Director General, International Food Policy Research Institute (IFPRI), and Maximo Torero, Division Director, Markets, Trade, and Institutions, IFPRI



A three-pronged grain reserve system could protect poor countries from volatile food prices and shocks, and help respond to food emergencies.

The world's poor people face unprecedented challenges. The combination of a collapsing financial market, speculation in agricultural futures and ad hoc trade policies have all combined to raise the level and volatility of market prices for staple foods. Because the financial crisis has further lowered the real wages and purchasing power of the poor, they are less able to adapt to future international economic shocks. Scarcer capital and lower consumer spending have also led countries to cut short new agricultural production to address the food crisis. At the same time, purchases of food for emergency aid have grown and food is more difficult to procure.

Only concerted action at the global level can protect poor people from economic shocks and volatile food prices. Researchers at the International Food Policy Research Institute (IFPRI), in collaboration with Justin Lin, senior vice president and chief economist at the World Bank, propose three global collective actions to meet these goals: the creation of a small emergency physical food reserve; an international co-ordinated global food reserve; and a virtual reserve. These actions bring together developed and developing countries for a sustainable policy response to a global crisis.

Unfortunately, the food price crisis will continue for the foreseeable future. Although at time of writing, prices had eased from their 2007-2008 spike, IFPRI projections for the year 2020 show the trend will be towards more expensive food. If agricultural investment and productivity decline in a depressed economic climate, which is likely, by the year 2020, maize, wheat, and rice prices would be 27, 15, and 13% higher, respectively, than a scenario in which current investment and productivity levels are maintained. Consumers in poor countries would bear the brunt of changing staple food prices, as they rely on these foods

Speculation in grain markets has been drastic

for most of their daily calories and spend between 50 to 70% of their income on food.

Causes and consequences

While the overall trend of rising food costs causes hardship for poor consumers, extreme fluctuations make the problem much worse. Many factors triggered the recent food price spike, including rising demand for food and biofuels, drought, and high oil prices. However, speculation in grain markets has also been drastic, and grain futures trading may have intensified the volatility of food prices between 2007 and 2008. IFPRI research finds that speculative activity, in particular, could have affected the prices of wheat, rice, maize, and soybeans.

In the context of food markets, speculators are relatively risk-tolerant individuals who are rewarded for accepting price risks from more risk-averse hedgers. For example, a farmer who has a crop of wheat approaching harvest may sell now at a pre-determined price for future delivery, and thereby hedge against risk. This is in contrast to a speculator, who enters the futures market only to secure a short-term profit.

Between May 2007-2008, the total volume of globally traded grain futures rose substantially. The ratios of volume to open interest for both rice and wheat were increasing at 19% in 2008 and were shown to have an impact on their market prices. Soybean and maize market prices may also have risen due to the significant growth in volume of short positions for these two commodities.

During the crisis, developing countries also began urgently rebuilding their national food stores and re-examining the merits of self-sufficiency policies for food security. When governments buy up and store grains solely for domestic use, unintended consequences ripple both inside and outside the country. These include distorted grain prices for farmers and reduced market incentives for future investments by farmers. Additionally, reserves at the country level lead to a highly inefficient global production system, and countries facing high food prices and financing their own food programmes are finding it difficult to meet their food needs.

By blocking the free flow of food to where it was most needed, these market failures imposed enormous efficiency losses on the global food system and hit the poorest countries hardest.

The latest food crisis not only revealed extreme market failures, but also a critical lack of global institutional arrangements to deal with them. The IFPRI and World Bank three-pronged action proposal could help countries respond to immediate food emergencies and help prevent food price spikes in the future. Through an independent **emergency physical food reserve**, a "club" of major grain-producers and participants, including the Group of Eight Plus Five (G8+5) countries, would supply an emergency reserve of 300,000-500,000 metric tons of basic grains, or about 5% of current food aid. The global community would deposit the reserve across major developing-country regions and use it exclusively for emergency response and humanitarian assistance.

For a new **international co-ordinated global food reserve**, there would be an agreement under the auspices of the United Nations that each member country (from the "club") will hold a certain amount of public grain reserve in addition to the pipeline stock that the private sector holds for commercial operations. Although the exact amount of public reserve that each country holds is a subject for study, it will not be too large a percentage of its annual domestic grain demand. These reserves would be drawn upon by a high-level technical commission only when needed for intervention in the spot market. This co-ordinated response will stem domestic and possibly global price surges, thereby preventing a collapse in confidence in the international grain market that has led countries to unproductively construct their own public reserves.

Members of the club would also jointly commit to a **virtual grain reserve** and agree to intervene in the futures market when absolutely necessary. A global intelligence unit established by the club would forecast prices by assessing changing supply and demand conditions, define a broad range for market prices to fall within, and alert a club-appointed commission if prices are nearing a spike. The commission would then initiate progressive short sales of futures at market prices until a speculative attack is virtually eliminated.

This three-pronged approach will not only build the world's capacity to protect poor people, but also restore confidence in the global grain market and help prevent globally self-defeating responses in the name of national food security. Without price distortions from speculation and ad hoc trade policies, goods can flow in response to changes in market supply and demand, and more freely reach consumers who want, and need, them. This approach is a viable option that could protect the functioning of a market that is so central to the livelihoods of the world's 2 billion poorest people.

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For more IFPRI research, visit: http://ifpri.org/pubs/reservenote20090302.pdf

Food for ministerial thought

Food security will feature highly on the agenda of the first major agriculture ministerial summit in over a decade to be held at OECD headquarters in Paris, 25-26 February 2010.
For more information, contact observer@oecd.org

The crisis and beyond

OECD Council at Ministerial Level, 24-25 June 2009


©Pascal Lauener/Reuters

Han Seung-soo

Building a stronger, cleaner and fairer world economy

This year's OECD Ministerial Council Meeting, the highpoint of the organisation's calendar, took place amid the most severe financial and economic crisis in decades.

"We are talking about a paradigm shift in policy." Prime Minister Han Seung-soo of Korea and Chair of this year's ministerial meeting could hardly have put it more bluntly. The prime minister was announcing a declaration on green growth that was signed by all 30 OECD countries plus Chile, Estonia, Israel and Slovenia. The declaration tasks the OECD with developing a **Green Growth Strategy** bringing together economic, environmental, technological, financial and development aspects into a comprehensive framework. A first report will be delivered to the next ministerial meeting in 2010.

Ministers from 40 countries, representing 80% of the world economy, attended the ministerial meeting to discuss policy responses to restore financial stability and sustainable long-term growth.*As well as green growth, the ministerial communiqué covered a range of issues.** Years of unbalanced global growth combined with major failures in the regulation and supervision of the financial sector were fundamental causes of the crisis, ministers agreed, expressing their determination to "implement reforms that will improve effective regulations and help prevent future financial crises".

Governments and international bodies were already taking strong actions to this effect, and ministers emphasised the need for "a balanced and sustainable recovery" to serve people by addressing "the social and human dimensions of the crisis".

In the meantime, "structural reforms that enhance the flexibility and productivity of our economies...will be essential to address the deterioration of our public budgets and the loss in living standards caused by the crisis" ministers believed, and they would look to the **OECD Innovation Strategy**, due in 2010, as a "source of policy guidance for boosting productivity, competitiveness and growth".

Ministers underlined the importance of **development** for making the world economy stronger, more equitable, and of supporting measures to "mitigate the impacts of the current recession on the world's poor and vulnerable". They reaffirmed their commitments on aid volume and effectiveness, policy coherence and financing.

On **trade**, ministers urged the OECD, in co-operation with the WTO, to continue promoting effective aid for trade for developing countries. They were determined to resist protectionism, since trade and investment are essential for sustainable economic growth particularly for developing countries.

An "ambitious, balanced, comprehensive" conclusion of the Doha trade negotiations is urgently needed, ministers said, and to support trade, they would "ensure the availability of export credits in particular to emerging markets and developing countries".

Ministers firmly committed themselves to "the principles of propriety, integrity and transparency" as keys to rebuilding trust and confidence in markets, agreeing on the need to develop a set of common standards and processes regarding the conduct of international business and finance.

They called on the OECD to strengthen work on corporate governance and financial literacy and welcomed the current updating of the OECD Guidelines for Multinational Enterprises. They also encouraged strong action in the fight against corruption and bribery, including under the OECD Anti-Bribery Convention.

The near universal endorsement of the principles of transparency and effective exchange of information on tax matters developed by the OECD was echoed by ministers at the MCM, who then saluted the OECD's role in the international arena (see News brief, page 5). ■ *RJC*

The full communiqué is available online at www.oecd.org/mcm2009

*30 OECD member countries plus five candidates for membership, Chile, Estonia, Israel, Russia and Slovenia, and five major economies with which the OECD has a policy of "enhanced engagement"–Brazil, China, India, Indonesia and South Africa. Chair Han Seung-soo was assisted by three vice-Chairs: Denmark representing the forthcoming UN climate change conference in December, the UK as then G20 chair, and Italy as chair of the G8.

Ministers from Argentina and Hong Kong, China joined for the trade and investment discussions. Representatives from the Bank for International Settlements (BIS), the International Labour Organization (ILO), the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO) are also invited to attend.

**As well as the OECD members, the five candidates for accession participated in the communiqué. The trade conclusions were endorsed by Argentina and Hong Kong, China.

Kim Dae-jung: A tribute

John West, Senior Consultant, Asian Development Bank Institute, Tokyo and former Head of Public Affairs at the OECD

©OECD

Kim Dae-jung (right) is greeted by Donald Johnston at OECD Forum 2004

Korea's joining the OECD in 1996 was an important milestone in the globalisation of the organisation. It remains the only Asian country to have joined the OECD since Japan in 1964. Its membership was also an important recognition of the exceptional economic, social and political progress Korea had made in previous decades, rising from the ashes of war to become a world economic power and full-fledged democracy.

There were very few people who contributed more to Korea's success than former President Kim Dae-jung, who died in August. He struggled valiantly for democracy and human rights and his dream of national unification of North and South Korea. As Kim Dae-jung said in receiving the Nobel Peace Prize in 2000, "five times I faced near death at the hands of dictators, six years I spent in prison, and forty years I lived under house arrest or in exile and under constant surveillance". To the date, he is the only Korean to have won a Nobel prize.

After several attempts, Kim Dae-jung was elected president of his country in December 1997. It was the first transition of power from the ruling to the opposition party in Korea's modern history. At the time Korea was mired in financial crisis. Kim Dae-jung brilliantly saved his country from the brink of bankruptcy through crisis management, structural reforms and strengthening its democractic institutions.

Kim Dae-jung looked to the OECD for advice on the structural policies needed to put Korea back on a path of rapid economic development, and regularly invited then secretary-general of the OECD, Donald J. Johnston, to the Blue House for discussions. He thus launched a far-reaching programme of structural reforms in the areas of corporate governance, financial market supervision, foreign direct investment, regulatory reform, combating corruption and privatisation. After shrinking in 1998, the Korean economy bounced back in 1999 and resumed a path of rapid economic development. Although Kim Dae-jung will always be remembered as the "president of peace and democracy", he should be equally remembered as the president who saved his country from economic crisis.

After his presidential term, in 2003, I had the honour of visiting Kim Dae-jung at his private residence in Seoul in the company of Mr Johnston. I remember so well his peaceful aura and the peaceful atmosphere of his house with its beautiful collection of orchids. When Mr Johnston invited him to make a keynote address at OECD Forum 2004, Kim Dae-jung instantly accepted.

In his speech at the OECD Forum, he spoke of his dreams of Korean unification and his efforts to achieve it through his sunshine policy. It was a poignant reminder to the largely European-based audience that although the Cold War had come to an end on their continent, East Asia was still not living in peace.

Kim Dae-jung was a remarkable person from a remarkable country, and deserves to be remembered as one of the great architects of contemporary world history.

Kim Dae-jung: born 3 December 1925, died 18 August 2009

His speech at the OECD can be found at www.oecd.org/forum2004 and linked to this article on www.oecdobserver.org

Viewpoints

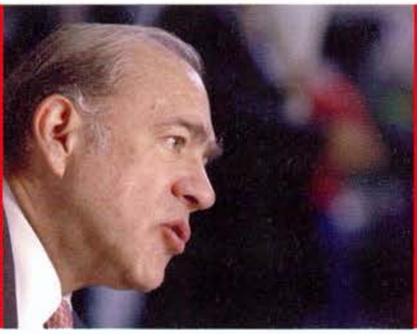
Disquiet, distrust and dissatisfaction mixed with anger about the global crisis, but also a broad desire for new and innovative policies, for change from the status quo and a strong call for determined leadership to improve standards and beat a path towards a stronger, cleaner and fairer economy: this was the overall tone of the sentiments expressed by participants at the 10th **OECD Forum** in Paris, 23-24 June, which is held annually in conjunction with the Ministerial Council Meeting (see page 31).

For a decade now, more than 10,000 representatives from across the spectrum of government, business, trade unions, research, civil society and the media have used the annual OECD Forum as a "public summit" to exchange ideas, experiences and a chance to play their part in shaping policy responses to global challenges by feeding into discussions at the ministerial meeting.

With the world economy "hitting a wall", as Soumitra Dutta said in chairing a debate, this year's OECD Forum was no exception, with the crisis dominating virtually every session, from financial markets, integrity, corporate governance and green growth, to hot debates about energy, education, pensions and healthcare. Over 1,000 people attended this year's Forum.

Session summaries, speeches and a list of speakers can be found at www.oecd.org/forum2009. The OECD Forum Highlights magazine, an OECD Observer supplement for subscribers, is also available for download, with a limited number of printed copies available on request at observer@oecd.org

Recent speeches by Angel Gurría



For a complete list of speeches and statements, including those in French and other languages, go to **www.oecd.org/speeches**

Preventing the jobs crisis from casting a long shadow

28 SEPTEMBER 2009
Opening remarks delivered at the labour and employment ministerial meeting 2009, OECD Conference Centre, Paris, and again on 16 September 2009 on the occasion of the launch of the *OECD Employment Outlook 2009*, OECD Conference Centre, Paris

G20 Summit: An update on the move to greater transparency and international co-operation in tax matters

25 SEPTEMBER 2009
Remarks to the G20 leaders, Pittsburgh, Pennsylvania, US

G20 Summit: Framework for strong, sustainable and balanced growth

25 SEPTEMBER 2009
Remarks to the G20 leaders, Pittsburgh, Pennsylvania, US

Mitigation in developed countries

19 SEPTEMBER 2009
Remarks at the informal ministerial meeting on climate change, New York, US

The Economics of Climate Change Mitigation

18 SEPTEMBER 2009
Remarks at the launch of *The Economics of Climate Change Mitigation*, OECD Conference Centre, Paris

The return to investment in education

8 SEPTEMBER 2009
Remarks at the launch of *Education at a Glance 2009*, OECD Conference Centre, Paris

Global forum on transparency and exchange of information

1-2 SEPTEMBER 2009
Remarks delivered at the global forum on transparency and exchange of information, Mexico City, Mexico

Towards a green economy: Policies to tackle climate change

24 AUGUST 2009
Remarks delivered at the national forum on energy, environment and climate change policy, Mexico City, Mexico

Aid for trade: Maintaining momentum

6 JULY 2009
Remarks at the launch of the second global review on *Aid for Trade at a Glance 2009*, Geneva, Switzerland

The new dynamics of higher education and research for societal change and development

5 JULY 2009
Introductory remarks delivered at UNESCO world conference on higher education, UNESCO, Paris

High-level policy forum on migration

29 JUNE 2009
Opening remarks at high-level policy forum on international migration, OECD Conference Centre, Paris, France

The jobs crisis: the labour market and social policy responses

26 JUNE 2009
Remarks at the G8 summit consultation with social partners, Rome, Italy

Moving forward on the global transparency and tax information exchange agenda

23 JUNE 2009
Remarks delivered at a high-level ministerial meeting on transparency and exchange of information for tax purposes, Berlin, Germany

Long-term value and economic stability

22 JUNE 2009
Introductory remarks at the Paris conference for long-term value and economic stability, OECD Conference Centre, Paris, France

Regional innovation in Mexico

16 JUNE 2009
Remarks at the presentation of the *OECD Review of Regional Innovation in 15 Mexican States*, Camino Real Polanco, Mexico

Launch of the OECD teaching and learning international survey (TALIS)

16 JUNE 2009
Remarks delivered at the launch of the OECD Teaching and Learning International Survey (TALIS), Mexico

From grim to green: Towards a low-carbon future

9 JUNE 2009
Remarks delivered at the international economic forum of the Americas plenary session: "Energy and sustainable development in the context of the economic crisis", Montreal, Canada

Making innovation strategy succeed in a globalised world

8 JUNE 2009
Introductory remarks delivered at the international economic forum of the Americas, Montreal, Canada

New ambassadors

1 July 2009 **Poul E.D. Kristensen** takes up his post as new ambassador for Denmark. He replaces Ulrik V. Knudsen.

7 July 2009 **Roger Karoutchi** succeeds Philippe Marland as the new ambassador for France.

3 August 2009 **Edmond H. Wellenstein** replaces Joan Boer as the new ambassador for the Netherlands.

23 August 2009 **Karen Kornbluh** takes up her post as new ambassador for the United States. She replaces Christopher Egan.

1 September 2009 **Antti Kuosmanen** succeeds Pertti Majanen as new ambassador for Finland.

Calendar of forthcoming events

Please note that many of the OECD 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 a more comprehensive list, see the OECD website at **www.oecd.org/media/upcoming**, which is updated weekly.

OCTOBER - highlights

5 — **The Political Economy of Reform: Lessons from Pensions, Product markets and Labour Markets**, seminar organised by the Economics Department.

6-7 — **World Bank and IMF annual meetings**, with participation of the OECD Secretary-General. Istanbul, Turkey.

13-15 — **World Knowledge Forum 2009**, with participation of OECD. Seoul, Korea.

14-15 — **International Energy Agency meets at ministerial level.**

26-29 — **Financial Institutions and Instruments: Tax Challenges and Solutions**, with participation of the OECD Secretary-General. Beijing, People's Republic of China.

27-30 — Charting Progress, Building Visions, Improving Life: **OECD World Forum on Statistics, Knowledge and Policy**, organised by the OECD and the Korean government, with participation of the Secretary-General. Busan, Korea.

28-30 — **Safety of Manufactured Nanomaterials**, meeting organised by the Environment Directorate.

NOVEMBER

7-8 — **Global Forum on Fighting Corruption and Safeguarding Integrity**, organised by the OECD, UNODC, Transparency International and several national governments. Doha, Qatar.

9-10 — **Innovation for Social Challenges**, conference organised by the Directorate for Science, Technology and Industry.

10 — **IEA World Energy Outlook 2009** published. London, UK.

11-12 — **Africa Investment Initiative**, two meetings organised by NEPAD-OECD. Ministerial meeting on Mobilising Resources for Trade and Investment, on 11/11, and high-level meeting on 12/11. Johannesburg, South Africa.

16-18 — **FAO World Summit on Food Security**, organised by the Food and Agriculture Organization, with participation of the OECD. Rome, Italy.

16-18 — **High-level consortium meeting of the PARIS21 partnership**, organised by the OECD and the government of Senegal, followed by the African Symposium on Statistical Development. Dakar, Senegal.

22-23 — **Ministerial meeting of the MENA (Middle East North Africa) countries**, organised by the MENA-OECD programme, with participation of the OECD Secretary-General. Marrakech, Morocco.

DECEMBER

3 — **Investment Policy Review of India**, OECD publication presented at a high-level symposium, with participation of the Secretary-General. New Delhi, India.

7-8 — **The Crisis and Beyond: International Investment for a Stronger, Cleaner, Fairer Economy**, forum on International Investment, organised by the Directorate for Financial and Enterprise Affairs.

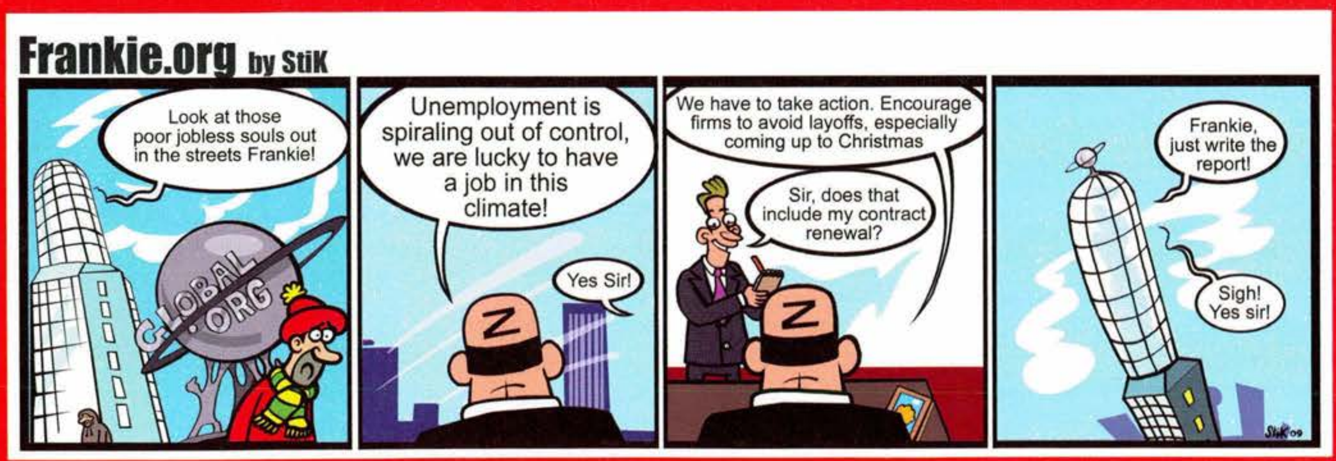
7-18 — **UN Framework Convention on Climate Change**, COP15, with participation of the OECD Secretary-General. Copenhagen, Denmark.

8-10 — **Empowering E-Consumers: Strengthening Consumer Protection in the Internet Economy**, conference organised by the OECD Directorate for Science, Technology and Industry. Washington DC, USA.

FURTHER AHEAD

13-15 January - Safer Schools, Safer Communities: Ensuring Safe and Secure Learning Environments for Children and Young People, conference organised by the Directorate for Education and the UK government. London, UK.

25-26 February - Ministerial meeting on agriculture, organised by the Directorate for Trade and Agriculture.



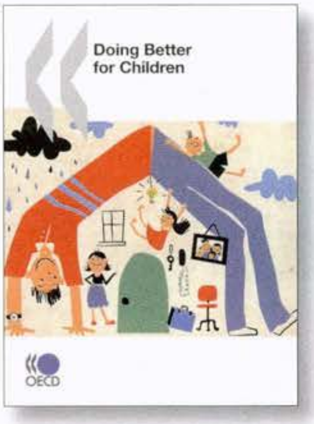
Doing Better for Children

Children are our future; they are also individuals who have a right to their own well-being. According to the OECD's first-ever report on child well-being, *Doing Better for Children*, the adult world of government is not doing enough to uphold that right. On average across the OECD area, public spending on children under the age of five represents just 24% of all spending on children up to the age of 18. The report argues that increasing spending on our youngest citizens, particularly in the areas of health and education, and especially for disadvantaged children, will help to improve social equity as those children grow up.

The analysis covers such diverse data as infant mortality rates, the incidence of bullying at school and inter-generational inequality in education and income. The report also compares the levels and targets of government spending on and transfers to children among 28 OECD countries. One chapter is devoted to child well-being and single parenthood, reflecting the fact that virtually all OECD countries have seen a rise in the numbers of children brought up in single-parent households over the past 20 years.

Doing Better for Children offers policy makers a variety of recommendations to improve the lives of children. These range from encouraging parents to stop smoking and improving the diets of expectant mothers, to targeting intensive pre- and post-natal care towards vulnerable mothers and infants, to redirecting spending on schools from advantaged to disadvantaged children. The report also calls on all countries to collect more high-quality information about children's well-being, as children are often "statistically invisible". The book's main message is as simple as ABC: invest early in all children. That investment, particularly for vulnerable children, is one of the building blocks towards a more equitable society.

ISBN 978-92-64-05993-7



Oil conundrum: OECD Economic Survey of Mexico 2009


©xxxxx

"This makes you my competitor", said oil pioneer Daniel Plainview on learning that his son wanted to quit the wells in California to drill his own in Mexico, in the 2007 movie, *There will be Blood*. And to be sure, Mexico did become a competitor, producing oil in the early 1900s and becoming the second largest producer in the Americas after the US by the 1990s.

However, with oil and gas exports being over 20% of Mexico's GDP in 2007, managing the impact of volatile oil revenue has been a challenge. According to the latest OECD economic survey of Mexico, because oil price fluctuations tend to be synchronised with the world economic cycle, the budget has a tendency to accentuate the swings, with more spending in good times and spending cuts during downturns. Moreover, Mexico's balanced-budget rule requires revenues to be matched by swings in spending, causing public finances to rise and fall like a nodding donkey.

The trick for policy is to smooth the injection of oil revenue into the economy over the business cycle and avoid abrupt changes in public spending.

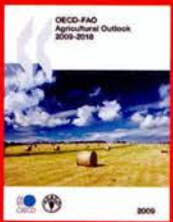
Mexico has already established several oil-stabilisation funds for this purpose, but accumulated savings were capped at relatively low levels. A recent decision to raise the cap goes in the right direction, though Mexico should consider eliminating it altogether, the authors say. They warn that declining oil production will put pressure on public spending and suggest action, such as expanding the tax base since some 30-40% of budget revenues depend on oil, while non-oil taxes are only 10% of GDP.

Also, an energy excise tax should be introduced and some energy subsidies scrapped, because they benefit the well-off, encourage CO_2 emissions and reduce interest in alternative energy sources.

Income support schemes can help low-income groups with their energy needs as can targeted subsidies. With the right reforms, Mexican oil would still be a competitor, but other areas of the economy would also benefit, and that would be good news for public finances.

ISBN 978-92-64-05441-7

New OECD publications



Because food is a basic necessity, the agriculture sector is showing more resilience to the global economic crisis than other industries, says the **OECD-FAO Agricultural Outlook 2009-2018.**

Agricultural Policies in OECD Countries: Monitoring and Evaluation argues that with public finances in many countries likely to remain under strain following the current economic crisis, governments should reassess and adapt their farm support policies to meet specific economic, social and environmental objectives. This involves reducing subsidies which distort markets and cutting the link between government payments and agricultural production.

The 2009 edition of the **African Economic Outlook** covers 47 African countries, up from 35 last year. The report finds the region gravely affected by the global economic downturn. Following half a decade of above 5 per cent economic growth, the continent can expect only 2.8 per cent in 2009, less than half of the 5.7 per cent expected before the crisis.

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www.SourceOECD.org/9789264044425
www.oecd.org/bookshop?9789264044425

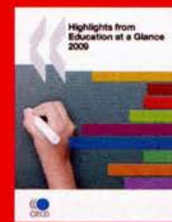
SCIENCE AND INFORMATION TECHNOLOGY

OECD Communications Outlook 2009
2-Sep-2009, 355 pages, €80 $108 £68 ¥10 000
www.SourceOECD.org/9789264059832
www.oecd.org/bookshop?9789264059832

Piracy of Digital Content
31-Jul-2009, 137 pages, €24 $32 £20 ¥3 000
www.SourceOECD.org/9789264064508
www.oecd.org/bookshop?9789264064508

Innovation in Firms: A Microeconomic Perspective
1-Oct-2009, 150 pages, €35 $49 £27 ¥5 200
www.SourceOECD.org/9789264056206
www.oecd.org/bookshop?9789264056206

OECD Reviews of Regional Innovation: 15 Mexican States 2009
24-Jun-2009, 420 pages, €70 $94 £59 ¥8 700
www.SourceOECD.org/9789264060128
www.oecd.org/bookshop?9789264060128

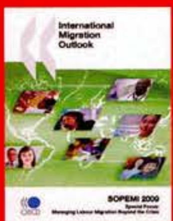


Growing advantages for the better educated and likely continuing high levels of unemployment as economies move out of recession will provide more and more young people with strong incentives to stay on in education. Governments need to take account of this in planning education policies, according to the latest edition of the OECD's annual **Education at a Glance** and **Highlights from Education at a Glance**.

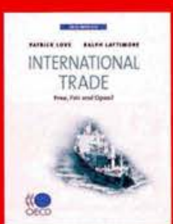
OECD's Teaching and Learning International Survey [TALIS] provides the first internationally comparative perspective on the conditions of teaching and learning, based on data from over 70,000 teachers and school principals who represent lower secondary teachers in the 23 participating countries. TALIS examines important aspects of professional development; teacher beliefs, attitudes and practices; teacher appraisal and feedback and school leadership.

Against the background of a projected doubling of world greenhouse gas emissions by mid-century, **The Economics of Climate Change** explores feasible ways to abate them at least cost.

Private pension schemes have been badly hit by plunging stock markets, and the way they operate needs to change, says **Pensions at a Glance 2009**. Reforms should include better regulation, more efficient administration, clearer information about risks and rewards of different options and an automatic switch to less risky investments as people near retirement.



The economic crisis is likely to cause the first major fall in the number of migrants coming to work in OECD countries since the 1980s, according to the **International Migration Outlook 2009**. The report says that migrant workers have been among the first to lose their jobs, with unemployment levels among immigrants almost doubling in Ireland, Spain and the United States since the beginning of the crisis.



International Trade: Free, Fair and Open? explains that while open markets are a necessary condition for growth and prosperity they are not sufficient on their own to guarantee positive outcomes. Trade policy must be accompanied by other policies if the potential benefits are to be realised and the negative impacts of liberalisation on vulnerable individuals and sectors are to be addressed.

Some low-income countries lack the institutions, infrastructure and supply-side capacity to benefit from open markets and lift their people out of poverty. The Aid for Trade Initiative encourages donors to supply new funds to help developing countries build trade capacity. The OECD and the WTO have been monitoring the results of the Initiative. The outcomes of the latest survey are presented in the joint OECD-WTO publication, **Aid for Trade at a Glance 2009**.

SOCIAL ISSUES / MIGRATION / HEALTH

International Migration: The Human Face of Globalisation
7-Sep-2009, 174 pages, €15 $19 £10 ¥2 000
www.SourceOECD.org/9789264047280
www.oecd.org/bookshop?9789264047280

International Migration Outlook: SOPEMI 2009
2-Jul-2009, 226 pages, €40 $54 £34 ¥5 000
www.SourceOECD.org/9789264056619
www.oecd.org/bookshop?9789264056619
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Doing Better for Children
1-Sep-2009, 195 pages, €30 $42 £23 ¥4 500
www.SourceOECD.org/9789264059337
www.oecd.org/bookshop?9789264059337

TAXATION

Transfer Pricing Guidelines 2009
7 Sep-2009, 247 pages, €60 $81 £51 ¥7 500
www.SourceOECD.org/9789264075276
www.oecd.org/bookshop?9789264075276

OECD Model Tax Convention on Income and Capital 2008 Electronic Version
31-Jul-2009, €99 $152 £77 ¥15 800
[USB Memory Stick]
www.SourceOECD.org/reference/modeltax
www.oecd.org/bookshop?9789264050884

Tax Co-operation 2009: Towards a Level Playing Field: 2009 Assessment by the Global Forum on Transparency and Exchange of Information
8-Sep-2009, 355 pages, €80 $108 £68 ¥10 000
www.SourceOECD.org/9789264040632
www.oecd.org/bookshop?9789264040632

TRADE

International Trade: Free, Fair and Open?
24-Jun-2009, 197 pages, €15 $19 £10 ¥2 000
www.SourceOECD.org/9789264060241
www.oecd.org/bookshop?9789264060241
«See left

Aid for Trade at a Glance 2009: Maintaining Momentum
24-Aug-2009, 318 pages, €60 $81 £51 ¥7 500
www.SourceOECD.org/9789264068827
www.oecd.org/bookshop?9789264068827
«See left

TRANSPORT

Terrorism and International Transport: Towards Risk-based Security Policy
19-May-2009, 152 pages, €50 $67 £42 ¥6 200
www.SourceOECD.org/9789282102312
www.oecd.org/bookshop?9789282102312

Trends in the Transport Sector 2009
24-Jun-2009, 77 pages, €25 $33 £21 ¥3 100
www.SourceOECD.org/9789282101599
www.oecd.org/bookshop?9789282101599

FORTHCOMING

Economic Surveys 2009: European Union

Chile Energy Policy Review 2009

Engaging with High Net Worth Individuals on Tax Compliance

Equally Prepared for Life? How 15-year-old boys and girls perform in school

Government at a Glance 2009

Health at a Glance 2009: OECD Indicators

Implementing Energy Efficiency Policies: Are IEA Member Countries on Track?

LATEST OECD POLICY BRIEFS

Free online at : www.oecd.org/publications

Economic Surveys: Brazil, European Union, Italy, Mexico, Russian Federation, United Kingdom

Helping Workers Weather the Economic Storm

In-Work Poverty: What can Governments do?

OECD Employment Outlook

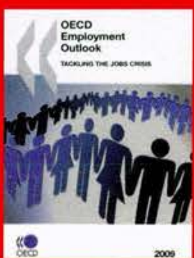
Cost-effective Actions to Tackle Climate Change

International Migration: Charting a Course through the Crisis

Sustainable Manufacturing and Eco-innovation: Towards a Green Economy

Focus on employment

OECD Employment Outlook 2009: Tackling the Jobs Crisis



By early 2009, what had begun in 2007 as a financial market disruption related to securities backed by sub-prime mortgages in the US housing market had evolved into a broad economic downturn affecting the global economy. Sharp declines in output in a growing number of OECD countries are already resulting in sharp reductions in employment and the associated steep rise in unemployment represents a daunting challenge for employment and social policies. This 2009 edition of the OECD Employment Outlook examines a number of key issues related to this jobs crisis. The first chapter looks at the jobs crisis itself, analysing the implications for employment and social policy. The second chapter looks at how industry, firm, and worker characteristics shape job and worker flows. The third chapter examines the problem of the working poor, now exacerbated by the crisis. And the fourth examines pathways onto and off of disability benefits, a growing problem in most OECD countries.
As in previous editions, a comprehensive statistical annex provides the latest data.

21-Sep-2009, 250 pages,
€80 $108 £68 ¥10 000
www.SourceOECD.org/9789264067912
www.oecd.org/bookshop?9789264067912

Flexible Policy for More and Better Jobs

22-May-2009, 192 pages,
€30 $42 £23 ¥4 500
www.SourceOECD.org/9789264059184
www.oecd.org/bookshop?9789264059184

OECD Reviews of Labour Market and Social Policies: Slovenia 2009

22-July-2009, 155 pages, €24 $32 £20 ¥3 000
www.SourceOECD.org/9789264068940
www.oecd.org/bookshop?9789264068940

International Migration: The Human Face of Globalisation

OECD Insights
September 2009, 163 pages, €15 $19 £10 ¥2 000
www.SourceOECD.org/9789264047280
www.oecd.org/bookshop?9789264047280

Taxing Wages 2008

12-May-2009, 490 pages, €120 $162 £102 ¥15 000
www.SourceOECD.org/9789264049338
www.oecd.org/bookshop?9789264049338

Is Informal Normal?: Towards More and Better Jobs in Developing Countries

31-Mar-2009, 167 pages,
€24 $32 £20 ¥3 000
www.SourceOECD.org/9789264059238
www.oecd.org/bookshop?9789264059238

Growing Unequal? Income Distribution and Poverty in OECD Countries

28-Oct-2008, 312 pages,
€70 $108 £50 ¥9 700
www.SourceOECD.org/9789264044180
www.oecd.org/bookshop?9789264044180

The Global Competition for Talent: Mobility of the Highly Skilled

30-Sep-2008, 169 pages,
€30 $46 £21 ¥4 100
www.SourceOECD.org/9789264047747
www.SourceOECD.org/9789264047747

Sickness, Disability and Work, Vol. 3: Denmark, Finland, Ireland and the Netherlands

11-Dec-2008, 206 pages,
€35 $49 £27 ¥5 200
www.SourceOECD.org/9789264049680
www.oecd.org/bookshop?9789264049680

Jobs for Immigrants, Vol. 2: Labour Market Integration in Belgium, France, the Netherlands and Portugal

5-Nov-2008, 336 pages,
€45 $69 £35 ¥7 200
www.SourceOECD.org/9789264036178
www.oecd.org/bookshop?9789264036178

Jobs for Youth Series

This series examines, on a country-by-country basis, barriers to employment for young people.

Reports for the following countries are also available:
Australia, Belgium, Canada, Japan, Korea, Netherlands, New Zealand, Norway, Slovak Republic, Spain, UK and US.

OECD employment and labour market statistics (online only)

Up-to-date and historical data on international labour markets: unemployment, employment, vacancies, hourly earnings, labour costs, labour disputes, etc. Includes prescription to other pertinent labour force databases.

This online product is included in OECD Employment iLibrary (Available, English, Package)

OECD iLibrary : Emploi (Available, French, Package)

OECD Statistics (Available, English, Package)

OECD Employment and Labour Market Statistics (Available, English, Package)

OECD Employment and Labour Market Statistics - OECD Online Bookshop

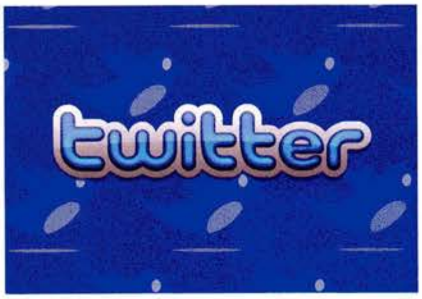
Twitter time

"Dude, the OECD tweets? That's freaking awesome". So said a response to the OECD's new Twitter account, perhaps surprised that the OECD, known for its long in-depth reports, also posts on Twitter. The 140 characters Twitter allows is a format that suits the OECD well, says Alison Benney of media relations. "Not only are our statistics and news releases easy to abbreviate and post with a link, but it doesn't take much to converse about them, or to tap our experts for more in-depth follow-up," she said. The OECD created its Twitter account in March 2009, and has over 800 followers. This adds to a social media toolbox that includes Facebook, YouTube and Flickr. *OECD Observer* articles have been bookmarked for a range of social media since 2007.

The OECD attracts followers for its economics tweets, but when data on cell-phone pricing were released, they provoked some debate over their measurements, which the authors of the OECD report were able to respond to quickly online.

Recent OECD "tweets", as messages on Twitter are endearingly called, have included links to health statistics: "Digs & drugs: High-priced hospitals & branded meds partially why US health care costs so high. See OECD pdf http://bit.ly/3gmvI5" and quotes from the OECD secretary-general: "Nothing less than a revolution" says OECD's Gurría re: progress on bank secrecy & tax evasion. 2009 report out today http://bit.ly/QqDy5".

The OECD's growing Twitter following of journalists, NGOs, policymakers and business types may be well off the millions major stars draw – Martha Stewart, the US cookery and home-maker guru, has 1.5 million followers for instance – but OECD tweets still have followers and are often



re-tweeted, particularly when it comes to interesting factoids, such as one saying that "a T-shirt costs 2,700 litres of water to produce", from a recent OECD Insights book on sustainable development.

In the end, dialogue is the driving force behind Twitter, whether it's discussing how much a T-shirt really costs, or indeed how to decorate one.

Follow us on: www.twitter.com/OECDtweet

Trade declines

By sector–

International trade has declined steeply during the crisis (see News brief), though how has the fall been reflected in different sectors and countries? Take the US, Germany and Japan, the three largest OECD traders–OECD countries account for roughly 60% of world trade. As shown in the top graph for total trade (which is the sum of imports and exports, rather than the difference, which is the trade balance as shown on page 5), machinery and transport equipment have broadly speaking been the main culprits, falling by over 11% in the US, 14% in Germany and 15% in Japan, comparing the second quarter 2009 with a year earlier. Lower energy prices have also contributed to fewer imports. Trade in fuel and lubricants fell by nearly 10% in the US and Japan, though exports by just over 3% in Germany. A closer look shows that fuel and lubricant imports in the US and Japan plummeted, by 13.6% and 18.1% respectively. Trade in manufactures and chemicals were not affected quite as badly, though it fell particularly steeply in Germany, by 6% and 3.6% respectively, year-on-year.

–and by geography

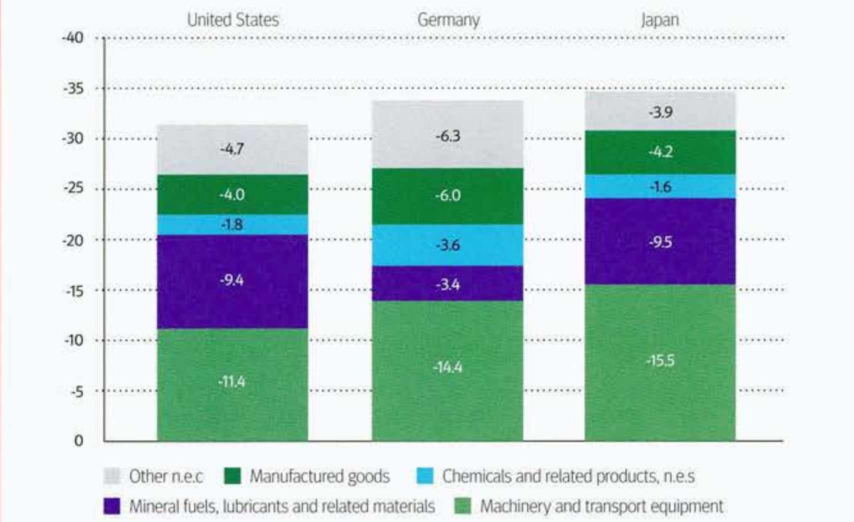
North America accounts for between a quarter and a third of US goods trade, and predictably, US exports and imports have fallen most in these markets–by about 10% over the period from the second quarter in 2008 to the same period in 2009. However, German trade with its neighbours in Europe accounts for about 70% of its total trade, and so imports slumped by some 23% and exports by 28% to those markets. Asian markets account for about half of Japan's trade, but imports and exports with these partners fell by 11% and 14% respectively.

A look at the rest of the world reveals different levels of trade exposure too. US trade with Asia and Europe fell by 6-8%. Japanese imports from the rest of the world fell by 17%. Moreover, Japan suffered fairly sharp declines in trade with North America (down 4% for imports and nearly 8% for exports), whereas Germany saw a decline of just 3% in exports to the US, and less than 2% in imports. As for the US, its imports from Asia fell by 8% and exports by 6%, while its imports from other countries around the world fell by nearly 10%.

For more detail see *StatLinks* and email **std.contact@oecd.org**

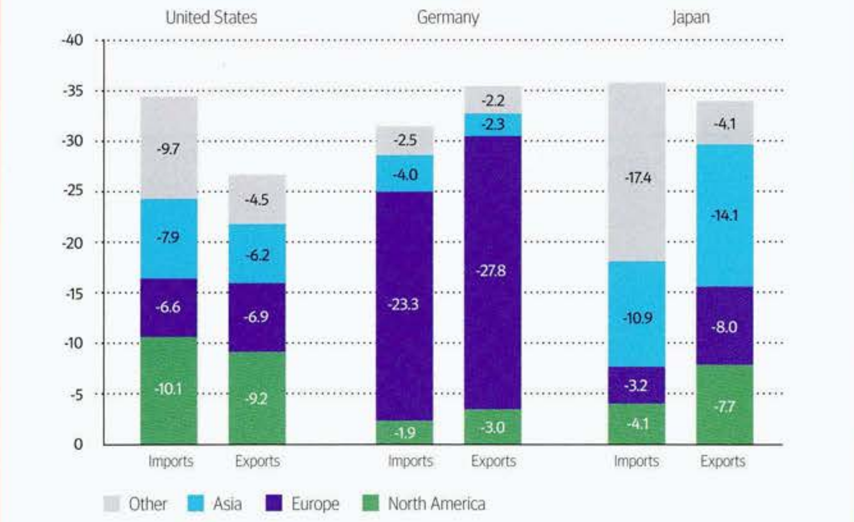
Trading down

Overall trade decline by sector, selected countries, Q2 2009/Q2 2008, % change



Source: OECD Monthly Statistics of International Trade (MSIT) database StatLink http://dotstat.oecd.org/wbos/index.aspx

Overall trade decline by geography, selected countries, Q2 2009/Q2 2008, % change



Source: OECD Monthly Statistics of International Trade (MSIT) database StatLink http://dotstat.oecd.org/wbos/index.aspx

			% change from:				level:	
			previous period	previous year			current period	same period last year
Australia	Gross domestic product	Q1 09	0.4	0.4	Current balance	Q1 09	-3.05	-18.21
	Leading indicator	Jun. 09	0.1	-4.5	Unemployment rate	Jun. 09	5.8	4.2
	Consumer price index	Q2 09	0.5	1.5	Interest rate	Jun. 09	3.25	7.81
Austria	Gross domestic product	Q1 09	-2.6	-2.7	Current balance	Q1 09	1.03	3.87
	Leading indicator	Jun. 09	0.7	-3.6	Unemployment rate	Jun. 09	4.4	3.6
	Consumer price index	Jun. 09	0.0	0.0	Interest rate		★	★
Belgium	Gross domestic product	Q2 09	-0.4	-3.8	Current balance	Q1 09	-1.65	-0.57
	Leading indicator	Jun. 09	1.1	-5.1	Unemployment rate	Jun. 09	8.1	6.9
	Consumer price index	Jul. 09	-0.1	-1.7	Interest rate		★	★
Canada	Gross domestic product	Q1 09	-1.4	-2.1	Current balance	Q1 09	-7.27	5.84
	Leading indicator	Jun. 09	1.0	-4.8	Unemployment rate	Jun. 09	8.6	6.2
	Consumer price index	Jun. 09	0.3	-0.3	Interest rate	July 09	0.40	3.27
Czech Republic	Gross domestic product	Q1 09	-3.4	-3.4	Current balance	Q1 09	-1.11	-1.15
	Leading indicator	Jun. 09	0.2	-14.2	Unemployment rate	Jun. 09	6.3	4.3
	Consumer price index	Jun. 09	0.0	1.2	Interest rate	Jun. 09	2.17	4.21
Denmark	Gross domestic product	Q1 09	-1.1	-4.3	Current balance	Q1 09	1.60	0.81
	Leading indicator	Jun. 09	0.5	-5.3	Unemployment rate	Jun. 09	6.2	3.1
	Consumer price index	Jun. 09	0.3	1.2	Interest rate	July 09	1.42	5.08
Finland	Gross domestic product	Q1 09	-2.7	-6.0	Current balance	May 09	-1.19	-0.98
	Leading indicator	Jun. 09	1.3	3.2	Unemployment rate	Jun. 09	8.5	6.3
	Consumer price index	Jun. 09	0.2	-0.1	Interest rate		★	★
France	Gross domestic product	Q1 09	-1.2	-3.2	Current balance	Apr. 09	-4.08	-4.63
	Leading indicator	Jun. 09	1.4	2.7	Unemployment rate	Jun. 09	9.4	7.7
	Consumer price index	Jun. 09	0.1	-0.5	Interest rate		★	★
Germany	Gross domestic product	Q1 09	-3.8	-6.9	Current balance	Q1 09	22.79	69.97
	Leading indicator	Jun. 09	1.7	-6.6	Unemployment rate	Jun. 09	7.7	7.3
	Consumer price index	Jun. 09	0.4	0.1	Interest rate		★	★
Greece	Gross domestic product	Q1 09	-1.2	0.3	Current balance	Apr. 09	-3.19	-4.58
	Leading indicator	Jun. 09	1.1	-1.3	Unemployment rate	Mar. 09	8.7	7.7
	Consumer price index	Jun. 09	-0.1	0.5	Interest rate		★	★
Hungary	Gross domestic product	Q1 09	-2.5	-5.4	Current balance	Q1 09	-1.11	-2.87
	Leading indicator	Jun. 09	2.0	-11.2	Unemployment rate	Jun. 09	10.3	7.8
	Consumer price index	Jun. 09	0.0	3.7	Interest rate	July 09	9.22	8.70
Iceland	Gross domestic product	Q1 09	-3.6	-3.3	Current balance	Q1 09	-0.51	-1.02
	Leading indicator		..	..	Unemployment rate		..	
	Consumer price index	Jul. 09	0.1	11.7	Interest rate	Jun. 09	7.94	15.95
Ireland	Gross domestic product	Q1 09	-1.5	-8.4	Current balance	Q1 09	-1.67	-4.46
	Leading indicator	May 08	-0.8	-6.7	Unemployment rate	Jun. 09	12.2	5.6
	Consumer price index	Jun. 09	-0.3	-5.4	Interest rate		★	★
Italy	Gross domestic product	Q1 09	-2.6	-6.0	Current balance	Feb. 09	-5.83	-4.27
	Leading indicator	Jun. 09	2.2	4.8	Unemployment rate	Mar. 09	7.4	6.6
	Consumer price index	Jun. 09	0.1	0.5	Interest rate		★	★
Japan	Gross domestic product	Q1 09	-3.8	-8.4	Current balance	May 09	10.53	17.70
	Leading indicator	Jun. 09	0.3	-12.7	Unemployment rate	Jun. 09	5.4	4.1
	Consumer price index	Jun. 09	-0.2	-1.8	Interest rate	Jun. 09	0.32	0.73
Korea	Gross domestic product	Q2 09	2.3	-2.5	Current balance	May 09	3.12	-0.49
	Leading indicator	Jun. 09	1.8	4.6	Unemployment rate	Jun. 09	4.0	3.2
	Consumer price index	Jul. 09	0.4	1.6	Interest rate	July 09	2.41	5.52
Luxembourg	Gross domestic product	Q1 09	-1.5	-5.4	Current balance	Q1 09	0.64	1.27
	Leading indicator	Jun. 09	1.4	-5.9	Unemployment rate	Jun. 09	6.4	4.9
	Consumer price index	Jun. 09	0.5	-0.3	Interest rate		★	★
Mexico	Gross domestic product	Q1 09	-5.9	-8.6	Current balance	Q1 09	-0.70	-1.89
	Leading indicator	Jun. 09	0.9	0.8	Unemployment rate	Jun. 09	5.6	3.8
	Consumer price index	Jun. 09	0.2	5.7	Interest rate	July 09	4.67	8.21
Netherlands	Gross domestic product	Q1 09	-2.6	-4.2	Current balance	Q1 09	4.18	15.24
	Leading indicator	Jun. 09	0.9	-8.2	Unemployment rate	Jun. 09	3.3	2.7
	Consumer price index	Jun. 09	-0.3	1.4	Interest rate		★	★
New Zealand	Gross domestic product	Q1 09	-0.7	-2.2	Current balance	Q1 09	-1.42	-2.84
	Leading indicator	Jun. 09	0.5	2.9	Unemployment rate	Q1 09	5.0	3.8
	Consumer price index	Q2 09	0.6	1.9	Interest rate	July 09	2.79	8.46

			% change from:				level:	
			previous period	previous year			current period	same period last year
Norway	Gross domestic product	Q1 09	-0.4	-0.3	Current balance	Q1 09	12.23	21.11
	Leading indicator	Jun. 09	0.0	-6.2	Unemployment rate	Apr. 09	3.1	2.4
	Consumer price index	Jun. 09	0.6	3.4	Interest rate	July 09	1.87	6.46
Poland	Gross domestic product	Q1 09	0.4	1.9	Current balance	Apr. 09	0.13	-2.59
	Leading indicator	Jun. 09	0.2	-0.6	Unemployment rate	Jun. 09	8.2	7.1
	Consumer price index	Jun. 09	0.2	4.0	Interest rate	Jun. 09	4.44	6.65
Portugal	Gross domestic product	Q1 09	-1.6	-3.7	Current balance	Apr. 09	-0.89	-1.98
	Leading indicator	Jun. 09	0.6	-9.3	Unemployment rate	Jun. 09	9.3	7.7
	Consumer price index	Jun. 09	0.1	-1.6	Interest rate		*	*
Slovak Republic	Gross domestic product	Q1 09	-11.4	-6.2	Current balance	Q1 09	-5.00	-1.20
	Leading indicator	Jun. 09	2.0	-14.3	Unemployment rate	Jun. 09	11.7	9.5
	Consumer price index	Jun. 09	0.5	2.4	Interest rate		*	*
Spain	Gross domestic product	Q1 09	-1.9	-3.0	Current balance	Apr. 09	-4.85	-14.79
	Leading indicator	Jun. 09	1.2	-0.5	Unemployment rate	Jun. 09	18.1	11.0
	Consumer price index	Jun. 09	0.4	-1.0	Interest rate		*	*
Sweden	Gross domestic product	Q2 09	0.0	-6.3	Current balance	Q1 09	4.51	10.54
	Leading indicator	Jun. 09	0.1	-7.1	Unemployment rate	Jun. 09	9.0	5.6
	Consumer price index	Jun. 09	0.2	-0.6	Interest rate	July 09	0.18	4.34
Switzerland	Gross domestic product	Q1 09	-0.8	-1.6	Current balance	Q4 08	11.77	8.82
	Leading indicator	Jun. 09	0.6	-1.7	Unemployment rate	Q1 09	3.9	3.5
	Consumer price index	Jun. 09	0.2	-1.0	Interest rate	July 09	0.36	2.76
Turkey	Gross domestic product	Q1 09	-4.2	-13.7	Current balance	Q1 09	1.02	-11.22
	Leading indicator	Jun. 09	2.2	-2.8	Unemployment rate	Mar. 09	12.5	9.0
	Consumer price index	Jun. 09	0.1	5.7	Interest rate	Apr. 08	16.65	17.86
United Kingdom	Gross domestic product	Q2 09	-0.8	-5.6	Current balance	Q1 09	-12.25	-5.07
	Leading indicator	Jun. 09	1.1	-0.9	Unemployment rate	Apr. 09	7.5	5.1
	Consumer price index	Jun. 09	0.3	1.8	Interest rate	July 09	1.03	5.80
United States	Gross domestic product	Q2 09	-0.3	-3.9	Current balance	Q1 09	-101.49	-179.30
	Leading indicator	Jun. 09	1.3	-7.2	Unemployment rate	Jun. 09	9.5	5.6
	Consumer price index	Jun. 09	0.9	-1.4	Interest rate	July 09	0.35	2.79
Euro area	Gross domestic product	Q1 09	-2.5	-4.9	Current balance	Apr. 09	-7.80	-4.85
	Leading indicator	Jun. 09	1.5	-1.6	Unemployment rate	Jun. 09	9.4	7.5
	Consumer price index	Jun. 09	0.2	-0.1	Interest rate	July 09	0.98	4.96
Non-members								
[1] Russian Federation	Gross domestic product	Q1 09	-9.0	-9.7	Current balance	Q4 08	9.39	25.01
	Leading indicator	Jun. 09	1.2	-17.7	Unemployment rate		..	..
	Consumer price index	Jun. 09	0.6	11.9	Interest rate	May 09	11.20	8.00
[2] Brazil	Gross domestic product	Q1 09	-0.8	1.6	Current balance	Q1 09	-3.06	-8.38
	Leading indicator	Jun. 09	0.4	-11.4	Unemployment rate		..	..
	Consumer price index	Jun. 09	0.4	4.8	Interest rate		..	..
[2] China	Gross domestic product		..	..	Current balance		..	..
	Leading indicator	Jun. 09	1.4	-3.7	Unemployment rate		..	..
	Consumer price index		..	..	Interest rate	May 09	1.14	4.38
[2] India	Gross domestic product	Q1 09	1.4	4.1	Current balance	Q1 09	4.75	-1.04
	Leading indicator	Jun. 09	1.2	-3.4	Unemployment rate		..	..
	Consumer price index	Jun. 09	1.3	9.3	Interest rate		..	..
[2] Indonesia	Gross domestic product	Q1 09	0.9	4.4	Current balance	Q4 08	-0.01	3.66
	Leading indicator	Jun. 09	0.8	-11.2	Unemployment rate		..	..
	Consumer price index	Jun. 09	0.1	3.7	Interest rate	Jun. 09	9.25	7.49
[2] South Africa	Gross domestic product	Q1 09	-1.7	-0.8	Current balance	Q4 08	-3.39	-5.59
	Leading indicator	May 09	0.0	-7.3	Unemployment rate		..	..
	Consumer price index	Jun. 09	0.3	7.1	Interest rate	July 09	7.37	11.37

GrossDomestic Product: Volume series; seasonally adjusted. **Leading Indicators:** A composite indicator based on other indicators of economic activity, 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 US$; seasonally adjusted. **Unemployment Rate:** % of civilian labour force, standardised unemployment rate; national definitions for Iceland, Mexico and Turkey; seasonally adjusted apart from Turkey. **Interest Rate:** Three months; *refers to Euro area.

..=not available

[1]Accession candidate to OECD

[2]Enhanced engagement programme

Source: Main Economic Indicators, June 2009

When learning pays

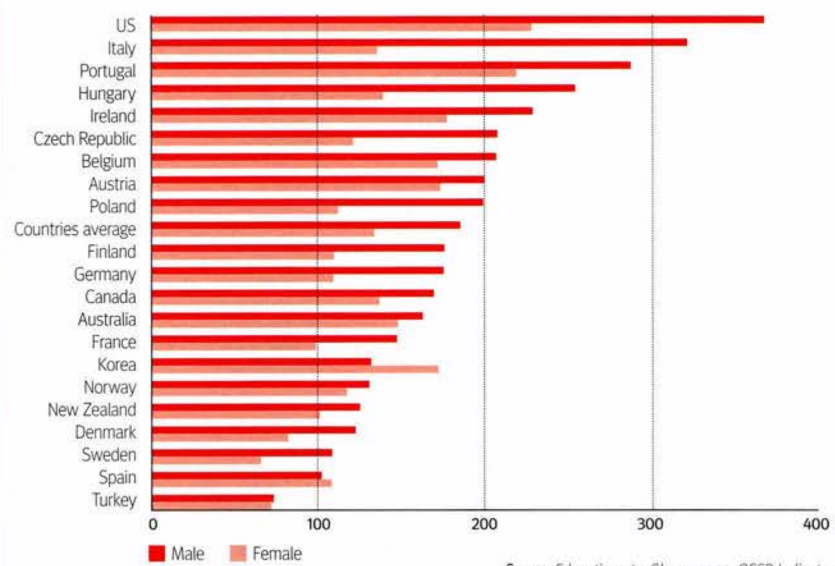
Jobs crisis or no, it's best to invest in education. As this year's edition of *Education at a Glance* shows, men and women who have university-level degrees earn far more over the course of a lifetime than those who don't. In fact, men with higher education in Italy and the US can earn over US$300,000 more than their counterparts who do not have a university degree. Rewards tend to be lower for women, with Korea and Spain the exceptions.

High levels of education benefit the community too. Better educated people are generally healthier and wealthier, which means higher savings and consumption, as well as lower public spending on healthcare and more revenue for government. In short, investing in education is not only safe, but gives impressive returns, too.

Education at a Glance 2009: OECD Indicators is available at www.oecd.org/bookshop

Returns on learning

Private net present value for an individual with tertiary education as part of initial education, US$ '000s



Source: *Education at a Glance 2009: OECD Indicators*

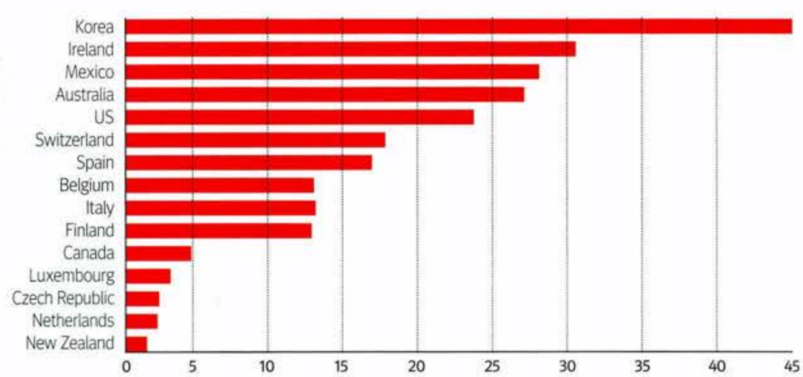
Poor pensioners

As actress Bette Davis once said, "getting old is not for sissies". Just when you expect to be reaping the rewards of a life of hard work, there is a surprisingly good chance that you will, instead, be struggling just to get by. In the mid-2000s, an average of 13.3% of people over 65 were living in poverty in OECD countries. An astonishing 45% of Koreans of that age were income poor, as were more than one out of every five older persons in Australia, Greece, Ireland, Japan, Mexico and the US. In only eight countries was the income poverty rate 5% or less among their oldest citizens.

One of the reasons for these differences is the level at which old-age safety-net benefits are set. In Australia, for example, the full-age pension in 2005 was about AU$2,000 lower than the income poverty threshold for a single person. That gap is even greater in Ireland. In contrast, the basic pension in New Zealand in 2005 was NZ$16,000, much higher than the poverty threshold of NZ$13,040 for a single person.

Old-age income poverty rates

% of over-65s with equivalent incomes below half the population median, mid-2000s, selected countries*



Source: *Pensions at a Glance 2009: Retirement-Income Systems in OECD Countries*

*More countries available at StatLink http://dx.doi.org/10.1787/635443623047